MCARDLE JANINE J
Form 4
January 17, 2012

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
MCARDLE JANINE J

(Last) (First) (Middle)

2000 POST OAK BOULEVARD, SUITE 100

(Street)

HOUSTON, TX 77056

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
APACHE CORP [APA]

3. Date of Earliest Transaction (Month/Day/Year)
01/16/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock (1)	01/16/2012		M (2)		867	A	$ 0	17,677	D	
Common Stock (1)	01/16/2012		F (3)		266	D	$ 92.84	17,411	D	
Common Stock (1)								462	I	Held by Spouse
Common Stock (1)								114	I	Held by Son

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Pri Deriv Secur (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Restricted Stock / Units (4)	$ 0 (5)	01/16/2012		M			867	01/15/2012	(6)	Common Stock (1)	867	$

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MCARDLE JANINE J 2000 POST OAK BOULEVARD, SUITE 100 HOUSTON, TX 77056			Senior Vice President	

Signatures

Cheri L. Peper, Attorney-in-Fact	01/17/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The shares of common stock of Apache are deemed to also represent certain preferred stock purchase rights ('Rights'). The Rights are not currently exercisable or separately tradable and presently are evidenced by certificates for shares of the common stock. Value attributable to such Rights, if any, is reflected in the market price of the common stock.

(2) Vesting on 01/15/2012 of restricted stock units under employer plan - data provided by plan administrator on 01/16/2012.

(3) Shares withheld to cover required tax withholding on vesting of restricted stock units effective as of 01/15/2012 - data provided by plan administrator on 01/16/2012.

(4) With tandem tax withholding right

(5) One share of Apache common stock for each restricted stock unit.

(6) Granted under employer plan on 01/15/2010. Units vest 1/3 on 01/15/2010, 01/15/2011, and 01/15/2012.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. IZE="2"> 1,468,628 8.23%

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- * Less than one percent.
- (1) Includes 18,299 Phantom Stock Units that convert to shares of IES common stock when Mr. Dowling leaves the Board for any reason.
- (2) Includes 20,050 Phantom Stock Units that convert to shares of IES common stock when Mr. Gendell leaves the Board for any reason.
- (3) Includes 6,126 Phantom Stock Units that convert to shares of IES common stock when Mr. Koshkin leaves the Board for any reason.
- (4) Includes 8,309 Phantom Stock Units that convert to shares of IES common stock when Mr. Lindstrom leaves the Board for any reason and 200,000 shares of IES common stock issued pursuant to restricted stock grants subject to tenure vesting, of which 100,002 are vested.
- (5) Includes 39,323 Phantom Stock Units which convert to shares of IES common stock when Mr. Luke leaves the Board for any reason.
- (6) Reflects beneficial ownership of Mr. Fiedler, who was an NEO during fiscal 2012, at the time that his employment with the Company terminated on August 31, 2012.
- (7) Reflects beneficial ownership of Mr. Freeman, who was an NEO during fiscal 2012, at the time that his employment with the Company terminated on January 20, 2012.
- (8) Includes 25,561 shares of Common Stock issued pursuant to restricted stock grants subject to tenure vesting, of which 12,613 are vested.
- (9) Includes 12,500 shares of Common Stock issued pursuant to restricted stock grants subject to tenure vesting, of which none are vested.
- (10) Does not include Messrs. Fiedler and Freeman, each of whose employment with IES terminated in 2012.
- (11) According to a Schedule 13D/A filed on July 21, 2011, Jeffrey L. Gendell is the managing member of Tontine Capital Management, L.L.C., a Delaware limited liability company (TCM), the general partner of Tontine Capital Partners, L.P., a Delaware limited partnership (TCP). Mr. Gendell is the managing member of Tontine Capital Overseas GP, L.L.C., a Delaware limited liability company (TCO), the general partner of Tontine Capital Overseas Master Fund, L.P., a Cayman Islands limited partnership(TMF). Mr. Gendell is the managing member of Tontine Management, L.L.C., a Delaware limited liability company (TM), the general partner of Tontine Partners, L.P., a Delaware limited partnership (TP). Mr. Gendell is the managing member of Tontine Asset Associates, L.L.C., a Delaware limited liability company (TAA), the general partner of Tontine Capital Overseas Master Fund II, L.P., a Cayman Islands limited partnership (TCP2). Mr. Gendell is the managing member of Tontine Overseas Associates, L.L.C.; a Delaware limited liability company (TOA). TCM and TCP share voting and dispositive power of 3,099,291 shares of IES common stock. TMF and TCO share voting and dispositive power of 863,097 shares of IES common stock. TM and TP share voting and dispositive power of 2,637,092 shares of IES common stock. TAA and TCP2 share voting and dispositive power of 1,477,646 shares of IES common stock. TOA has sole voting and dispositive power of 477,367 shares of IES common stock. Mr. Gendell has sole voting and dispositive power of 7,916 shares of IES common stock and shared voting and dispositive power of 8,554,493 shares of IES common stock.

The principal business of TMF, TCP, TP and TCP2 is serving as a private investment limited partnership. The principal business of TCM is serving as the general partner of TCP. The principal business of TCO is serving as the general partner of TMF. The principal business of TM is serving as the general partner of TP. The principal business of TOA is managing its assets. The principal business of TAA is serving as the general partner of TCP2. The address of the principal business and principal office of each of the above entities, as well as Mr. Gendell, is One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830.

The shares reported herein were purchased with working capital and on margin. The margin transactions are with UBS Securities LLC and were made on such firm s usual terms and conditions. All or part of these shares may from time to time be pledged with one or more banking institutions or brokerage firms as collateral for loans made by such bank(s) or brokerage firm(s) to the respective entities reporting the ownership. Such loans bear interest at a rate based upon the broker s call rate from time to time in effect. Such indebtedness may be refinanced with other banks or broker dealers.

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All the foregoing shares may be deemed to be beneficially owned by Mr. Gendell. Mr. Gendell disclaims beneficial ownership of the IES common stock reported above for purposes of Section 16(a) under the Securities Exchange Act of 1934, as amended or otherwise, except as to securities directly owned by Mr. Gendell or representing Mr. Gendell s pro rata interest in, or interest in the profits of such entities. The address of the principal business and principal office of each of the above entities, as well as Mr. Gendell, is One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830.

(12) The number of shares of IES common stock deemed to be beneficially owned by Mr. Gendell after the merger assumes (i) that Mr. Gendell elects to receive stock consideration in exchange for all 5,833,332 shares of MISCOR common stock deemed to beneficially owned by Mr. Gendell and (ii) an Exchange Ratio of 0.311, based on the assumptions described in Note 3 to the Unaudited Pro Forma Condensed Combined Financial Statements beginning on page F-2.

(13) According to a Schedule 13G filed on February 4, 2013, Royce & Associates, LLC, a New York corporation, whose address is 745 Fifth Avenue, New York, New York 10151, has the sole voting and dispositive power for 1,468,628 shares of IES common stock. The Schedule 13G states that Royce & Associates is an Investment Advisor registered under Section 203 of the Investment Advisors Act of 1940.

(14) The shares of IES common stock beneficially owned after the merger are based on the assumptions described in Note 3 to the Unaudited Pro Forma Condensed Combined Financial Statements beginning on page F-2, which assumptions will not be definitively determined until the Merger Consideration Determination Date.

Holders of MISCOR Common Stock

At the close of business on July 24, 2013, the latest practicable date prior to the record date for the determination of shareholders of MISCOR entitled to receive notice of, and to vote at, the MISCOR Meeting or any adjournments or postponements thereof, there were approximately 65 record holders of MISCOR common and 11,684,987 shares of MISCOR common stock issued and outstanding.

As of July 24, 2013, 11,684,987 shares of MISCOR common stock were issued and outstanding. The following table reflects the beneficial ownership of MISCOR common stock as of July 24, 2013 by:

each person who is known by MISCOR to own beneficially 5% or more of the outstanding shares of MISCOR common stock;

MISCOR s current directors; and

all of MISCOR s directors and executive officers as a group.

	Shares of MISCOR Common Stock Beneficially Owned Prior to the Merger[1]			
Name of Beneficial Owner	**Sole Voting and Investment Power**	**Shared Voting and Investment Power[2]**	**Total Number of Shares**	**Percent of Class[3]**
Directors Who are Not Named Executive Officers				
William J. Schmuhl, Jr.	10,000		10,000	*
John A. Martell[4]		2,738,800	2,738,800	23.4%
Michael D. Topa				*
Executive Officers				
Michael P. Moore[5]	73,000		73,000	*
Marc Valentin[6]	10,000		10,000	*
Directors and executive officers as a group[4][5][6]	93,000	2,738,800	2,831,800	24.1%
Other 5% Beneficial Owners				
Jeffrey L. Gendell[7]	5,833,332	2,738,800	8,572,132	73.4%

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* Represents less than 1.0% of the outstanding shares of MISCOR common stock calculated in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. See footnote (3) below.

(1) Includes shares personally owned of record and shares that, under applicable regulations, are considered to be otherwise beneficially owned.

(2) Includes shares over which the listed person is legally entitled to share voting or dispositive power by reason of joint ownership, trust, or other contract or property right and shares held by spouses, children, or other relatives over whom the listed person may have influence by reason of relationship.

(3) Based on, for each shareholder, 11,684,987 shares of MISCOR common stock issued and outstanding as of July 24, 2013 plus, with respect to certain beneficial owners, the number of shares issuable upon exercise of stock options described herein.

(4) In connection with the purchase by Tontine Capital Partners, L.P. and Tontine Capital Overseas Master Fund, L.P. (collectively, the Tontine Funds) of shares of MISCOR common stock, Mr. Martell granted to the Tontine Funds a limited irrevocable proxy to vote his shares of common stock in connection with certain matters described under Special Factors Relationship with Tontine Relationship between MISCOR and Tontine. On all other matters, Mr. Martell has sole voting power with respect to these shares. Mr. Martell has sole investment power with respect to these shares.

(5) Includes option to purchase 10,000 restricted shares with a four-year cliff vesting for $0.35 per share should Mr. Moore continue as a MISCOR employee, options to purchase 60,000 shares of MISCOR common stock with four-year cliff vesting for $0.35 per share and 3,000 shares of MISCOR common stock with a three-year restriction purchased through MISCOR s 2005 Restricted Stock Purchase Plan for $0.01 per share.

(6) Includes options to purchase 7,000 shares of MISCOR common stock with four-year cliff vesting should Mr. Valentin continue as a MISCOR employee at an exercise price of $0.35 per share and 3,000 shares of MISCOR common stock with a three-year restriction purchased through our 2005 Restricted Stock Purchase Plan for $0.01 per share.

(7) Includes 4,666,666 shares of MISCOR common stock directly owned by TCP, 1,001,081 shares of common stock directly owned by TMF, and 165,585 shares of common stock directly owned by TCP2. TCM is the general partner of TCP, TCO is the general partner of TMF, and TAA is the general partner of TCP2. Mr. Gendell is the managing member of TCM, TCO, and TAA and in such capacity has voting and investment control over the shares of MISCOR common stock owned by TCP, TMF, and TCP2. Also includes 2,738,800 shares of common stock held by John A. Martell with respect to which Mr. Martell granted to the Tontine Funds a limited irrevocable proxy to vote such in connection with certain matters described under Special Factors Relationship with Tontine Relationship between MISCOR and Tontine. The address of the principal business and principal office of each of the above entities, as well as Mr. Gendell, is One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus contains certain statements that constitute forward-looking statements (as defined in Section 27A of the Securities Act and Section 21E of the Exchange Act), within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, which reflect IES and MISCOR s expectations regarding future events. Forward-looking statements are opinions, forecasts, projections, future plans or other statements other than statements of historical fact and are generally identified by words such as expect, anticipate, estimate, intend, may, will, could, would, should, predict, potential, plan, project, likely, believe, target, goal, seek or the expressions. The forward-looking statements involve substantial risks and uncertainties that could significantly affect expected results, and actual future results and stockholder values of the Company, MISCOR and the combined company could differ materially from those described in these statements. Such forward-looking statements include, but are not limited to, statements about the expected value of the merger consideration, benefits of the business combination transaction involving the Company and MISCOR, including future financial and operating results, accretion to the Company s earnings per share arising from the transaction, the expected amount and timing of cost savings and operating synergies, whether and when the transactions contemplated by the merger agreement will be consummated, the new combined company s business strategy, plans, market and other expectations, objectives, intentions and other statements that are not historical facts.

These statements are based upon current expectations and estimates of the respective management of IES and MISCOR, and neither IES nor MISCOR can give any assurance that such expectations will prove to be correct. These statements are only predictions and are not guarantees of performance. These statements are subject to numerous risks and uncertainties that could cause actual outcomes and results to be materially different from those projected or anticipated. In addition to the risks described under Risk Factors beginning on page 30, the following factors, among others, could cause actual results to be materially different from those expressed or implied by any forward-looking statements:

- the inability to consummate the merger;
- the inability to achieve, or difficulties and delays in achieving, synergies and cost savings relating to the merger;
- difficulties and delays in obtaining consents and approvals that are conditions to the completion of the merger;
- the ability of IES and MISCOR to enter into, and the terms of, future contracts;
- the impact of governmental laws and regulations;
- the adequacy of sources of liquidity;
- the ability of IES to retain certain employees key to the ongoing success of the combined company and the availability of other skilled personnel;
- the effect of litigation, claims and contingencies, including those that have been filed by certain MISCOR shareholders;
- the inability to carry out plans and strategies as expected;

the ability to maintain relationships with MISCOR s customers, Union Pacific, Inc. and CSX, Inc., and for MISCOR to remain competitive against large original equipment manufacturers in its rail service segment;

future capital expenditures and refurbishment, repair and upgrade costs;

delays in refurbishment and upgrade projects;

the sufficiency of funds for required capital expenditures, working capital and debt service;

liabilities under laws and regulations protecting the environment; and

the impact of purchase accounting.

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Actual results and plans could differ materially from those expressed in any forward-looking statements if underlying assumptions prove incorrect, or if there occurs one or more of the risks or uncertainties described elsewhere in this joint proxy statement/prospectus.

You are cautioned not to place undue reliance on the forward-looking statements made in this joint proxy statement/prospectus or by representatives of IES or MISCOR. These statements speak only as of the date hereof or, in the case of statements made by representatives of IES or MISCOR, on the date those statements are made. All forward-looking statements, expressed or implied, included in this joint proxy statement/prospectus, and all subsequent written and oral forward-looking statements concerning the merger, the combined company or any other matter addressed in this joint proxy statement/prospectus and attributable to IES, MISCOR or any person acting on behalf of either company, are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

Except as otherwise required by applicable law, IES and MISCOR disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section. See also Where You Can Find More Information, beginning on page 250.

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THE IES MEETING

This section contains information from IES for IES stockholders about the IES Meeting. Together with this joint proxy statement/prospectus, IES is also sending a notice of the IES Meeting and a form of proxy that is being solicited by the IES board of directors for use at the IES Meeting. The information and instructions contained in this section are addressed to IES stockholders only, and all references to you in this section should be understood to be addressed to IES stockholders.

Date, Time, Place and Purposes of the IES Meeting

The IES Meeting will be held on September 12, 2013, at 9:00 a.m., Central Time, at the IES corporate office located at 5433 Westheimer Road, Suite 500, Houston, Texas 77056 for the following purposes:

1. to approve the issuance of shares of IES common stock to the MISCOR shareholders in connection with the merger of MISCOR with and into Merger Sub, with Merger Sub surviving the merger as the surviving corporation, a direct, wholly-owned subsidiary of IES, as set forth in the merger agreement, a copy of which is attached as Annex A to the joint proxy statement/prospectus (Proposal No. 1);

2. to approve the adjournment or postponement of the IES Meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposal (Proposal No. 2); and

3. to transact any other business as may properly come before the IES Meeting or any adjournments or postponements thereof.

The approval of Proposal No. 1 is a condition to the completion of the merger. Accordingly, if IES stockholders wish to support the merger, they must approve Proposal No. 1.

The IES board of directors recommends that IES stockholders vote **FOR** Proposal No. 1 and Proposal No. 2. In considering the recommendation of the IES board of directors, you should be aware that certain directors of IES have personal interests that may motivate them to support the merger.

For the reasons for these recommendations, see The Merger Recommendation of the IES Board of Directors and Its Reasons for the Merger, beginning on page 67.

Who Can Vote at the IES Meeting

Only holders of record of IES common stock at the close of business on August 5, 2013, the record date for the IES Meeting, are entitled to notice of and to vote at the IES Meeting. On July 24, 2013, the latest practicable date prior to the record date, there were 15,105,846 shares of IES common stock outstanding and entitled to be voted at the IES Meeting held by approximately 382 stockholders of record. A majority of these shares, present in person or represented by proxy, is necessary to constitute a quorum. Each share of IES common stock is entitled to one vote at the IES Meeting.

Votes Required for Approval

The affirmative vote of the holders of a majority of the votes cast by IES stockholders entitled to vote at the IES Meeting, at which a quorum is present, is required to approve Proposal No. 1, the issuance of shares of IES common stock in the merger.

The affirmative vote of a majority of the votes cast at the IES Meeting is required to approve Proposal No. 2, the adjournment or postponement of the IES Meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies.

Pursuant to the merger agreement, as a condition to the completion of the merger, IES must also receive the IES Minority Approval, which requires that 50% or more of the votes cast by IES stockholders entitled to vote at the IES Meeting (excluding shares held by certain affiliates of IES and MISCOR) shall not have been voted against

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IES proposal to issue shares of IES common stock in the merger. Any or all of the conditions to the completion of the merger, including the IES Minority Approval, may, to the extent permitted by applicable law, be waived in writing in whole or in part by either IES or MISCOR.

Abstentions and broker non-votes will not be counted either in favor of or against Proposals No. 1 or 2, nor will they be counted either in favor or against Proposal No. 1 for the purpose of determining satisfaction of the IES Minority Approval.

Share Ownership of Directors and Executive Officers of IES

As of the close of business on July 24, 2013, the latest practicable date prior to the record date, the directors and executive officers of IES and their affiliates beneficially owned and were entitled to vote approximately 406,916 shares of IES common stock, collectively representing approximately 2.69% of the shares of IES common stock outstanding and entitled to vote on that date.

Quorum

A quorum will be present at the IES Meeting if a majority of all the shares of IES common stock issued and outstanding on the IES record date and entitled to vote at the IES Meeting are present in person or represented by proxy at the IES Meeting. Abstentions and broker non-votes will be treated as present at the IES Meeting for purposes of determining the presence or absence of a quorum for the transaction of all business.

Adjournments

If a quorum of IES stockholders is not present in person or represented by proxy at the IES Meeting, the IES Meeting may be adjourned by IES stockholders holding a majority of IES common stock present or represented at the meeting until a quorum is present or represented. In addition, if the adjournment proposal is approved, adjournments or postponements of the IES Meeting may be made for the purpose of soliciting additional proxies in favor of Proposal No. 1. No proxy that is voted against Proposal No. 1 will be voted in favor of adjournment or postponement of the IES Meeting for the purpose of soliciting additional proxies.

Manner of Voting

We refer to a stockholder who holds IES common stock in the stockholder s own name (as opposed to being held in the name of their broker, bank or other nominee) as a holder of record. Holders of record may vote in person at the IES Meeting or by proxy. IES recommends that holders of record vote by proxy even if they plan to attend the IES Meeting. Holders of record can always revoke their proxy and change their votes at the IES Meeting.

Proxy Voting by Holders of Record

Voting instructions are attached to your proxy card. If you properly submit your proxy to IES in time to vote, one of the individuals named as your proxy will vote your shares at the IES Meeting as you have directed. You may vote for or against any or all of the proposals submitted at the IES Meeting or abstain from voting.

If you are a holder of record, please vote your proxy by mail as provided below. Your submission of proxy authorizes James M. Lindstrom and Gail D. Makode, and each of them, as proxies, each with the power to appoint his or her substitute, to represent and vote your shares.

To submit your proxy by mail:

Mark, sign and date your proxy card and return it in the postage-paid envelope provided, or

Return it to Integrated Electrical Services, Inc., c/o Secretary, 5075 Westheimer, Suite 890, Houston, Texas 77056.

Only the latest dated proxy received from you will be voted at the IES Meeting.

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Voting of Shares Held in Street Name

If your shares of IES common stock are not held in your own name but rather by your broker, bank or another nominee, we refer to your shares as being held in street name by your nominee. If your shares are held in street name, you must instruct your nominee how to vote your shares.

Your nominee may send to you a separate voting instruction form asking you for your voting instructions. If you do not receive a request for voting instructions from your nominee well in advance of the IES Meeting, IES recommends that you directly contact your nominee to determine how to cause your shares to be voted as you wish.

Unless you give voting instructions, your nominee **will not vote your shares** on the proposal with respect to the issuance of shares of IES common stock in the merger or any other matter that comes before the IES Meeting. Your shares held in street name will, however, be counted for purposes of determining whether a quorum is present at the IES Meeting.

If you wish to attend the IES Meeting and personally vote your shares held in street name, you must obtain a legally sufficient proxy from your nominee authorizing you to vote your shares held in street name.

How Proxies Will Be Voted

All shares of IES common stock entitled to vote and represented by properly completed proxies received prior to the IES Meeting (unless properly revoked) will be voted at the IES Meeting as instructed on the proxies.

If holders of record who submit a properly completed proxy do not indicate how their shares of IES common stock should be voted on a matter, the shares of IES common stock represented by their proxy will be voted (unless properly withdrawn) as the IES board of directors recommends and therefore will be voted:

- **FOR** the proposal to issue shares of IES common stock in the merger, and
- **FOR** the proposal to adjourn or postpone the IES Meeting to a later date or date, if necessary or appropriate, to allow for the solicitation of additional proxies.

Any proxy that is voted against Proposal No. 1 will also be voted against adjournment or postponement of the IES Meeting for the purpose of soliciting additional proxies.

Revoking a Proxy

You may revoke your proxy at any time prior to its exercise by:

- submitting a new proxy card bearing a later date;
- giving written notice of the revocation to IES corporate secretary before the IES meeting; or
- attending the IES Meeting and voting in person.

Your attendance at the IES Meeting in person without voting will not automatically revoke your proxy. If you revoke your proxy during the meeting, this will not affect any vote previously taken. If you hold shares in street name and you desire to revoke your proxy, you should follow the instructions provided by your nominee.

Solicitation of Proxies and Expenses

IES and MISCOR will each pay one-half of the expenses incurred in connection with the printing and mailing of this joint proxy statement/prospectus. IES will also request brokers, banks and other nominees holding shares of IES

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common stock beneficially owned by others to send this joint proxy statement/prospectus to, and obtain proxies from, the beneficial owners of such shares and will reimburse them for their reasonable expenses in so doing.

American Stock Transfer & Trust Company, LLC (AST), IES transfer agent and registrar, may also solicit proxies from holders of record of IES common stock for customary fees. Solicitation of proxies by mail may be supplemented by telephone, email and other electronic means, advertisements and personal solicitations by the directors, officers and employees of IES. No additional compensation will be paid to IES directors, officers or employees for their solicitation efforts.

Questions About Voting or the IES Meeting

If you have any questions or need further assistance in voting your shares, please contact the following:

brokers, banks and other nominees call Broadridge (toll-free) at 1-800-579-1639, and

holders of record of IES common stock call AST Shareholder Services (toll-free) at 1-800-937-5449.

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THE MISCOR MEETING

This section contains information from MISCOR for MISCOR shareholders about the MISCOR Meeting. Together with this joint proxy statement/prospectus, MISCOR is also sending a notice of the MISCOR Meeting and a form of proxy that is being solicited by the MISCOR board of directors for use at the MISCOR Meeting. The information and instructions contained in this section are addressed to MISCOR shareholders only, and all references to you in this section should be understood to be addressed to MISCOR shareholders.

Date, Time, Place and Purposes of the MISCOR Meeting

The MISCOR Meeting will be held on September 12, 2013, at 10:00 a.m., Eastern Daylight Time, at the MISCOR corporate office located at 800 Nave Road, SE, Massillon, Ohio 44646, for the following purposes:

1. to adopt the merger agreement, a copy of which is attached as Annex A to this joint proxy statement/prospectus, pursuant to which MISCOR will merge with and into Merger Sub, with Merger Sub surviving the merger as the surviving corporation, a direct, wholly-owned subsidiary of IES, and approve the transactions contemplated thereby (Proposal No. 1);

2. to approve on an advisory (non-binding) basis the golden parachute compensation to be paid to MISCOR s executive officers in connection with the merger (which is referred to as the merger-related named executive officer compensation proposal) (Proposal No. 2);

3. to approve the adjournment or postponement of the MISCOR Meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposal (Proposal No. 3); and

4. to transact any other business as may properly come before the MISCOR Meeting or any adjournments or postponements thereof.

The MISCOR board of directors unanimously recommends that MISCOR shareholders vote **FOR** Proposal No. 1, Proposal No. 2 and Proposal No. 3. In considering the recommendation of the MISCOR board of directors, you should be aware that certain directors and executive officers of MISCOR have interests in the transactions contemplated by the merger agreement that may be different from, or in addition to, the interests of MISCOR shareholders generally.

For the reasons for these recommendations, see The Merger Recommendation of the MISCOR Board of Directors and Its Reasons for the Merger, beginning on page 62.

Who Can Vote at the MISCOR Meeting

Only holders of record of MISCOR common stock at the close of business on August 5, 2013, the MISCOR record date, are entitled to notice of, and to vote at, the MISCOR Meeting. As of July 24, 2013, the latest practicable date prior to the record date, there were 11,684,987 shares of MISCOR common stock outstanding and entitled to vote at the MISCOR Meeting, held by approximately 472 beneficial owners and approximately 65 stockholders of record. A majority of these shares, present in person or represented by proxy, is necessary to constitute a quorum. Each share of MISCOR common stock is entitled to one vote at the MISCOR Meeting.

Votes Required for Approval

A majority of the outstanding shares of MISCOR common stock entitled to vote as of the record date must be cast in favor of Proposal No. 1, adoption of the merger agreement, for it to be approved. Abstentions and broker non-votes will have the same effect as a vote **against** Proposal No. 1.

The affirmative vote of a majority of the votes cast at the MISCOR Meeting by MISCOR shareholders entitled to vote thereon is required to approve the (non-binding) advisory vote on Proposal No. 2, the merger-related named

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executive officer compensation proposal. Because the vote on Proposal No. 2 is advisory, it will not be binding on MISCOR, and failure to receive the vote required for approval will not in itself change MISCOR s obligations to make the merger-related named executive compensation. Abstentions and broker non-votes will not be counted either in favor of or against Proposal No. 2.

The affirmative vote of a majority of votes cast at the MISCOR Meeting and entitled to vote thereon is required to approve Proposal No. 3, the adjournment or postponement of the MISCOR Meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies. Abstentions and broker non-votes will not be counted either in favor of or against Proposal No. 3.

Pursuant to the merger agreement, as a condition to completion of the merger, MISCOR must also receive the MISCOR Minority Approval, which requires that 50% or more of the votes cast by MISCOR shareholders entitled to vote at the MISCOR Meeting (excluding shares held by certain affiliates of IES and MISCOR) shall not have been voted against MISCOR s proposal to adopt of the merger agreement. Abstentions and broker non-votes will not be counted either in favor of or against Proposal No. 1 for the purpose of determining satisfaction of the MISCOR Minority Approval. Any or all of the conditions to the completion of the merger, including the MISCOR Minority Approval, may, to the extent permitted by applicable law, be waived in writing in whole or in part by either IES or MISCOR.

Share Ownership of Directors and Executive Officers of MISCOR

As of the close of business on July 24, 2013, the latest practicable date prior to the record date, the directors and executive officers of MISCOR and their affiliates beneficially owned and were entitled to vote approximately 2,764,800 shares of MISCOR common stock, collectively representing approximately 23.7% of the shares of MISCOR common stock outstanding and entitled to vote on that date.

Quorum

A quorum will be present at the MISCOR Meeting if a majority of all the shares of MISCOR common stock issued and outstanding on the record date and entitled to vote at the MISCOR Meeting are present in person or represented by proxy at the MISCOR Meeting. Abstentions and broker non-votes will be treated as present at the MISCOR Meeting for purposes of determining the presence or absence of a quorum for the transaction of all business.

Adjournments

If a quorum is not present in person or represented by proxy at the MISCOR Meeting, the Chairman of the MISCOR board of directors or MISCOR shareholders holding a majority of the MISCOR common stock present at the MISCOR Meeting have the power to adjourn the meeting from time to time, without notice other than an announcement at the MISCOR meeting. In addition, the MISCOR Meeting may be adjourned or postponed for the purpose of soliciting additional proxies in favor of Proposal No. 1 by a majority of the votes cast, without regard to broker non-votes or abstentions. However, no proxy that is voted against Proposal No. 1 will be voted in favor of adjournment or postponement of the MISCOR Meeting for the purpose of soliciting additional proxies.

Manner of Voting

We refer to stockholders who hold their MISCOR common stock in their own name (as opposed to being held in the name of their broker, bank or other nominee) as holders of record. Holders of record may vote in person at the MISCOR Meeting or by proxy. MISCOR recommends that holders of record vote by proxy even if they plan to attend the MISCOR Meeting. Holders of record can always revoke their proxy and change their votes at the MISCOR Meeting.

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Proxy Voting by Holders of Record

Voting instructions are attached to your proxy card. If you properly submit your proxy to MISCOR in time to vote, one of the individuals named as your proxy will vote your shares at the MISCOR Meeting as you have directed. You may vote for or against any or all of the proposals submitted at the MISCOR Meeting or abstain from voting.

If you are a holder of record, there are three ways to vote your proxy: by telephone, by Internet or by mail. Your submission of proxy authorizes William J. Schmuhl, Jr. and Michael Topa, and each of them, as proxies, each with the power to appoint his substitute, to represent and vote your shares.

To submit your proxy by Telephone call Toll-Free to 1-800-690-6903:

Use any touch-tone telephone to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (New York City Time) on September 11, 2013.

Please have your proxy card available and follow the simple instructions the voice prompt provides.

To submit your proxy by Internet visit http://www.proxyvote.com:

Use the Internet to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (New York City Time) on September 11, 2013.

Please have your proxy card available and follow the simple instructions to obtain your records and create an electronic ballot.

To submit your proxy by mail:

Mark, sign and date your proxy card and return it in the postage-paid envelope provided, or

Return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

Only the latest dated proxy received from you, whether by mail, telephone or internet, will be voted at the MISCOR Meeting. If you submit your proxy by telephone or Internet, please do not mail your proxy form.

Voting of Shares Held in Street Name

If your shares of MISCOR common stock are not held in your own name but rather by your broker, bank or another nominee, we refer to your shares as being held in street name by your nominee. If your shares are held in street name you must instruct your nominee how to vote your shares.

Your nominee may send to you a separate voting instruction form asking you for your voting instructions. If you do not receive a request for voting instructions from your nominee well in advance of the MISCOR Meeting, MISCOR recommends that you directly contact your nominee to determine how to cause your shares to be voted as you wish. Your nominee may permit you to instruct the voting of your shares electronically using the telephone or Internet.

Unless you give voting instructions, your nominee **will not vote your shares** on the proposal to adopt the merger agreement. Shares held in street name but not voted will have the same effect as a vote **against** adoption of the merger agreement. We therefore urge you to provide voting instructions to your nominee. Your shares held in street name will, however, be counted for purposes of determining whether a quorum is present at the MISCOR Meeting, if your shares are represented at the MISCOR Meeting by your nominee.

How Proxies Will Be Voted

All shares of MISCOR common stock entitled to vote and represented by properly completed proxies received prior to the MISCOR Meeting (unless properly revoked) will be voted at the MISCOR Meeting as instructed on the proxies.

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If holders of record who submit a properly completed proxy do not indicate how their shares of MISCOR common stock should be voted on a matter, the shares of MISCOR common stock represented by their proxy will be voted (unless properly withdrawn) as the MISCOR board of directors recommends and therefore will be voted:

- **FOR** the proposal adopt the merger agreement and approve the transaction contemplated thereby;
- **FOR** the merger-related named executive officer compensation proposal; and
- **FOR** the proposal to adjourn or postpone the MISCOR Meeting to a later date or date, if necessary or appropriate, to allow for the solicitation of additional proxies.

Any proxy that is voted against Proposal No. 1 will also be voted against adjournment or postponement of the MISCOR Meeting for the purpose of soliciting additional proxies.

Revoking a Proxy

You may revoke your proxy at any time prior to its exercise by:

- submitting a new proxy card bearing a later date, or submitting a new proxy by telephone or through the Internet;
- giving written notice of the revocation to MISCOR s corporate secretary before the MISCOR meeting; or
- attending the MISCOR Meeting and voting in person.

Your attendance at the MISCOR Meeting in person without voting will not automatically revoke your proxy. If you revoke your proxy during the meeting, this will not affect any vote previously taken. If you hold shares in street name and you desire to revoke your proxy, you should follow the instructions provided by your nominee.

Tabulation of the Votes

MISCOR has appointed Broadridge Investor Communications, Inc. (Broadridge) to serve as the Inspector of Election for the MISCOR Meeting. Broadridge will independently tabulate affirmative and negative votes and abstentions.

Solicitation of Proxies and Expenses

IES and MISCOR will each pay one-half of the expenses incurred in connection with the printing and mailing of this joint proxy statement/prospectus. MISCOR will also request brokers, banks and other nominees holding shares of MISCOR common stock beneficially owned by others to send this joint proxy statement/prospectus to, and obtain proxies from, the beneficial owners of such shares and will reimburse them for their reasonable expenses in so doing.

Broadridge, MISCOR s stock transfer agent and registrar, may also solicit proxies from holders of record of MISCOR common stock for customary fees. Solicitation of proxies by mail may be supplemented by telephone, email and other electronic means, advertisements and personal solicitations by the directors, officers and employees of MISCOR. No additional compensation will be paid to MISCOR s directors, officers or employees for their solicitation efforts.

Questions About Voting or the MISCOR Meeting

If you have any questions or need further assistance in voting your shares, please call Broadridge at the following numbers:

brokers, banks and other nominees call your Broadridge representative or broker; and

holders of record of MISCOR common stock call (toll-free) 1-877-830-4936.

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DESCRIPTION OF CAPITAL STOCK OF IES

General

IES authorized capital stock consists of 100,000,000 shares of common stock, par value $0.01 per share, and 10,000,000 shares of preferred stock, par value $0.01 per share. As of July 24, 2013, 15,105,846 shares of IES common stock were issued and outstanding and no shares of preferred stock were issued and outstanding.

The following summary of the terms and provisions of IES common stock and preferred stock does not purport to be complete and is qualified in its entirety by reference to IES Second Amended and Restated Certificate of Incorporation, as amended, its Bylaws and its Tax Benefit Protection Plan Agreement, dated as of January 28, 2013 (the Rights Agreement), between IES and American Stock Transfer & Trust Company, LLC, as Rights Agent. The terms of IES capital stock may also be affected by the DGCL.

Common Stock and Restricted Common Stock

The holders of IES common stock are entitled to one vote for each share on all matters voted upon by IES stockholders, including the election of directors. IES common stockholders are not entitled to vote cumulatively for the election of directors. Holders of a majority of the shares of IES common stock entitled to vote in any election of IES directors may elect all of the directors standing for election.

Subject to the rights of any then-outstanding shares of preferred stock, holders of IES common stock are entitled to participate in dividends declared in the discretion of the IES board of directors out of funds legally available therefor. IES has never paid cash dividends on its common stock, and it does not anticipate paying cash dividends on its common stock in the foreseeable future. Any future determination as to the payment of dividends will be made at the discretion of the IES board of directors and will depend upon IES operating results, financial condition, capital requirements, general business conditions and other factors that the IES board of directors deems relevant. IES is also restricted under its revolving credit facility from paying cash dividends.

Holders of IES common stock are entitled to share ratably in the net assets of IES upon liquidation after payment or provision for all liabilities and any preferential liquidation rights of any preferred stock then outstanding. Holders of IES common stock have no preemptive rights to purchase shares of IES common stock. Shares of IES common stock are not subject to any redemption provisions and are not convertible into any other securities of IES. All outstanding shares of IES common stock are fully paid and non-assessable.

Each outstanding share of IES common stock includes one preferred stock purchase right issued under the Rights Agreement, which is summarized below.

IES common stock is listed on the NASDAQ under the symbol IESC.

Preferred Stock

Preferred stock may be issued from time to time by the IES board of directors as shares of one or more classes or series. Subject to the provisions of IES Second Amended and Restated Certificate of Incorporation and limitations prescribed by law, the IES board of directors is expressly authorized to adopt resolutions to issue the shares, to fix the number of shares and to change the number of shares constituting any series, and to provide for or change the voting powers, designations, preferences and relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, including dividend rights (including whether dividends are cumulative), dividend rates, terms of redemption (including sinking fund provisions), redemption prices, conversion rights and liquidation preferences of the shares constituting any class or series of the preferred stock, in each case without any further action or vote by the IES stockholders.

One of the effects of undesignated preferred stock may be to enable the IES board of directors to render more difficult or to discourage an attempt to obtain control of IES by means of a tender offer, proxy contest, merger or

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otherwise, and thereby to protect the continuity of IES management. The issuance of shares of preferred stock pursuant to the IES board of directors authority described above may adversely affect the rights of the holders of IES common stock. For example, preferred stock that IES issues may rank prior to IES common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of IES common stock. Accordingly, the issuance of shares of preferred stock may discourage bids for IES common stock at a premium or may otherwise adversely affect the market price of IES common stock.

Series A Junior Participating Preferred Stock

On January 24, 2013, the IES board of directors declared a dividend of one preferred share purchase right (a right) for each outstanding share of IES common stock. The dividend was payable to the stockholders of record as of the close of business on February 19, 2013 (the record date). Each right represents a right to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share (the Series A Preferred Stock), of IES at a price of $20.00 (the Purchase Price). The following summary of the rights does not purport to be complete and is qualified in its entirety by reference to that certain Tax Benefit Protection Plan Agreement, dated as of January 28, 2013 (the Rights Agreement), between IES and American Stock Transfer & Trust Company, LLC, as Rights Agent. The Board of Directors adopted the Rights Agreement in an effort to protect stockholder value by attempting to protect against a possible limitation on IES ability to use its net operating loss carry forwards (the NOLs) to reduce potential future federal income tax obligations.

Distribution Date; Acquiring Persons, Transfer of Rights. Initially, the rights will be attached to all common stock certificates (or book entry shares) representing shares of IES common stock then outstanding, and no separate right certificates will be distributed. Subject to certain exceptions specified in the Rights Agreement, the rights will separate from the common stock and a distribution date will occur upon the earlier of (i) ten (10) days following a public announcement that a person or group of affiliated or associated persons (an Acquiring Person) has acquired, or obtained the right to acquire, beneficial ownership of 4.95% or more of the outstanding shares of IES common stock (the Stock Acquisition Date) and (ii) ten (10) business days following the commencement of, or the first public announcement of a person s intention to commence, a tender offer or exchange offer that would result in a person or group beneficially owning 4.95% or more of the outstanding shares of IES common stock. The definition of Acquiring Person excludes any Exempt Person (as defined below) and any person who would become an Acquiring Person solely as a result of an Exempt Transaction (as defined below). Until the distribution date, (i) the rights will be evidenced by the common stock certificates (or book entry shares in respect of the common stock) and will be transferred with and only with such common stock certificates (or book entry shares in respect of the common stock), (ii) new common stock certificates (or book entry shares in respect of the common stock) after the record date will contain a notation incorporating the Rights Agreement by reference and, with respect to any uncertificated book entry shares issued after the record date, proper notice will be provided that incorporates the Rights Agreement by reference and (iii) the surrender for transfer of any certificates for common stock (or book entry shares of common stock) outstanding will also constitute the transfer of the rights associated with the common stock represented by such certificate or book entry shares.

As soon as practicable after the distribution date, right certificates will be mailed to holders of record of IES common stock as of the close of business on the distribution date. Thereafter, the separate right certificates alone will represent the rights. Except as otherwise determined by the IES board of directors, only shares of IES common stock issued prior to the distribution date will be issued with rights.

Exempt Persons. The following persons are Exempt Persons as defined under the Rights Agreement:

(i) Any person who, together with its affiliates and associates, is the beneficial owner of IES common stock, options and/or warrants exercisable for shares of common stock representing 4.95% or more of the shares of IES common stock outstanding on January 24, 2013 will be an Exempt Person. However, any such person will no longer be treated as an Exempt Person and will be deemed an Acquiring Person if such person, together with its

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affiliates and associates, thereafter becomes the beneficial owner of securities representing a percentage of the outstanding IES common stock that exceeds by one-half of one percent (0.5%) or more the lowest percentage of IES common stock beneficially owned by such person at any time since January 24, 2013, excluding increases in percentage ownership of IES common stock attributable to any (x) grant or adjustment of an equity compensation award to such person by IES or (y) repurchase or redemption of IES common stock by IES.

(ii) In addition, any person who, together with its affiliates and associates, becomes the beneficial owner of IES common stock, options and/or warrants exercisable for shares of IES common stock representing 4.95% or more of the shares of IES common stock then outstanding because of a reduction in the number of outstanding shares of IES common stock as the result of a purchase of common stock by IES or any of its subsidiaries will also be an Exempt Person. However, any such person will no longer be treated as an Exempt Person and will be deemed an Acquiring Person if such person, together with its affiliates and associates, thereafter becomes the beneficial owner of a percentage of the outstanding IES common stock that exceeds by one-half of one percent (0.5%) or more the lowest percentage of the outstanding IES common stock beneficially owned by such person at any time since such person first beneficially owned 4.95% or more of the common stock, excluding increases in percentage ownership of IES common stock attributable to any (x) grant or adjustment of an equity compensation award to such person by IES or (y) repurchase or redemption of shares of common stock by IES.

(iii) In addition, any person who, together with its affiliates and associates, is the beneficial owner of IES common stock, options and/or warrants exercisable for shares of IES common stock representing 4.95% or more of the outstanding IES common stock, and whose beneficial ownership is determined by the IES board of directors, in its sole discretion, (x) not to jeopardize or endanger the unrestricted availability to IES of its tax benefits or (y) to be in the best interests of IES, will be an Exempt Person. However, any such person shall no longer be treated as an Exempt Person and will be deemed an Acquiring Person if (A) such person, together with its affiliates and associates, thereafter becomes the beneficial owner of a percentage of IES common stock that exceeds by one-half of one percent (0.5%) or more the lowest percentage of IES common stock beneficially owned by such person at any time since such person first beneficially owned 4.95% or more of the common stock, excluding increases in beneficial ownership of IES common stock attributable to any (I) grant or adjustment of an equity compensation award to such person by IES or (II) repurchase or redemption of common stock by IES, or (B) the IES board of directors, in its sole discretion, determines that such person s beneficial ownership (together with its affiliates and associates) may jeopardize or endanger the unrestricted availability to IES of its tax benefits or not be in the best interests of IES.

A purchaser, assignee or transferee of shares of IES common stock (or options or warrants exercisable for IES common stock) from an Exempt Person will not thereby become an Exempt Person, except that a transferee who receives IES common stock as a bequest or inheritance from the estate of an Exempt Person shall be an Exempt Person so long as such transferee continues to be the beneficial owner of 4.95% or more of the then outstanding shares of IES common stock.

Exempt Transactions. The following transactions shall be Exempt Transactions under the Rights Agreement: any transaction that the IES board of directors determines, in its sole discretion, is exempt from the Rights Agreement, which determination shall be made in the sole and absolute discretion of the IES board of directors prior to the date of such transaction, including, without limitation, if the IES board of directors determines that (i) neither the beneficial ownership of shares of IES common stock by any person, directly or indirectly, as a result of such transaction nor any other aspect of such transaction would jeopardize or endanger the unrestricted availability to IES of its tax benefits or (ii) such transaction is otherwise in the best interests of IES. In granting an exemption for an Exempt Transaction, the IES board of directors may require any person who would otherwise be an Acquiring Person to make certain representations or undertakings or to agree that any violation or attempted violation of such representations or undertakings will result in such consequences and subject the person to such conditions as the IES board of directors may determine in its sole discretion, including that any such violation shall result in such person becoming an Acquiring Person.

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Exercisability; Expiration. The rights are not exercisable until the distribution date and will expire on the earliest of (i) the close of business on December 31, 2017, (ii) the close of business on December 31, 2015 if stockholder approval of the Rights Agreement has not been received by or on such date, (iii) adjournment of the third annual meeting of stockholders of IES after the date of the Rights Agreement if stockholder approval of the Rights Agreement has not been received by such date, (iv) the repeal of Section 382 of the Internal Revenue Code of 1986, as amended (the Code), and any successor statute or any other change of law if, as a result of such change of law, the IES board of directors determines that the Rights Agreement is no longer necessary or desirable for the preservation of certain tax benefits, and (v) the beginning of the first taxable year of IES to which the IES board of directors determines that certain tax benefits may not be carried forward. At no time will the rights have any voting power.

If, an Acquiring Person becomes the beneficial owner of 4.95% or more of the outstanding shares of IES common stock, each holder of a right will thereafter have the right to receive, upon exercise, IES common stock (or, in certain circumstances, cash, property or other securities of IES), having a value equal to two times the exercise price of the right. The exercise price is the Purchase Price times the number of shares of IES common stock associated with each right (initially, one). Notwithstanding any of the foregoing, following the occurrence of an Acquiring Person becoming such (a Flip-In Event), all rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person will be null and void. However, rights are not exercisable following the occurrence of a Flip-In Event until such time as the rights are no longer redeemable by IES as set forth below.

For example, at an exercise price of $20.00 per right, each right distributed in respect of shares of IES common stock not owned by an Acquiring Person (or by certain related parties) following a Flip-In Event would entitle its holder to purchase $40.00 worth of IES common stock (or other consideration, as noted above) for $20.00. If the common stock at the time of exercise had a market value per share of $4.00 per share, the holder of each valid right would be entitled to purchase 10 shares of IES common stock for $20.00.

Until a right is exercised, the holder thereof, as such, will have no rights as a shareholder of IES, including, without limitation, the right to vote or to receive dividends. While the distribution of the rights will not be taxable to shareholders or to IES, shareholders may, depending upon the circumstances, recognize taxable income in the event that the rights become exercisable for IES common stock (or other consideration) as set forth above or in the event the rights are redeemed.

Anti-Dilution Provisions. The Purchase Price payable, and the number of shares of Series A Preferred Stock or other securities or property issuable, upon exercise of the rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series A Preferred Stock, (ii) if holders of the Series A Preferred Stock are granted certain rights or warrants to subscribe for Series A Preferred Stock or convertible securities at less than the then-current market price of the Series A Preferred Stock, or (iii) upon the distribution to holders of the Series A Preferred Stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustments in the Purchase Price will be required until cumulative adjustments amount to at least 1% of the Purchase Price. No fractional shares will be issued and, in lieu thereof, an adjustment in cash will be made based on the market price of the Series A Preferred Stock on the last trading date prior to the date of exercise.

Exchange. At any time after the Stock Acquisition Date, the IES board of directors may exchange the rights (other than rights owned by an Acquiring Person), in whole or in part, at an exchange ratio equal to one (1) share of IES common stock per right (subject to adjustment).

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Redemption. At any time until ten (10) days following the Stock Acquisition Date, IES may redeem the rights in whole, but not in part, at a price of $0.001 per right. Immediately upon action by the IES board of directors ordering redemption of the rights, the rights will terminate and the only right of the holders of rights will be to receive the $0.001 redemption price.

Amendments. Other than those provisions relating to the principal economic terms of the rights, any of the provisions of the Rights Agreement may be amended by the IES board of directors prior to the distribution date. After the distribution date, the provisions of the Rights Agreement may be amended by the IES board of directors in order to cure any ambiguity, to make changes which do not adversely affect the interests of holders of rights (excluding the interests of any Acquiring Person), or to shorten or lengthen any time period under the Rights Agreement; *provided*, *however*, that no amendment to lengthen the time period governing redemption shall be made at such time as the rights are not redeemable.

Statutory Business Combination Provision

IES is subject to the provisions of Section 203 of the Delaware General Corporation Law. Section 203 provides, with certain exceptions, that a Delaware corporation may not engage in any of a broad range of business combinations with a person or an affiliate, or associate of such person, who is an interested stockholder for a period of three years from the date that such person became an interested stockholder unless: (1) the transaction resulting in a person becoming an interested stockholder, or the business combination, is approved by the Board of Directors of the corporation before the person becomes an interested stockholder, (2) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding shares owned by persons who are both officers and directors of the corporation, and shares held by certain employee stock ownership plans) or (3) on or after such time the business combination is approved by the board of directors and authorized at a meeting of stockholders by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder. Under Section 203, an interested stockholder is defined as any person who is the owner of 15% or more of the outstanding voting stock of the corporation or an affiliate or associate of the corporation and who became the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder.

A corporation may, at its option, exclude itself from the coverage of Section 203 by amending its certificate of incorporation or bylaws, by action of its stockholders, to exempt itself from coverage. IES has not adopted such an amendment to IES Second Amended and Restated Certificate of Incorporation or Bylaws. As of July 24, 2013, Tontine, the controlling shareholder of IES common stock, owned 56.7% of IES common stock. However, as the transaction which resulted in Tontine becoming an interested stockholder was approved by the IES board of directors, Tontine is exempt from application of Section 203.

Limitation on Directors Liability

Pursuant to IES Second Amended and Restated Certificate of Incorporation and Delaware law, IES directors are not liable to IES or its stockholders for monetary damages for breach of fiduciary duty, except for liability in connection with a breach of the duty of loyalty, for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, for dividend payments or stock repurchases illegal under Delaware law or any transaction in which a director has derived an improper personal benefit. IES has entered into indemnification agreements with certain of its directors and executive officers that indemnify those persons to the fullest extent permitted by IES Second Amended and Restated Certificate of Incorporation, its Bylaws and the DGCL. IES has also obtained directors and officers liability insurance. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

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Amended and Restated Certificate of Incorporation and Bylaw Provisions

IES Second Amended and Restated Certificate of Incorporation and Bylaws include provisions that may have the effect of discouraging, delaying or preventing a change in control of IES or an unsolicited acquisition proposal that an IES stockholder might consider favorable, including a proposal that might result in the payment of a premium over the market price for the shares held by IES stockholders. These provisions are summarized in the following paragraphs.

Supermajority Voting. IES Second Amended and Restated Certificate of Incorporation requires the approval of the holders of at least 75% of the then-outstanding shares of IES capital stock entitled to vote thereon and the approval of the holders of at least 75% of the then-outstanding shares of each class of stock voting separately as a class on, among other things, certain amendments to IES Second Amended and Restated Certificate of Incorporation. The IES board of directors may amend, alter, change or repeal IES Bylaws, or adopt new Bylaws by the affirmative vote of a majority of the IES board of directors at any meeting and without the assent or vote of the IES stockholders. The Bylaws may be also be altered, amended or repealed, or new Bylaws may be adopted, upon the affirmative vote of holders of at least a majority of the shares of IES common stock entitled to vote thereon.

Authorized but Unissued or Undesignated Capital Stock. IES authorized capital stock consists of 100,000,000 shares of common stock and 10,000,000 shares of preferred stock. As of July 24, 2013, 15,105,846 shares of IES common stock were issued and outstanding and no shares of preferred stock were issued and outstanding. The authorized but unissued (and in the case of preferred stock, undesignated) stock may be issued by the IES board of directors in one or more transactions. In this regard, IES Second Amended and Restated Certificate of Incorporation grants the IES board of directors broad power to establish the rights and preferences of authorized and unissued preferred stock. The issuance of shares of preferred stock pursuant to the authority granted to the IES board of directors, as described above, could decrease the amount of earnings and assets available for distribution to holders of IES common stock and adversely affect the rights and powers, including voting rights, of such holders and may also have the effect of delaying, deferring or preventing a change in control of IES. The IES board of directors does not currently intend to seek stockholder approval prior to any issuance of preferred stock, unless otherwise required by law.

Special Meeting of Stockholders. IES Bylaws provide that special meetings of IES stockholders may only be called by (1) the Chairman of the board of directors upon the written request of the board of directors pursuant to a resolution approved by a majority of the board of directors or (2) upon the receipt of the written request of the holders of at least 25% of the outstanding shares of IES common stock.

Stockholder Action by Written Consent. IES Second Amended and Restated Certificate of Incorporation and Bylaws generally provide that any action required or permitted by IES stockholders must be effected at a duly called annual or special meeting of the stockholders and may not be effected by any written consent of the stockholders.

Notice Procedures. IES Bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as director and amendments to IES Second Amended and Restated Certificate of Incorporation or Bylaws to be brought before annual meetings of the IES stockholders. These procedures provide that notice of such stockholder proposals must be timely given in writing to IES corporate secretary prior to the annual meeting. Generally, to be timely, notice must be received at IES principal executive offices not less than 80 days prior to an annual meeting (or if fewer than 90 days notice or prior public disclosure of the date of the annual meeting is given or made by IES, not later than the tenth day following the date on which the notice of the date of the annual meeting was mailed or such public disclosure was made). The notice must contain certain information specified in the Bylaws, including a brief description of the business desired to be brought before the annual meeting and certain information concerning the stockholder submitting the proposal.

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Rights Agreement

On January 28, 2013, the IES board of directors adopted the Rights Agreement in an effort to protect stockholder value by attempting to protect against a possible limitation on IES ability to use NOLs to reduce potential future federal income tax obligations. IES has experienced and may experience in the future substantial operating losses, and under the Code and rules promulgated by the Internal Revenue Service, IES may carry forward these losses in certain circumstances to effect any current and future earnings and thus reduce IES federal income tax liability, subject to certain requirements and restrictions. To the extent that the NOLs do not otherwise become limited, IES believes that it will be able to carry forward a significant amount of NOLs, and therefore these NOLs could be a substantial asset to IES. However, if IES experiences an ownership change , as defined in Section 382 of the Code, its ability to use the NOLs will be substantially limited, and the timing of the usage of the NOLs could be substantially delayed, which could therefore significantly impair the value of that asset.

The Rights Agreement is designed to deter an acquisition of IES common stock in excess of a threshold amount that could trigger a change of control within the meaning of Section 382 of the Code. The Rights Agreement is designed to effectively dilute the ownership of any Acquiring Person through the offering of rights to IES other shareholders that could be exercised upon the Acquiring Person s acquisition of IES common stock in excess of the threshold amount. There can be no assurance that the Rights Agreement will be effective in deterring a change of control or protecting the NOLs. For additional information on the rights and the Rights Agreement, see Series A Junior Participating Preferred Stock above.

Transfer Agent and Registrar

The transfer agent and registrar for IES common stock is American Stock Transfer & Trust Company, LLC.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following discussion addresses the material United States federal income tax consequences of the merger to U.S. holders (as defined below) of MISCOR common stock. The discussion is based on the Internal Revenue Code of 1986, as amended, Treasury regulations, administrative rulings and judicial decisions, all as currently in effect and all of which are subject to change (possibly with retroactive effect) and to differing interpretations, and is the opinion of Andrews Kurth LLP and Ulmer & Berne LLP insofar as it sets forth specific legal conclusions under U.S. federal income tax law. The opinions of counsel are included as exhibits to the registration statement of which this proxy statement/prospectus forms a part.

This discussion applies only to U.S. holders (as defined below) that hold their MISCOR common stock as a capital asset within the meaning of Section 1221 of the Code, each of which we refer to in this document as a holder. Further, this discussion does not address all aspects of United States federal taxation that may be relevant to a particular stockholder in light of its personal circumstances or to stockholders subject to special treatment under the United States federal income tax laws, including:

- banks or trusts,
- tax-exempt organizations,
- insurance companies,
- dealers in securities or foreign currency,
- traders in securities who elect to apply a mark-to-market method of accounting,
- pass-through entities and investors in such entities,
- foreign persons,
- holders that exercise appraisal rights,
- regulated investment companies and real estate investment trusts,
- broker-dealers,
- holders liable for the alternative minimum tax,
- holders that have a functional currency other than the U.S. dollar,

- holders who received their MISCOR common stock through the exercise of employee stock options, through a tax-qualified retirement plan or otherwise as compensation, and

- holders who hold MISCOR common stock as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment.

In addition, the discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger, nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010.

For purposes of this discussion, a U.S. holder is a beneficial owner of MISCOR common stock who is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any of its political subdivisions; (iii) an estate that is subject to U.S. federal income tax on its income regardless of its source; or (iv) a trust (A) if a U.S. court is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) that has made a valid election to be treated as a United States person for U.S. federal income tax purposes.

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This discussion does not address the tax treatment of partnerships (or entities or arrangements that are treated as partnerships for United States federal income tax purposes) or persons that hold their MISCOR common stock through partnerships or other pass-through entities for U.S. federal income tax purposes. If a partnership, including any entity or arrangement treated as a partnership for U.S. federal income tax purposes, holds shares of MISCOR common stock, the U.S. federal income tax treatment of a partner in such partnership will depend upon the status of the partner and the activities of the partnership. Such partners and partnerships should consult their own tax advisors regarding the particular tax consequences of the merger to them.

Each holder of MISCOR common stock should consult its tax advisor with respect to the particular tax consequences of the merger to such holder.

Tax Opinion

The completion of the merger is conditioned upon the delivery by tax counsel to MISCOR of its opinion dated the closing date of the merger to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and that the merger agreement constitutes a plan of reorganization within the meaning of Section 368 of the Code. This opinion condition will not be waivable after the MISCOR shareholders have approved the proposal to adopt the merger agreement if such waiver would require further stockholder approval to be obtained, unless further approval of the MISCOR shareholders is obtained with appropriate disclosure. MISCOR does not intend to waive this opinion condition to its obligation to consummate the merger. If the conclusions in the tax opinion delivered at closing are materially different than the opinion described herein, IES and MISCOR will recirculate this joint proxy statement/prospectus and resolicit the shareholder votes of MISCOR. Further, if MISCOR does waive this opinion condition after the registration statement of which this joint proxy statement/prospectus is a part is declared effective by the SEC, and if the U.S. federal income tax consequences of the merger to you have materially changed, IES and MISCOR will recirculate the joint proxy statement/prospectus and resolicit the shareholder votes of MISCOR.

The tax opinion will be based on certain facts, representations, covenants and assumptions, including representations of IES and MISCOR. If any of the representations or assumptions upon which such opinion is based are inconsistent with the actual facts, the United States federal income tax consequences of the merger could be adversely affected. This opinion is not binding on the Internal Revenue Service or the courts, and neither IES nor MISCOR intends to request a ruling from the Internal Revenue Service regarding the U.S. federal income tax consequences of the merger. Therefore, while the merger is conditioned upon the delivery by tax counsel to MISCOR of its opinion that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code, no assurance can be given that the Internal Revenue Service will not assert, or that a court would not sustain, a position contrary to any of those set forth below.

Material U.S. Federal Income Tax Consequences of the Merger to MISCOR Shareholders

The following discussion regarding the U.S. federal income tax consequences of the merger assumes that the merger will be consummated as described in the merger agreement and this joint proxy statement/prospectus. In the opinion of Ulmer & Berne LLP, the merger will be treated for U.S. federal income tax purposes as a reorganization qualifying under the provisions of Section 368(a) of the Code. If the merger is treated as a reorganization within the meaning of Section 368(a) of the Code, the merger will have the following U.S. federal income tax consequences.

Exchange Solely for Cash. If, pursuant to the merger, a holder exchanges all of the shares of MISCOR common stock actually owned by it solely for cash, that holder will recognize gain or loss equal to the difference between the amount of cash received and its adjusted tax basis in the shares of MISCOR common stock surrendered, which gain or loss will be long-term capital gain or loss if the holder s holding period with respect to the MISCOR common stock surrendered is more than one year at the effective time of the merger. Long-term capital gains of non-corporate taxpayers are subject to reduced rates of taxation. The deductibility of capital losses is

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subject to limitations. Although the law is unclear, if, however, the holder constructively owns shares of MISCOR common stock that are exchanged for shares of IES common stock in the merger or otherwise owns shares of IES common stock actually or constructively after the merger, the consequences to that holder may be similar to the consequences described below under the heading Exchange for IES Common Stock and Cash, except that the amount of consideration, if any, treated as a dividend may not be limited to the amount of that holder s gain.

Exchange Solely for IES Common Stock. If, pursuant to the merger, a holder exchanges all of the shares of MISCOR common stock actually owned by it solely for shares of IES common stock, that holder will not recognize any gain or loss except in respect of cash received instead of a fractional share of IES common stock (as discussed below). The aggregate adjusted tax basis of the shares of IES common stock received in the merger (including fractional shares deemed received and redeemed as described below) will be equal to the aggregate adjusted tax basis of the shares of MISCOR common stock surrendered for the IES common stock, and the holding period of the IES common stock (including fractional shares deemed received and redeemed as described below) will include the period during which the shares of MISCOR common stock were held.

Exchange for IES Common Stock and Cash. If, pursuant to the merger, a holder exchanges all of the shares of MISCOR common stock actually owned by it for a combination of IES common stock and cash, the holder will recognize gain (but not loss) in an amount equal to the lesser of (1) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the IES common stock received pursuant to the merger over that holder s adjusted tax basis in its shares of MISCOR common stock surrendered) and (2) the amount of cash received pursuant to the merger (excluding any cash received in lieu of a fractional share of IES common stock). For this purpose, gain or loss must be calculated separately for each identifiable block of shares surrendered in the exchange, and a loss realized on one block of shares may not be used to offset a gain realized on another block of shares. Holders should consult their tax advisors regarding the manner in which cash and IES common stock should be allocated among different blocks of MISCOR common stock. Any recognized gain will be long-term capital gain if the holder s holding period with respect to the MISCOR common stock surrendered is more than one year at the effective time of the merger. If, however, the cash received has the effect of the distribution of a dividend, the gain will be treated as a dividend to the extent of the holder s ratable share of accumulated earnings and profits as calculated for United States federal income tax purposes. See Possible Treatment of Cash as a Dividend below.

The aggregate tax basis of IES common stock received (including fractional shares deemed received and redeemed as described below) by a holder that exchanges its shares of MISCOR common stock for a combination of IES common stock and cash pursuant to the merger will be equal to the aggregate adjusted tax basis of the shares of MISCOR common stock surrendered for IES common stock and cash, reduced by the amount of cash received by the holder pursuant to the merger (excluding any cash received instead of a fractional share of IES common stock) and increased by the amount of gain (including any portion of the gain that is treated as a dividend as described below but excluding any gain or loss resulting from the deemed receipt and redemption of fractional shares described below), if any, recognized by the holder on the exchange. The holding period of the IES common stock (including fractional shares deemed received and redeemed as described below) will include the holding period of the shares of MISCOR common stock surrendered.

Possible Treatment of Cash as a Dividend. Any gain recognized by a holder may be treated as a dividend for U.S. federal income tax purposes to the extent of the holder s ratable share of MISCOR s accumulated earnings and profits. In general, the determination of whether the gain recognized in the exchange will be treated as capital gain or has the effect of a distribution of a dividend depends upon whether and to what extent the exchange reduces the holder s deemed percentage stock ownership of IES. For purposes of this determination, the holder is treated as if it first exchanged all of its shares of MISCOR common stock solely for IES common stock and then IES immediately redeemed, which we refer to in this document as the deemed redemption, a portion of the IES common stock in exchange for the cash the holder actually received. The gain recognized in the deemed redemption will be treated as capital gain if the deemed redemption is (1) substantially disproportionate with respect to the holder or (2) not essentially equivalent to a dividend.

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The deemed redemption will generally be substantially disproportionate with respect to a holder if the percentage described in (2) below is less than 80% of the percentage described in (1) below. Whether the deemed redemption is not essentially equivalent to a dividend with respect to a holder will depend upon the holder s particular circumstances. At a minimum, however, in order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must result in a meaningful reduction in the holder s deemed percentage stock ownership of IES. That determination requires a comparison of (1) the percentage of the outstanding stock of IES that the holder is deemed actually and constructively to have owned immediately before the deemed redemption and (2) the percentage of the outstanding stock of IES that is actually and constructively owned by the holder immediately after the deemed redemption. In applying the above tests, a holder may, under the constructive ownership rules, be deemed to own stock that is owned by other persons or stock underlying a holder s option to purchase in addition to the stock actually owned by the holder.

The IRS has ruled that a stockholder in a publicly held corporation whose relative stock interest is minimal (e.g., less than 1%) and who exercises no control with respect to corporate affairs is generally considered to have a meaningful reduction if that stockholder has a relatively minor (e.g., approximately 3%) reduction in its percentage stock ownership under the above analysis; accordingly, the gain recognized in the exchange by such a stockholder would be treated as capital gain.

These rules are complex and dependent upon the specific factual circumstances particular to each holder. Consequently, each holder that may be subject to these rules should consult its tax advisor as to the application of these rules to the particular facts relevant to such holder.

Cash Received Instead of a Fractional Share. A holder who receives cash instead of a fractional share of IES common stock will be treated as having received such fractional share and then as having received such cash in redemption of the fractional share. Gain or loss generally will be recognized based on the difference between the amount of cash received instead of the fractional share and the portion of the holder s aggregate adjusted tax basis of the shares of MISCOR common stock surrendered which is allocable to the fractional share. Such gain or loss generally will be long-term capital gain or loss if the holding period for such shares of MISCOR common stock is more than one year at the effective time of the merger. Long-term capital gains of non-corporate taxpayers are subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Certain Tax Reporting Rules. Under applicable Treasury regulations, significant holders of MISCOR stock will be required to comply with certain reporting requirements. A MISCOR shareholder should be viewed as a significant holder if, immediately before the merger, such holder held 5% or more, by vote or value, of the total outstanding MISCOR common stock. Significant holders generally will be required to file a statement with the holder s U.S. federal income tax return for the taxable year that includes the consummation of the merger. That statement must set forth the holder s tax basis in, and the fair market value of, the shares of MISCOR common stock surrendered pursuant to the merger (both as determined immediately before the surrender of shares), the date of the merger, and the name and employer identification number of IES, MISCOR, and Merger Sub, and the holder will be required to retain permanent records of these facts. You should consult your tax advisor as to whether you may be treated as a significant holder.

Information Reporting and Backup Withholding. Payments of cash pursuant to the merger may, under certain circumstances, be subject to information reporting and backup withholding unless the recipient provides proof of an applicable exemption or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules are not an additional tax and will be allowed as a refund or credit against such holder s U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

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THE MERGER AGREEMENT

The following summary describes material provisions of the merger agreement, which is attached as Annex A to this proxy statement/prospectus and is incorporated by reference herein. The provisions of the merger agreement are complicated and not easily summarized. This summary may not contain all of the information about the merger agreement that is important to you. You are encouraged to carefully read the merger agreement in its entirety for a more complete understanding of the terms and conditions of the merger.

The merger agreement and the following summary have been included to provide you with information regarding the terms of the merger agreement and the transactions described in this proxy statement/prospectus. The representations and warranties in the merger agreement are made as of a specified date, are tools used to allocate risk between the parties, are subject to contractual standards of knowledge and materiality, and are modified or qualified by information contained in the parties public filings and in the disclosure schedules exchanged by the parties. Business and operational information regarding IES and MISCOR can be found elsewhere in this proxy statement/prospectus.

Structure of the Merger

Subject to the conditions of the merger agreement, MISCOR will merge with and into Merger Sub, with Merger Sub surviving the merger as the surviving corporation, a wholly-owned subsidiary of IES. Upon the effectiveness of the merger, the separate corporate existence of MISCOR will cease.

Effective Time of the Merger

The closing of the merger and the other transactions contemplated by the merger agreement are expected to occur, subject to the satisfaction or waiver of all closing conditions, promptly following the IES Meeting and the MISCOR Meeting. The merger will become effective immediately when the certificate of merger is accepted for filing by the Secretary of State of Delaware (or such later time as set forth in the certificate of merger and agreed to by the parties). In this joint proxy statement/prospectus, the time when the merger becomes effective is referred to as the effective time of the merger.

Merger Consideration

General

At the effective time of the merger, each outstanding share of MISCOR common stock (other than Dissenting Shares and shares to be canceled pursuant to the terms of the merger agreement) will be converted into the right to receive merger consideration comprised of, at the election of the holder, either: (1) Cash Consideration of not less than $1.415 per share, equal to the quotient obtained by dividing (x) the difference between $24.0 million and the amount of MISCOR s Net Debt and (y) the number of shares of MISCOR common stock outstanding as of the Merger Consideration Determination Date, including shares issuable upon the exercise of outstanding options and warrants; or (2) Stock Consideration equal to a fraction, the numerator of which is the Cash Consideration and the denominator of which is the IES Common Stock Value; *provided*, *however*, that if the IES Common Stock Value is less than $4.024 per share or greater than $6.036 per share, then the IES Common Stock Value will be $4.024 per share or $6.036 per share, respectively.

If the Merger Consideration Determination Date had occurred on July 24, 2013, it is estimated that each MISCOR shareholder would have the right to receive, subject to the terms of the merger agreement, at his or her election, either $1.48 in cash or 0.311 shares of IES common stock for each share of MISCOR common stock issued and outstanding, subject to the Maximum Cash Amount, based on the assumptions described in Note 3 to the Unaudited Pro Forma Condensed Combined Financial Statements beginning on page F-2, which assumptions will not be definitively determined until the Merger Consideration Determination Date. See Note 3 to the

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Unaudited Pro Forma Condensed Combined Financial Statements beginning on page F-2 for further discussion of these assumptions and a sensitivity analysis related to the potential consideration that may be received by MISCOR shareholders. The actual value of the consideration and the number of shares of IES common stock to be issued may differ from this example, given that these amounts will not be determined until the Merger Consideration Determination Date has passed and MISCOR shareholders have made their elections.

Pursuant to the merger agreement, MISCOR does not have a right to terminate the transaction if the market price of IES common stock falls to a value such that the per share consideration to be received by MISCOR shareholders electing to receive Stock Consideration could be valued at less than $1.415, which is the minimum per share consideration to be received by MISCOR shareholders electing to receive Cash Consideration. For a discussion of the relative value of the Stock Consideration and the Cash Consideration, see Summary Merger Consideration beginning on page 11.

Proration of Cash Consideration

MISCOR shareholders have the right to elect to receive all Cash Consideration, all Stock Consideration or a mix of Cash Consideration and Stock Consideration, *provided*, *however*, that the aggregate Cash Consideration to be paid in the merger shall not exceed a threshold (the Maximum Cash Amount) equal to the product obtained by multiplying (x) the Cash Consideration by (y) 50% of the number of shares of MISCOR common stock outstanding immediately prior to the effective time of the merger. If the aggregate amount of cash that would be paid upon conversion of the shares of MISCOR common stock with respect to which MISCOR shareholders elect to receive Cash Consideration, including, in the event that the IES Common Stock Value is less than $4.024, all shares of MISCOR common stock for which a valid election was not made (collectively, the Cash Election Shares), is greater than the Maximum Cash Amount, then the exchange agent shall select from among the Cash Election Shares, by a pro rata selection process, a sufficient number of shares (the Stock Designation Shares) such that the aggregate amount of cash that will be paid in the merger in respect of the Cash Election Shares that are not Stock Designation Shares equals as closely as practicable the Maximum Cash Amount, and the Stock Designation Shares shall be converted into the right to receive the Stock Consideration. See Risk Factors Risks Relating to the Merger MISCOR shareholders electing to receive Cash Consideration may, as the result of the cap on the aggregate Cash Consideration to be received by MISCOR shareholders pursuant to the merger agreement, receive a form or combination of consideration different from the form they elect.

If the aggregate amount of cash that would be paid upon conversion of the Cash Election Shares is greater than the Maximum Cash Amount, then the exchange agent will determine, on a pro rata basis, which Cash Election Shares will be designated as Stock Designation Shares. The number of Stock Designation Shares to be allocated to each MISCOR shareholder will be determined by multiplying the number of Cash Election Shares held by such MISCOR shareholder by a fraction, the numerator of which is (x) the number of all Cash Election Shares less 50% of the number of shares of MISCOR common stock outstanding immediately prior to the effective time of the merger, and the denominator of which is (y) the number of all Cash Election Shares.

If the Merger Consideration Determination Date had occurred on July 24, 2013, it is estimated that the Maximum Cash Amount would have been approximately $8.7 million and that holders of up to approximately 5.9 million shares of IES Common Stock could have elected to receive, and would have received, Cash Consideration in the merger, in each case based on the assumptions described in Note 3 to the Unaudited Pro Forma Condensed Combined Financial Statements beginning on page F-2, which assumptions will not be definitively determined until the Merger Consideration Determination Date. Based on these assumptions, if the Merger Consideration Determination Date had occurred on July 24, 2013, the aggregate amount of cash that would be paid upon conversion of the Cash Election Shares would be less than the Maximum Cash Amount, and no shares of MISCOR common stock for which a cash election was made would have received shares of IES common stock in lieu of cash.

Distributions

If, between the date of the merger agreement and the effective time of the merger, the shares of MISCOR common stock or IES common stock are changed into a different number or class of shares by reason of any

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stock split, combination, merger, consolidation, reorganization or other similar transaction, or any distribution of shares of MISCOR common stock or IES common stock shall be declared with a record date within that period, appropriate adjustments will be made to the per share Stock Consideration and per share Cash Consideration to have the same economic effect as was contemplated by the merger agreement prior to giving effect of such event.

No Fractional Shares

No fractional shares of IES common stock will be issued to any holder of MISCOR common stock in connection with the merger. IES will convert into cash to the nearest whole cent each fractional share that would otherwise be issued. No interest will be paid or accrued on cash payable in lieu of fractional shares of IES common stock. Further, no fractional share will be entitled to vote or have any other rights of an IES stockholder.

Election Procedures

General

The election form and other appropriate and customary transmittal materials will be mailed to MISCOR shareholders of record as of the close of business on the record date for the MISCOR Meeting, at the same time as this joint proxy statement/prospectus is mailed or as IES and MISCOR may otherwise agree. IES will make election forms available upon reasonable request to persons who become MISCOR shareholders after the record date for the MISCOR Meeting but before the election deadline described below.

The election form will allow each MISCOR shareholder (other than a holder of Dissenting Shares) to specify (i) the number of shares of MISCOR common with respect to which such holder elects to receive the Cash Consideration, (ii) the number of shares of MISCOR common stock with respect to which such holder elects to receive the Stock Consideration or (iii) that such holder makes no election with respect to such holder s MISCOR common stock (Non-Election Shares). The election must be made prior to the election deadline. Unless extended or otherwise agreed upon by IES and MISCOR, the election deadline will be 5:00 p.m., New York time, on the later of (i) the 33rd day following the date the election form is mailed to MISCOR shareholders, (ii) the fifth business day following the dissemination of the joint press release disclosing the final determination of the Cash Consideration and the Exchange Ratio and (iii) such other date and time on which IES and MISCOR shall agree. IES and MISCOR will make a public announcement if such election deadline has been extended.

To make a valid election, each MISCOR shareholder must submit a properly completed form of election so that it is actually received by the exchange agent at or prior to the election deadline. A form of election will be properly completed only if accompanied by certificates, if any, which represent such shareholder s shares of MISCOR common stock covered by the election form (or the guaranteed delivery of such certificates) or, in case of book-entry shares, any additional documents specified by the procedures set forth in the election form.

If a MISCOR shareholder does not make an election to receive Cash Consideration or Stock Consideration, the election form is not received by the exchange agent by the election deadline, the forms of election are improperly completed and/or are not signed, or the certificates representing MISCOR common stock or other documentation are not included with the election form, such shareholder will be deemed not to have made an election. Any MISCOR shareholder that does not make a valid election will be deemed to have elected to receive, and will be paid Stock Consideration; *provided*, *however*, that if the IES Common Stock Value is less than $4.024, then such shareholder will be deemed to have elected to receive, and will be paid, subject to the Maximum Cash Amount, Cash Consideration. If the Merger Consideration Determination Date had occurred on July 24, 2013, the default election would have been Stock Consideration, based on the assumptions described in Note 3 to the Unaudited Pro Forma Condensed Combined Financial Statements beginning on page F-2, which assumptions will not be definitively determined until the Merger Consideration Determination Date.

Any election form may be revoked or changed by a shareholder submitting such election form prior to the election deadline. If the election is so revoked prior to the election deadline, the shares of MISCOR common stock represented by such election form will become Non-Election Shares and IES will return the certificates, if

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any, representing MISCOR common stock without charge to the revoking shareholder upon request, unless such shareholder properly makes a subsequent election. The exchange agent will have reasonable discretion to determine, in good faith, whether any election, revocation or change has been properly or timely made and to disregard immaterial defects in the election forms. None of IES, MISCOR or Merger Sub or the exchange agent will have any obligation to notify MISCOR shareholders of any defects in an election form.

Appraisal Rights

A MISCOR shareholder who delivers to MISCOR, before the shareholder vote is taken at the MISCOR Meeting, written notice of the shareholder s intent to demand payment in cash for shares owned if the merger is effectuated and does not vote the shareholder s shares in favor of the merger will be entitled to assert dissenters rights in accordance with Chapter 44 of the IBCL. The shareholder s shares will not be converted into the right to receive any merger consideration, but instead such shareholder shall be paid the fair value of the shares as of the time immediately before the merger pursuant to the provisions of Chapter 44 of the IBCL. The full text of Chapter 44 of the IBCL is attached as Annex D to this joint proxy statement/prospectus.

If the merger agreement is adopted by the MISCOR shareholders at the MISCOR Meeting, MISCOR must mail a written notice of dissenters rights to each dissenting shareholder satisfying the above conditions within ten (10) days after the MISCOR Meeting at which shareholder approval was received. For a shareholder to perfect its dissenters rights, the shareholder must (a) demand payment for the shareholder s shares of MISCOR common stock, (b) certify whether the shareholder acquired beneficial ownership of the shares of MISCOR common stock before March 13, 2013, and (c) deposit the shareholder s certificates representing shares of MISCOR common stock in accordance with the terms of the notice to dissenters. A MISCOR shareholder who fails to take these steps by the date set forth in the notice to dissenters will not be entitled to payment for the shareholder s shares through the dissenters rights process and will be considered to have voted his or her shares in favor of the merger.

Upon consummation of the merger and receipt of a payment demand, IES, on behalf of MISCOR, will pay each dissenting shareholder who has complied with all statutory requirements and the notice to dissenters, and who acquired beneficial ownership of the shares of MISCOR common stock before March 13, 2013, MISCOR s estimate of the fair value of the shares as of the time immediately before the merger, excluding any appreciation in value in anticipation of the merger unless exclusion would be inequitable.

For those dissenters who became beneficial owners of shares of MISCOR common stock on or after March 13, 2013, MISCOR will provide its estimate of fair value upon consummation of the merger, but may withhold payment of the fair value of the shares until the dissenting shareholder agrees to accept it in full satisfaction of the dissenting shareholder s demand or until MISCOR is otherwise directed by a court of competent jurisdiction.

Conversion of Shares; Exchange of Certificates

The conversion of shares of MISCOR common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. As soon as reasonably practicable after the effective time of the merger, American Stock Transfer & Trust Company, LLC, as exchange agent, will exchange certificates formerly representing shares of MISCOR common stock for the merger consideration each holder is entitled to receive pursuant to the merger agreement.

Exchange Procedures

Promptly following the effective time of the merger, IES will deposit with the exchange agent certificates representing the number of shares of IES common stock to be issued and the aggregate amount of cash to be paid as merger consideration.

As soon as reasonably practicable after the effective time of the merger, IES will cause Merger Sub to send a letter of transmittal to each person who was a record owner of MISCOR common stock at the effective time of the merger. This mailing will contain instructions on how to surrender certificates formerly representing shares of MISCOR common stock in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

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Upon surrender to the exchange agent of a certificate of MISCOR common stock for cancelation, together with a properly completed and executed letter of transmittal and such other documents as may reasonably be required, the holder of such certificate of MISCOR common stock will be entitled to receive, in accordance with that holder s election or non-election, as the case may be, a certificate representing the number of shares of IES common stock and/or the cash that such holder has the right to receive pursuant to the merger agreement, any cash in lieu of fractional shares and any distributions to which the holder thereof is entitled pursuant to the merger agreement, and such certificate for MISCOR common stock will be canceled.

Until each certificate of MISCOR common stock is surrendered, such certificate or book entry share will be deemed at any time after the effective time of the merger to represent only the right to receive the merger consideration upon the surrender of such certificate, any cash in lieu of fractional shares and any distributions to which the holder thereof is entitled pursuant to the merger agreement, without interest.

Lost Stock Certificates

If a certificate formerly representing shares of MISCOR common stock has been lost, stolen or destroyed, the exchange agent will issue the merger consideration properly payable under the merger agreement upon receipt of an affidavit as to that loss, theft or destruction, and, if required by IES or the exchange agent, the posting of a bond in such reasonable amount as IES or the exchange agent will direct as indemnity, with such assurances as the exchange agent may reasonably require.

Distributions with Respect to Unexchanged MISCOR Common Stock

MISCOR shareholders prior to the effective time of the merger will not be paid any distributions on shares of IES common stock declared or made after the effective time of the merger until they surrender their shares of MISCOR common stock to the exchange agent (upon a holder s surrender of all of such holder s certificates representing, or formerly representing, shares of MISCOR common stock, that holder will receive any accrued but unpaid distribution, without interest, to which that holder is entitled in connection with the merger consideration).

Withholding Taxes

Each of IES, Merger Sub and the exchange agent will be entitled to deduct and withhold from the merger consideration payable to any MISCOR shareholder the amounts it is required to deduct and withhold under the Code or any state, local or foreign tax law. Withheld amounts will be treated for all purposes as having been paid to the MISCOR shareholders from whom they were withheld.

Transfer Books

After the effective time of the merger, there will be no transfers on the stock transfer books of MISCOR of any shares of MISCOR common stock. Certificates of MISCOR common stock presented to Merger Sub after the effective time of the merger will be canceled and exchanged for the merger consideration payable in respect of such certificates, any cash in lieu of fractional shares and any distributions to which the holders thereof are entitled pursuant to the merger agreement, without interest.

Termination of Exchange Fund

Any portion of the merger consideration, payable pursuant to the merger agreement and made available to the exchange agent, that remains unclaimed by holders of MISCOR common stock for one year after the effective time of the merger will be returned to Merger Sub upon demand. Thereafter, a holder of MISCOR common stock must look only to Merger Sub for payment of the merger consideration to which that holder is entitled under the terms of the merger agreement. Any amounts remaining unclaimed by holders of MISCOR common stock

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immediately prior to the date upon which payment of such amounts would otherwise escheat to or become the property of any governmental authority will become the property of Merger Sub free and clear of all claims or interests of any person previously entitled thereto.

Treatment of MISCOR Stock Options and Other Equity Awards

The following summarizes the treatment of MISCOR stock options and other equity awards held by MISCOR employees:

Stock Options

All outstanding options to purchase MISCOR common stock will be exercisable in full. The MISCOR board of directors shall select and give notice to the holders of such outstanding options, if any, of the beginning and ending dates between which such options may be exercised. Any options not exercised during the prescribed period will be canceled.

Restricted Shares

Each outstanding share of MISCOR common stock that is subject to a restriction or other condition under the MISCOR stock plans will be immediately vested and become free of such conditions or restrictions and will be treated in the merger equally with each share of MISCOR common stock that is not subject to any such restrictions or conditions.

Representations and Warranties

The merger agreement contains representations and warranties made by each of the parties regarding aspects of their respective businesses, financial condition and structure, as well as other facts pertinent to the merger. MISCOR has made representations and warranties to IES and Merger Sub with respect to each of, and IES and Merger Sub have made representations and warranties to MISCOR with respect to certain of, the following subject matters:

- corporate existence, good standing, corporate authority and qualification to conduct business;
- authorization to enter into and carry out the obligations under the merger agreement and the enforceability of the merger agreement;
- capitalization;
- compliance with laws and permits;
- violations of, or consents required pursuant to, any contract, agreement or applicable law;
- SEC filings;
- litigation;
- taxes;

employee benefit plans;

labor matters;

environmental matters;

material contracts;

intellectual property;

ownership and condition of assets;

insurance;

improper payments;

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- undisclosed liabilities; and
- state takeover statues.

Certain representations and warranties of IES, MISCOR and Merger Sub are qualified as to materiality or as to material adverse effect, which generally means the existence of any material change that, individually or in the aggregate (1) would reasonably be expected to prevent, materially delay or materially impair the ability of such party to complete the merger or (2) has had or caused or would reasonably be expected to have or cause a material adverse effect on the assets, properties, business, results of operations or financial condition of the party and its subsidiaries, taken as a whole.

The definition of material adverse effect includes numerous exceptions and carve-outs, including the following:

- changes that affect generally the industry in which the party and its subsidiaries operate;
- changes in the economy or the financial, securities or credit markets in the U.S. or elsewhere in the world;
- changes to the extent directly resulting from the announcement of the execution of the merger agreement or the consummation or pendency of the merger;
- fluctuations in the price or trading volume of shares of any trading stock of such party;
- changes in applicable law or GAAP, unless such disproportionally affects such party and its subsidiaries, taken as a whole, relative to other industry participants;
- changes resulting from any failure to take any action expressly prohibited by the merger agreement;
- changes resulting from expenses incurred in connection with the merger agreement;
- any claim made or brought by any holder of MISCOR common stock arising out of or related to the merger agreement, the merger or any of the transactions contemplated by the merger agreement; or
- changes resulting from any failure of internal or analysts estimates or projections.

Conditions to the Completion of the Merger

The completion of the merger is subject to various conditions. While it is anticipated that all of these conditions will be satisfied, there can be no assurance as to whether or when all of the conditions will be satisfied or, where permissible, waived.

Pursuant to the terms of the merger agreement, each of IES and MISCOR may waive in writing in whole or in part any or all of such party s conditions to completion of the merger, provided that those requirements that are a condition to both IES and MISCOR s completion of the merger, including the IES Minority Approval and MISCOR Minority Approval, must be waived in writing by both parties. In the event that either the IES Minority Approval or the MISCOR Minority Approval is not received, IES and MISCOR may determine, based on the facts as

they then exist, that waiver of such conditions is in the best interest of IES, MISCOR and their respective stockholders. Neither IES nor MISCOR intend to re-solicit stockholder approval in the event that either party waives a material condition to completion of the merger, except as may be required by the merger agreement with respect to MISCOR s receipt of an opinion of its tax counsel, as described under Material U.S. Federal Income Tax Consequences of the Merger Material U.S. Federal Income Tax Consequences of the Merger to MISCOR Shareholders beginning on page 135. As of July 24, 2013, neither IES or MISCOR anticipated waiving any condition to its obligation to complete the merger.

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Conditions to Each Party s Obligations

The obligation of MISCOR, on the one hand, and IES and Merger Sub, on the other hand, to complete the merger is subject to the satisfaction or waiver of the following conditions:

- IES receiving stockholder approval of the issuance of shares of IES common stock in the merger;
- MISCOR receiving shareholder approval of the adoption of the merger agreement;
- IES receiving IES Minority Approval;
- MISCOR receiving MISCOR Minority Approval;
- the registration statement of which this joint proxy statement/prospectus forms a part being declared effective by the SEC;
- the absence of any statute, order or injunction prohibiting the merger;
- IES filing the listing of additional shares notification with NASDAQ with respect to the IES common stock to be issued to MISCOR shareholders in the merger;
- no Person (other than affiliates of Tontine Capital Management, L.L.C. that own IES common stock) becoming, in the reasonable determination of the IES board or directors, an Acquiring Person (as defined in the Rights Agreement) as a result of the merger; and
- receiving all other required regulatory approvals, other than approvals the absence of which would not have a material adverse effect on the surviving corporation.

The obligation of MISCOR, on the one hand, and IES and Merger Sub, on the other hand, to complete the merger is also subject to the satisfaction or waiver of the following additional conditions:

- certain of the other party s representations, including, but not limited to, respresentations and warranties with respect to corporate authority and capitalization, must be true and correct in all respects, even if their failure to be so would not have a material adverse effect;
- the remainder of the other party s representations and warranties must be true and correct, except for any failures of such representations and warranties to be so true and correct as would not, individually or in the aggregate, not have a material adverse effect;

material compliance by the other party with all of its covenants and its delivery of a certificate certifying such compliance; and

absence of a material adverse effect with respect to the other party.

Additional Conditions to MISCOR s Obligations

The obligation of MISCOR to complete the merger is subject to the satisfaction or waiver of the following additional conditions:

receiving a legal opinion regarding the tax treatment of the merger; and

IES having delivered to the exchange agent satisfactory transfer instructions.

Additional Conditions to the Obligation of IES and Merger Sub

The obligation of IES and Merger Sub to complete the merger is subject to the satisfaction or waiver of the additional following conditions:

the number of Dissenting Shares not exceeding 5% of the outstanding shares of MISCOR common stock immediately prior to the effective time of the merger; and

agreement among the parties on the calculation of MISCOR s Net Debt.

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IES and MISCOR may fail to reach agreement as to the calculation of Net Debt as a result of their inability to agree on the amounts of debt outstanding during the 30-day Net Debt measurement period or application of the methodologies used to calculate Net Debt.

Covenants

Conduct of Business Pending the Merger

MISCOR has agreed that, during the period from the date of the merger agreement until the effective time of the merger or until the earlier termination of the merger agreement, except as disclosed in its disclosure letter, expressly permitted by the merger agreement or agreed to in writing by IES (whose consent will not be unreasonably withheld, delayed or conditioned):

- it will, and will cause its subsidiaries to, carry on its business in all material respects in the usual, regular and ordinary course, in substantially the same manner as theretofore conducted, and use its commercially reasonable efforts consistent with past practices and policies to:
  - preserve intact its present business organizations and goodwill;
  - keep available the services of its present executive officers, directors and key employees; and
  - preserve its relationships with customers, suppliers, agents and creditors; and
- it will not, and will cause its subsidiaries not to:
  - amend its certificate or articles of incorporation, bylaws, certificate of formation, certificate of organization, certificate of limited partnership, limited liability company agreement, operating agreement, partnership agreement or other governing or organizational documents;
  - adjust, split, combine, reclassify or dispose of any of MISCOR s outstanding equity interests (as defined in the merger agreement);
  - declare, set aside or pay any dividends or other distributions with respect to any equity interests;
  - issue, grant or sell, or agree to issue, grant or sell, any equity interests, including capital stock, change its capitalization from that which exists on the date of the merger agreement, issue, sell, award or grant any rights, options or warrants to acquire MISCOR s equity interests, or any conversion rights with respect to MISCOR s equity interests, or enter into or amend any agreements with any holder of MISCOR s equity interests with respect to holding, voting or disposing of such equity interest;
  - purchase, redeem or otherwise acquire any of MISCOR s outstanding equity interests;

merge or consolidate with, or sell, transfer, lease, sublease or otherwise dispose of all or a substantial portion of its assets;

liquidate, wind-up, dissolve or adopt any plan to liquidate, wind-up or dissolve (or suffer any liquidation or dissolution) (other than direct or indirect wholly-owned Subsidiaries);

acquire or agree to acquire by merger, consolidation or otherwise the business of any person or a division thereof;

sell, transfer or otherwise dispose of, or mortgage, pledge or otherwise encumber, any common stock of any other person;

make any loans, advances or capital contributions to, or investments in, any person;

terminate or amend any of MISCOR s material contracts or waive or assign any of its rights under any its material contracts in a manner that would be materially adverse to MISCOR, or enter into any material contact other than customer or vendor contracts entered into in the ordinary course of business;

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incur or assume any indebtedness;

enter into any additional contracts, benefit plans or agreements; or make or agree to make any material changes to any existing contracts, benefit plans or agreements; grant any increase in the compensation or benefits payable to any officer; grant any increase in the compensation or benefits payable to any non-officer; or adopt, enter into, amend or otherwise increase, or accelerate the payment or vesting of any amounts, benefits or rights payable or accrued under any benefit plan;

with respect to any former, present or future representative, increase any compensation or benefits payable to such representative or enter into, amend, modify or extend any employment or consulting agreement or benefit plan with of for such representative;

create, incur, assume or permit to exist any lien on any of its properties or assets;

make or rescind any material election relating to taxes, settle or compromise any material claim, action, litigation, proceeding, arbitration or investigation relating to taxes, or change in any material respect any of its methods of reporting any items for tax purposes from those employed in the preparation of MISCOR s tax returns for the most recent taxable year for which a tax return has been filed;

make or commit to make capital expenditures exceeding $250,000 in the aggregate;

take any action that is reasonably likely to materially delay or impair the ability of MISCOR to consummate the transactions contemplated by the merger agreement;

enter into any new line of business;

enter into any contract that subjects or will subject IES or Merger Sub to any non-compete or similar restriction;

enter into any contract the effect of which is or will be to grant a third party any right or potential right of license to any material intellectual property;

except as may be required as a result of a change in GAAP, change any of the material accounting principles, estimates, or practices used;

compromise, settle or grant any waiver or release related to any litigation or proceeding;

engage in any transaction or enter into any agreement with any affiliate; or

enter into any contract or obligation with respect to any of the foregoing.

Access to Information Personnel and Information

Subject to certain exceptions, during the period from the date of the merger agreement until the effective time of the merger or the earlier termination of the merger agreement, IES and MISCOR and their respective subsidiaries will provide each other reasonable access to their facilities, assets, employees, representatives, contracts, permits, books and records and copies of these materials, as applicable. The parties will also provide each other a copy of any report or communication with the SEC related to the merger.

No Solicitation of Alternative Transactions

During the period from the date of the merger agreement until the effective time of the merger or the earlier termination of the merger agreement, subject to the limited exceptions described below, MISCOR will not, and will cause its subsidiaries and representatives not to:

solicit, initiate, encourage or facilitate any inquiries, offers or proposals that constitute, or are reasonably likely to lead to, another acquisition proposal;

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- engage in any discussions or negotiations with, furnish or disclose any non-public information relating to itself or any of its subsidiaries to any person that has made or may be considering making another acquisition proposal;

- approve, endorse or recommend another acquisition proposal; or

- enter into any agreement in principle, letter of intent, arrangement, understanding or other contract relating to another acquisition proposal.

Except as permitted below, neither MISCOR nor any of its subsidiaries may engage in any solicitations, discussions or negotiations with any person with respect to another acquisition proposal.

Nothing in the merger agreement prevents MISCOR, prior to obtaining its required shareholder approval, from doing any of the following, provided its board of directors, acting in good faith, has determined after consultation with its outside legal counsel and financial advisors, that (i) the acquisition proposal is reasonably likely to result in a superior proposal (as defined in the merger agreement) and (ii) the failure to take such action would be reasonably likely to be inconsistent with the board of director s fiduciary duties to MISCOR shareholders:

- engaging in discussions or negotiations with, or disclosing information to, a third party who has made a bona fide written and unsolicited acquisition proposal, but only so long as the MISCOR board of directors, acting in good faith, has also determined that the conditions of the proposal are all reasonably capable of being satisfied in a timely manner and the third party executes a confidentiality agreement with material terms that are no more favorable to the third party than those contained in the confidentiality agreement between IES and MISCOR;

- subject to provisions requiring notification to IES of the existence of a superior proposal and negotiating in good faith exclusively with IES for four business days to enable IES to submit a revised offer, (a) recommending, adopting, approving or submitting to its shareholders, or proposing publicly to recommend, adopt, approve or submit to its shareholders, another acquisition proposal, or (b) entering into any agreement related to another acquisition proposal, provided that, prior to taking either of these actions, MISCOR concurrently terminates the merger agreement; or

- subject to provisions requiring notification to IES of the existence of a superior proposal and negotiating in good faith exclusively with IES for four business days to enable IES to submit a revised offer, withdrawing or amending (or publicly proposing to withdraw or amend) the approval, recommendation or declaration of advisability by its board of directors of the merger or the other transactions contemplated by the merger agreement.

MISCOR has agreed that, within 24 hours of receiving any unsolicited bona fide written acquisition proposal from a third party, it will notify IES of such acquisition proposal, the identity of the third party making such acquisition proposal and the material terms of such acquisition proposal. MISCOR has agreed to keep IES informed as to any changes to acquisition proposals and to provide IES with a copy of any material correspondence with any third party regarding another acquisition proposal.

Nothing contained in the no-solicitation provisions of the merger agreement prohibits MISCOR or its board of directors from taking and disclosing to MISCOR s shareholders a position with respect to another acquisition proposal pursuant to Rule 14d-9 and 14e-2(a) under the Exchange Act or from making any similar disclosure, in either case to the extent required by applicable law.

Stockholders Meetings

Promptly after the registration statement of which this joint proxy statement/prospectus forms a part is declared effective by the SEC, each of IES and MISCOR will take all action necessary to give notice of and hold the IES Meeting and the MISCOR Meeting, respectively. The MISCOR board of directors will recommend the adoption of the merger agreement to its shareholders, and the IES board of directors will recommend to its stockholders the approval of the issuance of shares of IES common stock in the merger.

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Registration Statement

IES and MISCOR will cooperate and promptly prepare the registration statement of which this joint proxy statement/prospectus forms a part and file the same with the SEC as soon as practicable after the date of the merger agreement and in any event not later than 45 days after the date of the merger agreement.

IES and MISCOR, subject to certain exceptions, have agreed that the registration statement of which this joint proxy statement/prospectus forms a part (at the time it becomes effective) and this joint proxy statement/prospectus (at the time it is first mailed to stockholders) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

The registration statement of which this joint proxy statement/prospectus forms a part, or any amendment or supplement thereto, will not be filed or disseminated to MISCOR shareholders without the prior approval of both IES and MISCOR.

Stock Exchange Listing

IES will prepare and submit to the NASDAQ, as soon as practicable, a listing of additional shares notification or other appropriate documentation covering the shares of IES common stock to be issued in the merger.

Additional Arrangements

Each of IES and MISCOR has also agreed to do the following:

- take all actions necessary to enable the closing to occur as soon as reasonably practicable;
- provide to the other party such information and reasonable assistance as the other party may reasonably request in connection with its preparation of any regulatory filings;
- take all action to cause the covenants and conditions in the merger agreement to be performed or satisfied as soon as practicable;
- use its reasonable best efforts to avoid the entry of, or to have vacated or terminated, any decree, order, ruling or injunction that would restrain, prevent or delay the closing, and if any order, decree, ruling, injunction or other action has been taken by a governmental authority that would restrain, enjoin or otherwise prohibit, delay or prevent closing, use its reasonable best efforts to have the action declared ineffective as soon as practicable; and
- promptly notify each other of any communication concerning the merger or the merger agreement from any governmental authority, permit the other party to review in advance any proposed communication to any governmental authority concerning the merger or the merger agreement, allow the other party to participate in any substantive meeting with any governmental authority relating to any filing or inquiry concerning the merger or the merger agreement, and provide the other party s counsel with copies of all correspondence, filings and communications between it and any governmental authority with respect to the merger or the merger agreement.

However, nothing contained in the merger agreement will be interpreted so as to require any party or its subsidiaries or affiliates, without such party s written consent, to sell, license, dispose of, hold separate or operate in any specified manner any of its businesses or assets. Further, nothing contained in the merger agreement will give either party, directly or indirectly, the right to control the operations of the other party.

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Section 16 Matters

Prior to the effective time of the merger, IES and MISCOR will take all required actions to cause any dispositions of shares of MISCOR common stock (or derivatives thereof) or acquisitions of IES common stock (or derivatives thereof) resulting from the transactions contemplated by the merger agreement by each individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act, to be exempt from Section 16(b) of the Exchange Act under Rule 16b-3 promulgated under the Exchange Act.

Public Announcements

Subject to certain exceptions, IES and MISCOR will consult with each other before issuing any press release, making any other public statement or scheduling any press conference or conference call with investors or analysts with respect to the merger agreement and the transactions contemplated thereunder. Neither IES nor MISCOR will issue any press release or make any other public statements concerning the merger without first providing the other party with a copy of such release or statement and obtaining the consent of the other party to such release or statement (which consent shall not be unreasonably withheld).

Notification Requirements

Each of IES and Merger Sub, on the one hand, and MISCOR, on the other hand, will give prompt notice to the other party of any occurrence that would be reasonably expected to result in the inaccuracy of a representation or warranty or any failure by such party to comply with or satisfy any covenant, condition or agreement to be complied with under the terms of the merger agreement.

Expenses

Subject to certain exceptions, each party will pay its own expenses relating to the preparing, entering into, and carrying out of the merger agreement and the consummation of the transactions contemplated thereunder, except that IES and MISCOR will equally share all fees and expenses incurred for printing this joint proxy statement/prospectus.

Directors and Officers Insurance and Indemnification

The merger agreement provides that, for a period of six years from the effective time of the merger, IES will cause Merger Sub, to indemnify, defend and hold harmless, to the fullest extent permitted by applicable law, current and former, officers, directors and fiduciaries of MISCOR and any of its subsidiaries in their capacities as directors and officers for claims and expenses occurring at or before the effective time of the merger. The same provisions of the merger agreement also require IES to cause Merger Sub to pay the expenses of the indemnified person in advance of the final disposition of any claim made against the indemnified person during such six-year period.

In addition, the merger agreement provides that IES will cause the organizational documents of Merger Sub to contain provisions with respect to indemnification that are at least as favorable to as those contained in the certificate of incorporation and bylaws of each of MISCOR and its subsidiaries in effect as of the date of the merger agreement, and shall comply with any indemnification agreements between MISCOR and its subsidiaries and their respective current and former directors, officers and fiduciaries. IES and Merger Sub may not, for a period of six years from the effective time of the merger, amend, repeal or otherwise modify, unless required by law, any such provisions in any manner that would adversely affect the rights under such provisions of any indemnitee, and all rights to indemnification thereunder in respect of any claim asserted or made within such period shall continue until the final disposition or resolution of such claim.

For a period of six years after the effective time of the merger, Merger Sub will also maintain liability insurance for directors and officers with respect to claims arising from actions or omissions that occurred at or prior to the effective time of the merger. Merger Sub may substitute policies of at least the same coverage and amounts containing terms no less advantageous to such former directors or officers from insurance carriers with financial

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strength ratings equal to or greater than the financial strength rating of MISCOR s current insurance carrier and, such substitution shall not result in gaps or lapses of coverage with respect to matters occurring prior to the effective time of the merger. However, Merger Sub will not be obligated to make annual premium payments for this insurance to the extent that the premiums exceed 250% of the per annum rate of the premium currently paid by MISCOR for similar insurance as of the date of the merger agreement. In the event that the annual premium for this insurance exceeds the maximum amount, Merger Sub will purchase as much coverage per policy year as reasonably practicable for the maximum amount. IES will have the right to cause the coverage to be extended under the insurance by obtaining a six year tail policy on terms and conditions no less advantageous than the existing insurance policy.

Employee Matters

If and to the extent permitted by the IES employee benefit plans, IES will give MISCOR employees full credit for their years of service with MISCOR or MISCOR s subsidiaries and past participation in MISCOR benefit plans for purposes of eligibility and vesting (excluding benefit accruals) under all employee benefit plans maintained by IES to the same extent and for the same purpose as such employee was entitled before the effective time of the merger. IES will give MISCOR employees credit toward deductibles and out-of-pocket requirements for any payments made during the current year under the MISCOR employee benefit plans.

Merger Sub and its subsidiaries will honor, without modification, all contracts, agreements, collective bargaining agreements and commitments that apply to any current or former employee or director of MISCOR.

MISCOR Board of Directors and Executive Officers

At or prior to the closing of the merger, MISCOR will deliver to IES written resignations of all members of the board of directors and all officers of MISCOR and each of its subsidiaries, with such resignations to be effective as of the effective time of the merger.

Determination of MISCOR s Net Debt

At least twelve business days prior to the closing date of the merger, MISCOR will deliver to IES a certificate certifying to and setting forth the calculation of MISCOR s Net Debt, and IES will have three business days after delivery of such certificate to object to the calculation of Net Debt set forth therein. IES and MISCOR will negotiate in good faith to resolve any such objections and agree to a final calculation of Net Debt. Promptly after reaching such agreement, IES and MISCOR will issue a joint press release disclosing the final determinations of the Cash Consideration and the Exchange Ratio.

Termination of the Merger Agreement and Termination Fees

Termination of the Merger Agreement

The merger agreement may be terminated by written notice at any time prior to the effective time of the merger in any of the following ways:

- by mutual written consent of IES and MISCOR;
- by either IES or MISCOR (provided the terminating party is not the cause of the failure or action described) if:
  - the merger is not completed by October 31, 2013, unless extended pursuant to the merger agreement (the Termination Date);
  - any governmental authority has issued an order, decree or ruling or taken any other action permanently prohibiting the consummation of the merger or making the merger illegal and such order, decree or ruling or other action will have become final and nonappealable;

the IES stockholders fail to approve the issuance shares of IES common stock in the merger;

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- the MISCOR shareholders fail to adopt the merger agreement;
- IES fails to receive IES Minority Approval; or
- MISCOR fails to receive MISCOR Minority Approval;

by IES if:

- there has been a material breach by MISCOR of any of its representations and warranties that is incapable of being cured by the Termination Date, or has not been cured within 20 days following receipt of written notice of the breach from IES;
- MISCOR has failed to comply in any material respect with any of its covenants or other agreements, and such failure is incapable of being cured by the Termination Date, or has not been cured within 20 days following receipt of written notice of the failure from IES;
- MISCOR has breached its no-solicitation covenant in any material respect, the MISCOR board of directors has withdrawn or changed adversely its recommendation of the merger, MISCOR or any of its subsidiaries has entered into another acquisition agreement, or MISCOR has publicly announced its intention to take any of the forgoing actions; or
- there has been a material adverse effect with respect to MISCOR that is incapable of being cured by the Termination Date, or has not been cured within 20 days following receipt of written notice of the material adverse effect from IES.

by MISCOR if:

- there has been a material breach by IES or Merger Sub of any of their representations and warranties that is incapable of being cured by the Termination Date, or has not been cured within 20 days following receipt of written notice of the breach from MISCOR;
- IES or Merger Sub has failed to comply in any material respect with any of its covenants or other agreements, and such failure is incapable of being cured by the Termination Date, or has not been cured within 20 days following receipt of written notice of the failure from MISCOR;
- prior to the adoption of the merger agreement by the MISCOR shareholders, MISCOR receives a superior proposal and the MISCOR board of directors withdraws or changes adversely its recommendation of the merger or MISCOR or its subsidiaries enter into another acquisition agreement, provided that MISCOR complies in all material respects with the provisions of the merger agreement applicable to the treatment of superior proposal; or
- there has been a material adverse effect with respect to IES that is incapable of being cured by the Termination Date, or has not been cured within 20 days following receipt of written notice of the material adverse effect from MISCOR.

Pursuant to the merger agreement, MISCOR does not have a right to terminate the transaction if the market price of IES common stock falls to a value such that the per share consideration to be received by MISCOR shareholders electing to receive Stock Consideration could be valued at less than $1.415, which is the minimum per share consideration to be received by MISCOR shareholders electing to receive Cash Consideration.

Termination Fees and Expenses

In the event of a termination of the merger agreement under the following circumstances, MISCOR will be required to pay IES a termination fee in the amount of $250,000:

- either IES or MISCOR terminates the merger agreement due to:
  - the failure of the MISCOR shareholders to adopt the merger agreement;
  - the failure of IES to receive IES Minority Approval;
  - the failure of MISCOR to receive MISCOR Minority Approval;

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- the MISCOR board of directors withdrawing or changing adversely its recommendation of the merger or MISCOR or any of its subsidiaries entering into another acquisition agreement; or

- the failure of the merger to be completed by the Termination Date; or

IES terminates the merger agreement due to:

- MISCOR s failure to timely cure or inability to cure a material breach of any of its representations and warranties;

- MISCOR s failure to timely cure or inability to cure its failure to comply in any material respect with any of its covenants or other agreements; or

- MISCOR s breach of its no-solicitation covenant in any material respect.

In addition, MISCOR will be required to pay IES a topping fee in the amount of $500,000 (in addition to the $250,000 termination fee described above), if, within 365 days of a termination of the merger agreement as a result of MISCOR s failure to receive shareholder approval of the merger or MISCOR Minority Approval, MISCOR consummates an alternative transaction with any person or entity that submitted an alternative transaction prior to termination of the merger agreement (regardless of whether such alternative transaction was the basis for termination of the merger agreement).

In the event of a termination of the merger agreement as a result of the failure of the IES stockholders to approve the issuance of shares of IES common stock in the merger or the failure of IES to receive the IES Minority Approval, IES will be required to reimburse MISCOR for its out-of-pocket and documented expenses incurred in connection with the merger in an amount not to exceed $250,000.

Effect of Termination

In the event of the termination of the merger agreement as described above, the merger agreement will become null and void and there will be no liability on the part of IES or Merger Sub, on the one hand, or MISCOR, on the other hand, except as described above under Termination Fees and Expenses, and with respect to the requirement to comply with the terms of the confidentiality agreement executed between IES and MISCOR as well as other specified provisions in the merger agreement, including those related to confidentiality, filings and communications with the SEC and payment of expenses, provided that no party will be relieved from any liability with respect to any willful or intentional breach of any representation, warranty, covenant, agreement or other obligation under the merger agreement.

Waiver

IES and Merger Sub, on the one hand, and MISCOR, on the other hand, may at any time before the effective time of the merger, to the extent legally allowed:

- extend the time for the performance of any of the obligations or the other acts of the other parties;

- waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement; and

waive performance of any of the covenants or agreements, or satisfaction of any of the conditions, contained in the merger agreement.

Amendment

IES and Merger Sub, on the one hand, and MISCOR, on the other hand, may amend the merger agreement by joint written agreement at any time before or after approval by the MISCOR shareholders. However, after the approval of the merger agreement by the MISCOR shareholders, no amendment may be made without first obtaining further approval of the MISCOR shareholders where such amendment would materially adversely affect the rights of the MISCOR shareholders or require further approval by the MISCOR shareholders under applicable law.

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APPRAISAL RIGHTS

Under Indiana law, MISCOR shareholders will have dissenters rights with respect to the merger. If you are a MISCOR shareholder and you (or your broker or other street name record holder acting on your behalf) follow the procedures set forth in Chapter 44 of the Indiana Business Corporation Law (the IBCL) these rights will entitle you to receive the fair value of your shares of MISCOR common stock rather than having your shares converted into the right to receive the Cash Consideration and/or the Stock Consideration pursuant to the merger agreement. Attached as Annex D to this joint proxy statement/prospectus is a copy of the full text of Chapter 44 of the IBCL, as it is in effect as of the date of this proxy statement/prospectus, which prescribes the procedures for the exercise of dissenters rights and for determining the fair value of shares of MISCOR common stock.

MISCOR shareholders electing to exercise dissenters rights must comply with the provisions of Chapter 44 of the IBCL in order to perfect their rights. IES and MISCOR will require strict compliance with the statutory procedures.

The following is intended as a brief summary of the material provisions of the Indiana statutory procedures required to be followed by a MISCOR shareholder in order to dissent from the merger and perfect the shareholder s dissenters rights. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Chapter 44 of the IBCL.

Under Chapter 44 of the IBCL, a MISCOR shareholder of record for the MISCOR Meeting who desires to assert dissenters rights must (1) deliver to MISCOR, before the shareholder vote is taken, written notice of the shareholder s intent to demand payment in cash for shares owned if the merger is effectuated, and (2) not vote the shareholder s shares in favor of adoption of the merger agreement, either in person or by proxy. A record shareholder, such as a broker, who holds MISCOR common stock as a nominee for others, may assert dissenters rights with respect to the shares held for one or more beneficial shareholder, while not exercising such right for other beneficial shareholders. A record shareholder may assert dissenters rights as to fewer than all shares registered in the shareholder s name only if the shareholder dissents (in accordance with the provisions of Chapter 44 of the IBCL) with respect to all of the shares beneficially owned by any one person, and the shareholder notifies MISCOR in writing of the name and address of each person on whose behalf the shareholder, as record shareholder, is asserting dissenters rights.

Shareholders who wish to be eligible to assert dissenters rights may send their written notice to MISCOR Group, Ltd., 800 Nave Road, SE, Massillon, Ohio 44646, Attention: Corporate Secretary; the method of delivery of this written notice is at the risk of the shareholder, because the notice must actually be received by MISCOR prior to the shareholder vote being taken.

If the merger agreement is adopted by the MISCOR shareholders at the MISCOR Meeting, MISCOR must mail or deliver a written notice of dissenters rights to each dissenting shareholder satisfying the above conditions within ten (10) days after the MISCOR Meeting at which shareholder approval was received. The notice to dissenting shareholders must:

1. state where the payment demand must be sent and where and when certificates for certificated shares must be deposited;

2. inform holders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;

3. supply a form for demanding payment that includes the date of the first announcement to news media or to shareholders of the terms of the proposed merger, which was March 13, 2013, and require that the dissenting shareholder certify whether or not that shareholder acquired beneficial ownership of the shares before that date;

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4. set a date by which MISCOR must receive the payment demand, which date may not be fewer than thirty (30) nor more than sixty (60) days after the date the notice to dissenters is delivered; and

5. be accompanied by a copy of Chapter 44 of the IBCL.

Any MISCOR shareholder who is sent a notice to dissenters must then (a) demand payment for his or her MISCOR common stock, (b) certify whether he or she acquired beneficial ownership of the MISCOR common stock before March 13, 2013 (any such shareholder, a Pre-Announcement Shareholder) and (c) deposit his or her certificates representing MISCOR common stock in accordance with the terms of the notice to dissenters. A MISCOR shareholder who fails to take these steps by the date set forth in the notice to dissenters will not be entitled to payment for his or her shares through the dissenters rights process and will be considered to have voted his or her shares in favor of the merger.

A MISCOR shareholder who desires to exercise dissenters rights concerning the merger but who does not comply with the preliminary conditions described above will not to be entitled to exercise dissenters rights. Shareholders who execute and return the enclosed proxy, but do not specify a choice on the merger proposal will be deemed to have voted in favor of the proposal to adopt the merger agreement and, accordingly, to have waived their dissenters rights, unless the shareholder revokes the proxy before it is voted and satisfies the other requirements of Chapter 44 of the IBCL.

Upon consummation of the merger and receipt of a payment demand, IES, on behalf of MISCOR, will pay each dissenting shareholder who has complied with all statutory requirements and the notice to dissenters, and who was a Pre-Announcement Shareholder, MISCOR s estimate of the fair value of the shares as of the time immediately before the merger, excluding any appreciation in value in anticipation of the merger unless exclusion would be inequitable. Payment must be accompanied by MISCOR s most recent year-end and interim financial statements, a statement of MISCOR s estimate of the fair value of MISCOR common stock, and a statement of the dissenting shareholder s right to demand payment under IBCL Section 23-1-44-18.

For those dissenters who became beneficial owners of shares of MISCOR common stock on or after March 13, 2013, MISCOR will provide its estimate of fair value upon consummation of the merger, but may withhold payment of the fair value of the shares until the dissenting shareholder agrees to accept it in full satisfaction of the dissenting shareholder s demand or until MISCOR is otherwise directed by a court of competent jurisdiction.

If the dissenting shareholder believes the amount estimated or paid on behalf of MISCOR is less than the fair value for his or her shares of MISCOR common stock or if IES and MISCOR fail to make payment to the dissenting shareholder within sixty (60) days after the date set for demanding payment, the dissenting shareholder may notify MISCOR in writing of the shareholder s own estimate of the fair value of his or her shares of MISCOR common stock and demand payment of his or her estimate (less the amount of any payment made by IES for the shares of MISCOR common stock to the dissenting shareholder). Demand for payment must be made in writing within thirty (30) days after IES, on behalf of MISCOR, has made payment for the dissenting shareholder s shares of MISCOR common stock or has offered to pay its estimate of fair value for the dissenting shareholder s shares of MISCOR common stock. MISCOR will not give further notice to the dissenting shareholder of this deadline. A dissenting shareholder who fails to make the demand within this time waives the right to demand payment for the shareholder s shares of MISCOR common stock.

MISCOR can elect to agree with the dissenting shareholder s fair value demand, but if a demand for payment remains unsettled, IES, on behalf of MISCOR, must commence an appraisal proceeding in the circuit or superior court of Dubois County, Indiana within sixty (60) days after receiving the payment demand from the dissenting shareholder and petition the court to determine the fair value of the shares of MISCOR common stock. If MISCOR fails to commence the appraisal proceeding within the sixty (60) day period, MISCOR (or IES, on behalf of MISCOR) must pay each dissenting shareholder whose demand remains unsettled the amount demanded. MISCOR must make all dissenting shareholders whose demands remain unsettled parties to the appraisal proceeding and all parties must be served a copy of the petition. The court may appoint one or more

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persons as appraisers to receive evidence and recommend a decision on the question of fair value. Each dissenting shareholder made a party to the appraisal proceeding is entitled to judgment for the amount, if any, by which the court finds the fair value of the dissenting shareholder s shares of MISCOR common stock, plus interest, exceeds the amount paid by IES.

The court will determine all costs of the appraisal proceeding, including the reasonable compensation and expenses of appraisers appointed by the court, and will assess these costs against the parties in amounts the court finds equitable. The court may also assess the fees and expenses of counsel and experts for the respective parties, in amounts the court finds equitable, against MISCOR if the court finds that MISCOR did not substantially comply with Chapter 44 of the IBCL or against either MISCOR or a dissenting shareholder if the court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously or not in good faith with respect to the rights provided by Chapter 44 of the IBCL.

If MISCOR and IES do not consummate the merger within sixty (60) days after the date set in the notice to dissenters for demanding payment and depositing certificates of shares of MISCOR common stock, MISCOR will return the deposited certificates. If, after returning the deposited certificates, MISCOR and IES consummate the merger, MISCOR will send a new notice to dissenters and repeat the payment demand process.

Every MISCOR shareholder who does not deliver a notice of intent to demand payment for his or her shares of MISCOR common stock as described above, or who votes in favor of the proposal to adopt the merger agreement, will have no right to dissent and to demand payment of the fair value of the shareholder s shares of MISCOR common stock as a result of the merger. Voting against the proposal to adopt the merger agreement does not in itself constitute the notice of intent to demand payment required by Chapter 44 of the IBCL.

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FINANCING OF THE MERGER

IES obligation to complete the merger is not conditioned upon its obtaining financing. IES expects, however, to obtain financing for some or all of the cash component of the merger consideration, the repayment of outstanding MISCOR debt and the transaction expenses associated with the merger (the Merger Payments).

IES is party to a Credit and Security Agreement (the Credit Agreement), for a $30 million revolving credit facility (as amended, the Credit Facility) with Wells Fargo Bank, National Association (Wells Fargo). In February 2013, IES entered into an amendment of the Credit Facility that extended the term to August 9, 2016 and pursuant to which Wells Fargo provided IES with a $5 million term loan (the Wells Fargo Term Loan).

On April 10, 2013, IES entered into a commitment letter with Wells Fargo, pursuant to which Wells Fargo committed to provide IES, subject to the satisfaction of certain conditions precedent, a new amortizing term loan in a principal amount of up to $14 million (the Acquisition Term Loan) under the Credit Facility. Upon entering into the commitment letter, IES incurred an amendment fee in the amount of $37,500.

The Acquisition Term Loan, which will mature on August 9, 2016, will be fully reserved from availability under the Credit Facility and will be subject to principal reduction on a 48-month straight-line amortization. The Acquisition Term Loan will bear interest at a per annum rate equal to the average Daily Three Month LIBOR plus 5.00% for the first year; thereafter, the margin will be determined based on the following grid:

Average Liquidity	LIBOR Spread
< $20 million	5.00%
³ $20 million but < $30 million	4.50%
³ $30 million	4.00%

Proceeds of the Acquisition Term Loan may be used only to (i) fund Merger Payments, (ii) refinance the Wells Fargo Term Loan, and (iii) as otherwise may be permitted by Wells Fargo. Except as specified in the Acquisition Term Loan, all other terms, conditions and provisions of the Acquisition Term Loan shall be as set forth in IES Credit Agreement.

The final size and terms of the Acquisition Term Loan, as well as any draw made by IES thereunder, will depend on, among other things, IES liquidity at closing and its funding obligations in connection with the Merger Payments, including (i) the aggregate Cash Consideration to be paid to MISCOR shareholders in connection with the merger and (ii) MISCOR s debt outstanding at the closing date of the merger. As of July 24, 2013, MISCOR s Net Debt (for the 30-day period ending on that date), was approximately $5.994 million. MISCOR estimates that its Net Debt as of the Merger Consideration Determination Date could range from $7.300 million to $5.500 million.

In order to finance some or all of the Merger Payments, IES expects to utilize its existing cash balances and incur incremental indebtedness of up to $10.0 million under the Acquisition Term Loan.

Subject to the considerations described above, IES total debt at closing is expected to be approximately $14.0 million.

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COMPARISON OF RIGHTS OF IES STOCKHOLDERS AND MISCOR SHAREHOLDERS

As a result of the merger, the MISCOR shareholders may become stockholders of IES. As IES stockholders, their rights will be governed by the DGCL and by IES certificate of incorporation and bylaws.

The following is a summary of the material differences between the rights of IES stockholders and the rights of MISCOR shareholders under each company s respective certificate of incorporation, as amended, and bylaws, as amended. While IES and MISCOR believe that this summary covers the material differences between the two, this summary may not contain all of the information that is important to you. This summary is not intended to be a complete discussion of the respective rights of IES and MISCOR shareholders and is qualified in its entirety by reference to the DGCL, IBCL and the various documents of IES and MISCOR that are referred to in this summary. You should carefully read this entire joint proxy statement/prospectus and the other documents referred to in this joint proxy statement/prospectus for a more complete understanding of the differences between being a stockholder of IES and being a shareholder of MISCOR. IES has filed copies of its articles of incorporation, as amended, and bylaws, as amended, with the SEC, and such documents are exhibits to the registration statement of which this joint proxy statement/prospectus forms a part. IES will send copies of these documents to you upon your request. MISCOR will also send copies of its documents referred to herein to you upon your request. See the section entitled Where You Can Find More Information, beginning on page 250.

Authorized Capital

IES. The total number of authorized shares of capital stock of IES is 110,000,000, consisting of 100,000,000 shares of common stock, par value $0.01 per share, and 10,000,000 shares of preferred stock, par value $0.01 per share. As of July 24, 2013, 15,105,846 shares of common stock were issued and outstanding and no shares of preferred stock were issued and outstanding. 100,000 shares of IES preferred stock has been designated as Series A Junior Participating Preferred Stock, of which none are issued and outstanding.

MISCOR. The total number of authorized shares of capital stock of MISCOR is 20,800,000, consisting of 20,000,000 shares of common stock without par value and 800,000 shares of preferred stock without par value. As of July 24, 2013, 11,684,987 shares of common stock (including 22,000 shares of restricted stock) were issued and outstanding and no shares of preferred stock were issued and outstanding.

Number and Election of Directors

IES. IES certificate of incorporation and bylaws provide that the number of members of the board of directors shall be fixed from time to time by the board of directors but shall not be less than one nor more than fifteen persons. The IES board of directors currently has 5 members. Directors are elected by a plurality of votes of the shares present in person or by proxy and entitled to vote on the election of directors. In addition, the preferred stockholders may elect additional directors in certain situations in accordance with IES Certificate of Designations of the Series A Junior Participating Preferred Stock.

MISCOR. The MISCOR board of directors currently has 4 members. The MISCOR articles of incorporation and bylaws provide that the board of directors will consist of a number of directors, not less than one, as set from time to time by resolution adopted by a majority of the board of directors. If and whenever the board of directors has not specified the number of directors, the number shall be five. Directors are elected by a plurality of votes of the shares present in person or by proxy and entitled to vote on the election of directors. The directors are divided into three classes. The members of each class are elected for a term of three years (unless a shorter period is specified) and until their successors are elected and qualified. One class of directors is elected annually. Tontine has the right to appoint members to MISCOR s board of directors as follows:

- if Tontine or its affiliates hold at least 10% of MISCOR s outstanding common stock, Tontine has the right to appoint one member of MISCOR s board of directors;

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- if Tontine or its affiliates hold at least 20% of MISCOR s outstanding common stock, and MISCOR s board of directors consists of five or fewer directors, Tontine has the right to appoint one member of MISCOR s board of directors; and

- if Tontine or its affiliates hold at least 20% of MISCOR s outstanding common stock, and MISCOR s board of directors consists of six or more directors, Tontine has the right to appoint two members of MISCOR s board of directors.

MISCOR also agreed that, for as long as Tontine has the right to appoint directors, the number of directors on MISCOR s board of directors will not exceed seven. Tontine has not appointed a director to MISCOR s board of directors.

Stockholders Meetings and Provisions for Notices

IES. The IES bylaws provide that special meetings of stockholders may only be called by (1) the Chairman of the board of directors upon the written request of the board of directors pursuant to a resolution approved by a majority of the board of directors or (2) upon the receipt of the written request of the holders of at least 25% of the outstanding shares of common stock.

The IES bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as director and amendments to IES certificate of incorporation or bylaws to be brought before annual meetings of stockholders. These procedures provide that notice of such stockholder proposals must be timely given in writing to IES secretary prior to the annual meeting. Generally, to be timely, notice must be received at IES principal executive offices not less than 80 days prior to an annual meeting (or if fewer than 90 days notice or prior public disclosure of the date of the annual meeting is given or made by IES, not later than the tenth day following the date on which the notice of the date of the annual meeting was mailed or such public disclosure was made). The notice must contain certain information specified in IES bylaws, including a brief description of the business desired to be brought before the annual meeting and certain information concerning the stockholder submitting the proposal.

MISCOR. The MISCOR s articles of incorporation provide that a special meeting of shareholders may be called only by the Chairman of the board of directors or pursuant to a resolution adopted by a majority of the total number of directors. Shareholders are not authorized to call a special meeting.

The MISCOR bylaws establish advance notice procedures with regard to shareholder proposals relating to business to be brought before annual meetings of shareholders. These procedures provide that notice of such shareholder proposals must be timely given in writing to MISCOR s secretary prior to the annual meeting. Generally, to be timely, notice must be received at MISCOR s principal executive offices not less than 120 days prior to an annual meeting (or if fewer than 130 days notice or prior public disclosure of the date of the annual meeting is given or made by MISCOR, not later than the tenth day following the date on which the notice of the date of the annual meeting was mailed or such public disclosure was made). The notice must contain certain information specified in MISCOR s bylaws, including a brief description of the business desired to be brought before the annual meeting and certain information concerning the shareholder submitting the proposal.

Voting by Stockholders

IES. The IES bylaws state that unless otherwise provided by applicable law, the certificate of incorporation, or the bylaws, all matters other than election of directors will be approved if the votes cast in favor of the matter exceed the votes cast opposing matter. The IES bylaws state that subject to the rights of the holders of preferred stock, directors will generally be elected by a plurality of the votes cast.

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MISCOR. The MISCOR bylaws state that, unless otherwise provided by applicable law, the articles of incorporation, or the bylaws, all matters other than election of directors will be decided by the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on that matter. Subject to the rights of the holders of preferred stock and Tontine, directors will generally be elected by a plurality of the votes cast.

Amendment of Certificate of Incorporation

IES. IES certificate of incorporation requires the approval of the holders of at least 75% of the then-outstanding shares of IES capital stock entitled to vote thereon and the approval of the holders of at least 75% of the then-outstanding shares of each class of stock voting separately as a class on, among other things, certain amendments to IES certificate of incorporation. Any amendment to IES certificate of incorporation not requiring approval as mentioned in the foregoing, requires the affirmative vote of the holders of at least a majority of the then outstanding shares entitled to vote thereon and the affirmative vote of the holders of at least a majority of the then outstanding shares of each class of stock of IES voting separately as a class.

MISCOR. Generally, amendments to MISCOR s articles of incorporation must be approved by a majority vote of MISCOR s board of directors and also by a majority of our outstanding voting shares. However, to amend certain provisions of MISCOR s articles of incorporation, including those pertaining to MISCOR s directors and to certain business combination transactions, approval by at least 80% of the outstanding voting shares is required.

Amendment of Bylaws

IES. Under the IES bylaws and certificate of incorporation, IES board of directors may amend, alter, change or repeal IES bylaws, or adopt new bylaws by the affirmative vote of a majority of the board of directors at any meeting and without the assent or vote of the stockholders. The bylaws may be also be altered, amended or repealed, or new bylaws may be adopted, upon the affirmative vote of holders of at least a majority of the shares of common stock entitled to vote thereon.

MISCOR. Under the MISCOR bylaws and articles of incorporation, the affirmative vote of a majority of the Full Board is required to adopt, amend, alter, or repeal the bylaws. The Full board is the total number of directors if there are no vacancies.

Exchange Listing of Common Stock

IES. IES common stock is listed on the NASDAQ Global Select Market under the symbol IESC, and the rights of IES stockholders are determined in part by the NASDAQ listing requirements.

MISCOR. MISCOR common stock is traded on the OTCQB under the symbol MIGL.

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BUSINESS OF IES

Integrated Electrical Services, Inc., a Delaware corporation, is a leading provider of infrastructure services to the residential, commercial and industrial industries as well as for data centers and other mission critical environments. IES operates primarily in the electrical infrastructure markets, with a corporate focus on expanding into other markets through strategic acquisitions or investments. Originally established as IES in 1997, IES provides services from IES 56 domestic locations as of March 31, 2013. Its operations are organized into three business segments, based upon the nature of its products and services (more complete descriptions follow):

Communications Nationwide provider of products and services for mission critical infrastructure, such as data centers, of large corporations.

Residential Regional provider of electrical installation services for single-family housing and multi-family apartment complexes.

Commercial & Industrial Provider of electrical design, construction, and maintenance services to the commercial and industrial markets in various regional markets and nationwide in certain areas of expertise, such as the power infrastructure market.

The table below describes the percentage of IES total revenues attributable to each of IES three segments over each of the last three years and during the six months ended March 31, 2013 and 2012:

	Six Months Ended March 31,				Years Ended September 30,					
	2013		2012		2012		2011		2010	
	$	%	$	%	$	%	$	%	$	%
	(Dollars in thousands, Percentage of revenues)									
Communications	$ 71,925	28.9%	$ 53,591	24.7%	$ 121,492	26.6%	$ 83,615	20.6%	$ 69,171	18.1%
Residential	75,349	30.2%	58,900	27.2%	129,974	28.5%	114,732	28.2%	115,947	30.3%
Commercial & Industrial	101,985	40.9%	104,115	48.1%	204,649	44.9%	207,794	51.2%	197,313	51.6%
Total Consolidated	$ 249,259	100.0%	$ 216,606	100.0%	$ 456,115	100.0%	$ 406,141	100.0%	$ 382,431	100.0%

For additional financial information by segment, see Note 11, Operating Segments in the notes to IES audited consolidated financial statements for the fiscal year ended September 30, 2012 and Note 6, Operating Segments in the notes to IES unaudited consolidated financial statements for the six months ended March 31, 2013.

Net Operating Loss Carry Forward

IES and certain of its subsidiaries have a federal NOL of approximately $452 million at September 30, 2012, including approximately $139 million resulting from the additional amortization of goodwill. A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of net operating losses for federal and state income tax purposes. Should Tontine, IES controlling shareholder, sell or otherwise dispose of all or a portion of its position in IES, a change in ownership could occur. In addition a change in ownership could result from the purchase of common stock by an existing or a new 5% shareholder as defined by Internal Revenue Code Section 382. Should a change in ownership occur, all net operating losses incurred prior to the change in ownership would be subject to limitation imposed by Internal Revenue Code Section 382, which would substantially reduce the amount of NOL currently available to offset taxable income. For more information on IES NOLs and the Rights Agreement adopted by the IES board of directors, see IES Management s Discussion and Analysis of Financial Condition and Results of Operations Controlling Shareholder beginning on page 190.

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Operating Segments

Communications

Business Description

Originally established in 1984, IES Communications segment is a leading provider of network infrastructure products and services for data centers and other mission critical environments. Services offered include the design, installation and maintenance of network infrastructure for the financial, medical, hospitality, government, high-tech manufacturing, educational and information technology industries. IES also provides the design and installation of audio/visual, telephone, fire, wireless and intrusion alarm systems as well as design/build, service and maintenance of data network systems. A significant portion of IES Communications revenue is generated from long-term, repeat customers, some of whom use IES as a preferred provider for major projects. IES performs services across the United States from its ten offices, which includes its Communications headquarters located in Tempe, Arizona, allowing dedicated onsite maintenance teams at IES customers sites.

In 2010, IES Communications segment was separated from its Commercial & Industrial segment to form a new operating segment. The decision to report Communications as a separate segment was made as IES changed its internal reporting structure and the segment gained greater significance as a percentage of consolidated revenues, gross profit and operating income. Moreover, the Communications segment was identified as a separate and specific part of future strategic growth plans of IES.

Sales and Marketing

IES primarily specializes in installations of communication systems, and site and national account support for the mission critical infrastructure of Fortune 500 corporations. IES sales strategy relies on a concentrated business development effort, with centralized corporate marketing programs and direct end-customer communications and relationships. Due to the mission critical nature of the facilities IES services, IES end-customers significantly rely upon IES past performance record, technical expertise and specialized knowledge. IES long-term strategy is to improve its position as a preferred mission critical solutions and services provider to large national corporations and strategic local companies. Key elements of IES long-term strategy include continued investment in its employees technical expertise and expansion of its onsite maintenance and recurring revenue model.

Competition

IES competition consists of both small, privately owned contractors who have limited access to capital and large public companies. IES competes on quality of service and/or price, and seeks to emphasize its long history of delivering high quality solutions to its customers.

Residential

Business Description

IES Residential business provides electrical installation services for single-family housing and multi-family apartment complexes and CATV cabling installations for residential and light commercial applications. In addition to IES core electrical construction work, the Residential segment also provides services for the installation of residential solar power, smart meters, and electric car charging stations, both for new construction and existing residences. The Residential division is made up of 32 total locations, which includes the headquarters in Houston. These division locations geographically cover Texas, the Sun-Belt, and the Western and Mid-Atlantic regions of the United States, including Hawaii.

Sales and Marketing

Demand for IES Residential services is highly dependent on the number of single-family and multi-family home starts in the markets it serves. Although IES operates in multiple states throughout the Sun-Belt, Mid-Atlantic

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and western regions of the United States, the majority of its segment revenues are derived from services provided in the state of Texas. IES sales efforts include a variety of strategies, including a concentrated focus on national homebuilders and multi-family developers and a local sales strategy for single and multi-family housing projects. IES cable, solar and electric car charging station revenues are typically generated through industry-specific third parties to which it acts as a preferred provider of installation services.

IES long-term strategy is to continue to be the leading national provider of electrical services to the residential market. Although the key elements of its long-term strategy include a continued focus on maintaining a low and variable cost structure and cash generation, during the housing downturn IES modified its strategy by expanding into markets less exposed to national building cycles, such as solar panel and electric car charging installations. As IES begins to experience increased activity in the residential sector, it is prepared to increase its scale to support an increase in activity.

Competition

IES competition primarily consists of small, privately owned contractors who have limited access to capital. IES believes that it has a competitive advantage over these smaller competitors due to its key employees long-standing customer relationships, its financial capabilities, and its local market knowledge and competitive pricing. There are few barriers to entry for IES electrical contracting services in the residential markets.

Commercial & Industrial

Business Description

IES Commercial & Industrial segment is one of the largest providers of electrical contracting services in the United States. The division offers a broad range of electrical design, construction, renovation, engineering and maintenance services to the commercial and industrial markets. The Commercial & Industrial division consists of 19 total locations, which includes the division headquarters in Houston, Texas. These locations geographically cover Texas, Nebraska, Colorado, Oregon and the Mid-Atlantic region.

Services include the design of electrical systems within a building or complex and procurement and installation of wiring and connection to power sources, end-use equipment and fixtures, as well as contract maintenance. IES focuses on projects that require special expertise, such as design-and-build projects that utilize the capabilities of its in-house experts, or projects which require specific market expertise, such as transmission and distribution projects. IES also focuses on service, maintenance and certain renovation and upgrade work, which tends to be either recurring or have lower sensitivity to economic cycles, or both. IES provides services for a variety of projects, including: office buildings, manufacturing facilities, data centers, chemical plants, refineries, wind farms, solar facilities and municipal infrastructure and health care facilities. IES 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. IES maintenance services generally provide recurring revenues that are typically less affected by levels of construction activity. Service and maintenance revenues are derived from service calls and routine maintenance contracts, which tend to be recurring and less sensitive to short-term economic fluctuations.

Sales and Marketing

Demand for IES Commercial & Industrial services is driven by construction and renovation activity levels, economic growth, and availability of bank lending. Certain of IES industrial projects have longer cycle times than its typical Commercial & Industrial services and may follow the economic trends with a lag. IES sales focus varies by location, but is primarily based upon regional and local relationships with general contractors and a demonstrated expertise in certain industries, such as transmission and distribution.

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IES long-term strategy has been modified over the past two years due to the downturn in the construction industry. IES long-term strategy is to be the preferred provider of electrical services in the markets where it has demonstrated expertise or are a local market leader. Key elements of IES long-term strategy include leveraging its expertise in certain niche markets, expansion of its service and maintenance business and maintaining its focus on its returns on risk adjusted capital.

Competition

The electrical infrastructure services industry is generally highly competitive and includes a number of regional or small privately-held local firms. There are few barriers to entry for IES electrical contracting services in the commercial and industrial markets, which limits its advantages when competing for projects. Industry expertise, project size, location and past performance will determine IES bidding strategy, the level of involvement from competitors and its level of success in winning awards. IES primary advantages vary by location and market, but mostly are based upon local individual relationships with key employees or a demonstrated industry expertise. Additionally, due to the size of many of IES projects, its financial resources help it compete effectively against local competitors.

Industry Overview

Given the diverse end markets of IES Commercial & Industrial customers, which include both commercial buildings, such as offices, healthcare facilities and schools, and industrial projects, such as power, chemical, refinery and heavy manufacturing facilities, IES is subject to many trends within the construction industry. In general, demand for IES Commercial & Industrial services is driven by construction and renovation activity levels, economic growth, and availability of bank lending. Due to economic, technological or other factors there can be no assurance that construction and demand will continue to increase.

According to the September 2012 McGraw Hill Outlook, commercial construction is forecasted to increase approximately 11% in 2013 driven by improvements in the retail, warehouse, office and hotel sectors during 2013. According to the McGraw Hill Outlook, institutional building construction is forecasted to slightly increase 0.3% in 2013, turning positive for the first time in four years as state finances are finally showing signs of stabilizing.

Public works construction is forecasted to rise 5% in 2013 after three years of decline while electric utility construction activity is forecasted to drop 20% in 2013, according to the McGraw Hill Outlook. The increase in public works construction is expected to come from a rebound in highway and bridge construction, which was impacted by a reduction in federal funding and tight fiscal conditions for state and local governments over the past two years, and some increased activity for rail projects. Although electric utility construction activity is expected to decrease in 2013, according to the McGraw Hill Outlook, the projected $35 billion of spending is still a high level by historical standards.

Discontinued Operations

IES is focused on return on capital and cash flow to maximize long-term shareholder value. As a result, beginning in 2011, IES increased its focus on a number of initiatives to return it to profitability (the 2011 Restructuring Plan). Included in these initiatives was the closure or sale of a number of facilities within IES Commercial & Industrial segment and one location in its Communications segment. During 2011, IES initiated the sale or closure of all or portions of its Commercial facilities in Arizona, Florida, Iowa, Maryland, Massachusetts, Nevada and Texas, its Industrial facility in Louisiana, and its Communications facility in Maryland. IES has substantially concluded the closure of these facilities as of September 30, 2012. Results from operations of these facilities for the years ended September 30, 2012, 2011, and 2010 are presented in IES Consolidated Statements of Operations as discontinued operations. For further discussion of discontinued operations, please refer to Note 17, Discontinued Operations in the notes to IES Consolidated Financial Statements, included in IES Annual Report on Form 10-K for fiscal year ended September 30, 2012. The 2011 Restructuring Plan is more fully described on page F-35.

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Safety Culture

Performance of IES contracting and maintenance services exposes it to unique potential hazards associated specifically with the electrical contracting industry. In light of these risks, IES is resolute in its commitment to safety and maintaining a strong safety culture, which is reflected in its safety program and the significant reductions in loss time cases and OSHA recordable incidents over the past ten years. IES employs full-time regional safety managers, under the supervision of its full-time Vice President of Safety. IES seeks to maintain standardized safety policies, programs, procedures and personal protection equipment within each segment, including programs to train new employees, which apply to employees new to the industry and those new to IES. To further emphasize IES commitment to safety, it has also tied management incentives to specific safety performance results.

Risk Management and Insurance

IES ability to post surety bonds provides it with an advantage over competitors that are smaller or have fewer financial resources. IES believes that the strength of its balance sheet, as well as a good relationship with its bonding provider, enhances its ability to obtain adequate financing and surety bonds.

The primary risks in IES operations include bodily injury, property damage and construction defects. IES maintains automobile, general liability and construction defect insurance for third party health, bodily injury and property damage and workers compensation coverage, which it considers appropriate to insure against these risks. IES third-party insurance is subject to deductibles for which it establishes reserves.

Customers

IES has a diverse customer base. During the twelve-month periods ended September 30, 2012, 2011 and 2010, no single customer accounted for more than 10% of IES revenues. IES will continue to emphasize developing and maintaining relationships with its customers by providing superior, high-quality service. Management at each of its segments is responsible for determining sales strategy and sales activities.

Backlog

Backlog is a measure of revenue that IES expects to recognize from work that has yet to be performed on uncompleted contracts, and from work that has been contracted but has not started. Backlog is not a guarantee of future revenues, as contractual commitments may change. As of September 30, 2012, IES backlog was approximately $234.1 million compared to $174.5 million as of September 30, 2011. This increase is primarily due to expanded operations within IES Residential and Communications segments, which increased 28.6% and 20.2%, respectively. Backlog at IES Commercial & Industrial segment increased by 9.2% in fiscal year 2012.

Seasonality and Quarterly Fluctuations

Results of operations from IES Residential segment are more seasonal, depending on weather trends, with typically higher revenues generated during spring and summer and lower revenues during fall and winter. The Communications and Commercial & Industrial segments of IES business is less subject to seasonal trends, as work generally is performed inside structures protected from the weather. IES service and maintenance business is generally not affected by seasonality. In addition, the construction industry has historically been highly cyclical. IES 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. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

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Regulations

IES 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 worker safety and protection of the environment;
- regulations relating to consumer protection, including those governing residential service agreements; and
- qualifications of IES business legal structure in the jurisdictions where IES does business.

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 IES electricians who work in the state or county that issued the permit or license. It is IES policy to ensure that, where possible, any permits or licenses that may be material to its operations in a particular geographic area are held by multiple employees within that area.

IES believes it has all licenses required to conduct its operations and is in compliance with applicable regulatory requirements. Failure to comply with applicable regulations could result in substantial fines or revocation of its operating licenses or an inability to perform government work.

Capital Facilities

During fiscal year 2012, IES maintained two credit facilities, as described in IES Management s Discussion and Analysis of Financial Condition and Results of Operations below. For a discussion of IES capital resources, see IES Management s Discussion and Analysis of Financial Condition and Results of Operations below.

Financing Information

For information on IES financial information by segment, see Note 11, Business Segments in the notes to IES audited consolidated financial statements for the fiscal year ended September 30, 2012, which are incorporated by reference herein.

Employees

At March 31, 2013, IES had 2,693 employees. IES is not a party to any collective bargaining agreements with its employees. IES believes that its relationship with its employees is strong.

Locations

As of March 31, 2013, IES had 56 domestic locations serving the United States. In addition to IES executive and corporate offices, it had ten locations within its Communications business, 28 locations within its Residential business and 18 locations within its Commercial & Industrial business. This diversity helps to reduce IES exposure to unfavorable economic developments in any given region.

Available Information

General information about IES can be found on IES website at www.ies-corporate.com under Investors. IES files its interim and annual financial reports, as well as other reports required by the Exchange Act, with the SEC.

IES annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments and exhibits to those reports are available free of charge through its website as soon as it is reasonably practicable after it files them with, or furnishes them to, the SEC. You may also contact IES Investor

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Relations department and they will provide you with a copy of these reports. The materials that IES files with the SEC are also available free of charge through the SEC website at *www.sec.gov*. You may also read and copy these materials at the SEC s Public Reference Room at 100 F Street, NE., Washington, D.C. 20549. Information on the operation of the Public Reference Room is available by calling the SEC at 1 800 SEC 0330.

In addition to the Code of Ethics for Financial Executives, IES has adopted a Code of Business Conduct and Ethics for directors, officers and employees (the Legal Compliance and Corporate Policy Manual), and established Corporate Governance Guidelines and adopted charters outlining the duties of IES Audit, Human Resources and Compensation and Nominating/Governance Committees, copies of which may be found on its website. Paper copies of these documents are also available free of charge upon written request to IES. IES has 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 2013 Annual Meeting of Stockholders of IES.

PROPERTY OF IES

At September 30, 2012, IES maintained branch offices, warehouses, sales facilities and administrative offices at 61 locations. Substantially all of IES facilities are leased. IES leases its executive office located in Greenwich, Connecticut and its corporate office located in Houston, Texas. IES believes that its properties are adequate for its present needs, and that suitable additional or replacement space will be available as required.

IES LEGAL PROCEEDINGS

From time to time IES is a party to various claims, lawsuits and other legal proceedings that arise in the ordinary course of business. IES maintains various insurance coverages to minimize financial risk associated with these proceedings. None of these proceedings, separately or in the aggregate, are expected to have a material adverse effect on IES financial position, results of operations or cash flows. With respect to all such proceedings, IES records reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. IES expenses routine legal costs related to these proceedings as they are incurred.

The following is a discussion of IES significant legal matters:

Ward Transformer Site

One of IES subsidiaries has been identified as one of more than 200 potentially responsible parties (PRPs) with respect to the clean-up of an electric transformer resale and reconditioning facility, known as the Ward Transformer Site, located in Raleigh, North Carolina. The facility built, repaired, reconditioned and sold electric transformers from approximately 1964 to 2005. IES did not own or operate the facility but a subsidiary that IES acquired in January 1999 is believed to have sent transformers to the facility during the 1990s. During the course of its operation, the facility was contaminated by Polychlorinated Biphenyls (PCBs), which also have been found to have migrated off the site. Based on IES investigation to date, there is evidence to support IES defense that IES subsidiary contributed no PCB contamination to the site.

Four PRPs have commenced clean-up of on-site contaminated soils under an Emergency Removal Action pursuant to a settlement agreement and Administrative Order on Consent entered into between the four PRPs and the U.S. Environmental Protection Agency (EPA) in September 2005. IES is not a party to that settlement agreement or Order on Consent. In April 2009, two of these PRPs, Carolina Power and Light Company and Consolidation Coal Company, filed suit against IES and most of the other PRPs in the U.S. District Court for the Eastern District of North Carolina (Western Division) to contribute to the cost of the clean-up.

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In addition to the on-site clean-up, the EPA has selected approximately 50 PRPs to which it sent a Special Notice Letter in late 2008 to organize the clean-up of soils off site and address contamination of groundwater and other miscellaneous off-site issues. IES was not a recipient of that letter. On January 8, 2013, the EPA held a meeting to discuss potential settlement of its costs associated with the site. The meeting included a number of the defendants, as well as other PRPs not currently in the litigation. IES was invited to attend this meeting and counsel for IES attended. The EPA notified all parties that they must indicate by March 15, 2013 whether they will participate in settlement discussions. This settlement is separate from the 2009 litigation filed by PRPs against IES and others. IES notified the EPA that it intends to participate in the settlement discussions. IES intends to present to the EPA the evidence developed in the 2009 suit to support the argument that IES did not contribute PCB contamination to the site. IES has tendered a demand for indemnification to the former owner of the acquired corporation that may have transacted business with the facility. As of March 31, 2013, IES had not recorded a reserve for this matter, as it believes the likelihood of its responsibility for damages is not probable and a potential range of exposure is not estimable.

Hamilton Wage and Hour

On August 29, 2012, IES was served with a wage and hour suit seeking class action certification. On December 4, 2012, IES was served with a second suit, which included the same allegations but different named plaintiffs. On June 24, 2013, the Company was served with a third lawsuit, again alleging the same claims but with different plaintiffs. Each of these cases is among several others filed by Plaintiffs attorney against contractors working in the Port Arthur Motiva plant on various projects over the last few years. The claims are based on alleged failure to compensate for time spent bussing to and from the plant, donning safety wear and other activities. It does not appear IES will face significant exposure for any unpaid wages. In a separate earlier case based on the same allegations, a federal district court ruled that the time spent traveling on the busses is not compensable. In early January 2013, the U.S. Court of Appeals for the Fifth Circuit upheld the district court s ruling finding no liability for wages for time spent bussing into the facility. IES investigation indicates that all other activities alleged either were inapplicable to IES employees or took place during times for which IES employees were compensated. IES has filed responsive pleadings and, following initial discovery, will seek dismissal of the case through summary judgment. As of March 31, 2013, IES had not recorded a reserve for this matter, as IES believes the likelihood of its responsibility for damages is not probable and a potential range of exposure is not estimable.

IES MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of IES financial condition and results of operations in conjunction with IES audited consolidated financial statements for the fiscal years ended September 30, 2012 and 2011 and unaudited consolidated financial statements for the three and six months ended March 31, 2013 and 2012, beginning on pages F-22 and F-59, respectively. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to the risk factors discussed in the Risk Factors section of this joint proxy statement/prospectus. Actual results may differ materially from those contained in any forward-looking statements.

Executive Overview

IES, a Delaware corporation, is a leading provider of infrastructure services to the residential, commercial and industrial industries as well as for data centers and other mission critical environments. IES operates primarily in the electrical infrastructure markets, with a corporate focus on expanding into other markets through strategic acquisitions or investments. Please refer to Business of IES of this joint proxy statement/prospectus for a discussion of IES services and corporate strategy. As of July 24, 2013, the latest practicable date prior to the record date, there were 382 holders of record of IES common stock.

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Results of Operations for the Fiscal Years Ended September 30, 2012, 2011 and 2010

IES reports its operating results across three operating segments: Communications, Residential and Commercial & Industrial. Expenses associated with IES Corporate office are classified as a fourth segment. The following table presents selected historical results of operations of IES and subsidiaries.

	Years Ended September 30,					
	2012		2011		2010	
	$	%	$	%	$	%
	(Dollars in thousands, Percentage of revenues)					
Revenues	$ 456,115	100.0%	$ 406,141	100.0%	$ 382,431	100.0%
Cost of services	398,063	87.3%	361,757	89.1%	326,939	85.5%
Gross profit	58,052	12.7%	44.384	10.9%	55,492	14.5%
Selling, general and administrative expenses	58,609	12.8%	63,321	15.6%	74,251	19.4%
Gain on sale of assets	(168)	%	(6,555)	(1.6)%	(128)	%
Asset impairment		%	4,804	1.2%		%
Restructuring charges		%		%	763	0.2%
Loss from operations	(389)	(0.1)%	(17,186)	(4.3)%	(19,394)	(5.1)%
Interest and other expense, net	2,228	0.5%	2,203	0.5%	3,253	0.9%
Loss from continuing operations before income taxes	(2,617)	(0.6)%	(19,389)	(4.8)%	(22,647)	(6.0)%
Provision (benefit) for income taxes	38	%	172	%	(36)	%
Net loss from continuing operations	(2,655)	(0.6)%	(19,561)	(4.8)%	(22,611)	(6.0)%
Net loss from discontinued operations before income taxes	(9,158)	(2.0)%	(18,288)	(4.5)%	(8,539)	(2.2)%
(Benefit) provision for income taxes	(11)	%	(26)	%	5	%
Net loss from discontinued operations	(9,147)	(2.0)%	$ (18,262)	(4.5)%	$ (8,544)	(2.2)%
Net loss	$ (11,802)	1.4%	$ (37,823)	(0.3)%	$ (31,155)	(3,8)%

Consolidated revenues for the year ended September 30, 2012 were $50.0 million greater than for the year ended September 30, 2011, an increase of 12.3%.

The $13.7 million increase in IES consolidated gross profit for the year ended September 30, 2012, as compared to the year ended September 30, 2011, was primarily the result of company-wide concerted efforts to return the organization to profitability. IES organization as a whole, and each segment individually, was successful in executing projects, and managing costs to maximize gross profits. IES overall gross profit percentage increased to 12.7% during the year ended September 30, 2012 as compared to 10.9% during the year ended September 30, 2011.

Selling, general and administrative expenses include costs not directly associated with performing work for IES customers. These costs consist primarily of compensation and benefits related to corporate, division and branch management, occupancy and utilities, training, professional services, information technology costs, consulting fees, travel and certain types of depreciation and amortization. IES allocates certain corporate selling, general and administrative costs across its segments as it believes this more accurately reflects the costs associated with operating each segment.

During the year ended September 30, 2012, IES selling, general and administrative expenses were $58.6 million, a decrease of $4.7 million, or 7.4%, as compared to the year ended September 30, 2011. Included in the year ended September 30, 2012 is $0.9 million of severance attributable to the departures of IES former CFO and its former Senior Vice President and General Counsel. Included in year ended September 30, 2011 is $2.9 million of

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accelerated amortization attributable to the discontinuance of certain software and $1.3 million of severance attributable to the former CEO s departure.

During the year ended September 30, 2011, IES results of operations included a gain on sale of a non-strategic facility of $6.8 million, partially offset by $4.8 million in asset impairments with no comparable charges in the current year.

Communications

2012 Compared to 2011

	Years Ended September 30,			
	2012		2011	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 121,492	100.0%	$ 83,615	100.0%
Gross Profit	18,204	15.0%	12,473	14.9%
Selling, general and administrative expenses	13,431	11.1%	9,578	11.5%

Revenue. IES Communications segment revenues increased $37.9 million during the year ended September 30, 2012, a 45.3% increase compared to the year ended September 30, 2011. This increase is primarily due to an increase in data center projects and high tech manufacturing projects during 2012, along with IES establishment of an operation in San Diego, California. IES believes the expansion of technology, cloud computing and increased demands for consumer focused data storage and collection, has led to an increase in demand for additional data center capacity. Revenues attributable to data centers were $38.9 million for the year ended September 30, 2012 compared to $29.9 million for the year ended September 30, 2011. The increase in high tech manufacturing projects is related to a major expansion by a high tech manufacturer in the greater Phoenix, Arizona area. Revenues from high tech manufacturing projects were $28.1 million during the year ended September 30, 2012, and $9.4 million during the year ended September 30, 2011. Although the growth in data center and high tech manufacturing projects was significant for the year ended September 30, 2012, there can be no assurance that this level of business or growth will continue, as a significant amount of IES project work is awarded through a competitive bid process. Revenue from the establishment of IES San Diego operations increased overall revenue by $10.5 million for the year ended September 30, 2012.

Gross Profit. IES Communications segment s gross profit during the year ended September 30, 2012 increased $5.7 million, or 46.0%, as compared to the year ended September 30, 2011. The increase in gross profit is attributable to a higher volume of contract revenues as noted in the revenue analysis above. Overall gross profit as a percentage of revenue remained unchanged during 2012. Exclusive of IES San Diego operations, which were established in the fourth quarter of 2011, gross profit increased 0.9%.

Selling, General and Administrative Expenses. IES Communications segment s selling, general and administrative expenses increased $3.9 million, or 40.2%, during the year ended September 30, 2012 compared to the year ended September 30, 2011. Selling, general and administrative expenses as a percentage of revenues in the Communication segment decreased to 11.1% of segment revenue during the year ended September 30, 2012. The increase in selling, general and administrative expenses is primarily due to a $1.2 million legal settlement reserve. Additionally, IES incurred higher expenses associated with its expansion of facilities in Southern California, including litigation expenses, increased staff in response to revenue growth, and to a lesser extent, incentive awards for achieving specific performance goals.

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2011 Compared to 2010

	Years Ended September 30,			
	2011		2010	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 83,615	100.0%	$ 69,171	100.0%
Gross Profit	12,473	14.9%	12,411	17.9%
Selling, general and administrative expenses	9,578	11.5%	7,298	10.6%

Revenue. IES Communications segment revenues increased $14.4 million during the year ended September 30, 2011, a 20.9% increase compared to the year ended September 30, 2010. This increase is primarily due to an increase in data center projects and national account activity. IES believes the expansion of technology, cloud computing and increased demands for consumer focused data storage and collection have led to an increase in demand for additional data center capacity. Revenues attributable to data centers were $29.9 million for the year ended September 30, 2011 compared to $18.4 million for the year ended September 30, 2010. National accounts are used within this segment to describe customers who have multiple mission critical facilities throughout the United States; IES provides a wide range of project and maintenance services to these customers. Revenues from IES national accounts were $21.5 million during the year ended September 30, 2011, and $12.8 million during the year ended September 30, 2010. Although the growth in data center and national account projects was significant for the year ended September 30, 2011, there can be no assurance that this level of business or growth will continue, as substantially all of IES project work is awarded through a competitive bid process.

Gross Profit. IES Communications segment s gross profit during the year ended September 30, 2011 increased $0.1 million, as compared to the year ended September 30, 2010. Gross profit as a percent of revenue decreased to 14.9% in 2011, compared to 17.9% in 2010. The decrease in gross profit percentage is attributed to increased competition driving down margin rates on individual contracts when compared to 2010.

Selling, General and Administrative Expenses. IES Communications segment s selling, general and administrative expenses increased $2.3 million, or 31.2%, during the year ended September 30, 2011 compared to the year ended September 30, 2010. Selling, general and administrative expenses as a percentage of revenues in the Communication segment increased to 11.5% of segment revenue during the year ended September 30, 2011. The increase can be attributed to higher expenses associated with IES expansion of facilities in San Diego, and to a lesser extent, incentive awards for achieving specific performance goals.

Residential

2012 Compared to 2011

	Years Ended September 30,			
	2012		2011	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 129,974	100.0%	$ 114,732	100.0%
Gross Profit	20,700	15.9%	18,690	16.3%
Selling, general and administrative expenses	19,703	15.2%	18,441	16.1%

Revenue. IES Residential segment revenues increased $15.3 million during the year ended September 30, 2012, an increase of 13.3% as compared to the year ended September 30, 2011. Revenues for IES multi-family construction increased by $4.2 million. In 2012, multi-family industry starts were attributed to improved demand for rental housing. Rental housing demand was partially driven by the deferral of purchases of single family homes due to continued restrictive lending practices for single family purchases, an uncertain job market and

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lower apartment vacancy rates. Single family construction revenues increased by $11.6 million, primarily in the Texas markets. IES entered into the solar installation market during fiscal 2012, resulting in revenues of $9.5 million. Included in IES fiscal 2011 balance are revenues attributable to a non-core electrical distribution facility, totaling $13.1 million. IES sold this business in February 2011, and as such, no revenues from this facility are included in its fiscal 2012 balance.

Gross Profit. During the year ended September 30, 2012, IES Residential segment experienced a $2.0 million, or 10.8%, increase in gross profit as compared to the year ended September 30, 2011. Gross margin percentage in the Residential segment decreased to 15.9% during the year ended September 30, 2012. IES attributes much of the increase in Residential s gross margin primarily to the higher volume of single family projects.

Selling, General and Administrative Expenses. IES Residential segment experienced a $1.3 million, or 6.8%, increase in selling, general and administrative expenses during the year ended September 30, 2012 compared to the year ended September 30, 2011. Selling, general and administrative expenses as a percentage of revenues in the Residential segment decreased to 15.2% of segment revenue during the year ended September 30, 2012. IES attributes much of the increase in Residential selling, general and administrative expenses primarily to increased incentives and its expansion into the solar installation market.

2011 Compared to 2010

	Years Ended September 30,			
	2011		2010	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 114,732	100.0%	$ 115,947	100.0%
Gross Profit	18,690	16.3%	23,525	20.3%
Selling, general and administrative expenses	18,441	16.1%	23,736	20.5%

Revenue. IES Residential segment revenues decreased $1.2 million during the year ended September 30, 2011, a decrease of 1.0% as compared to the year ended September 30, 2010. Approximately $4.4 million of this decrease is primarily attributable to the sale of a non-core electrical distribution facility in February 2011. Revenues for IES multi-family construction increased by $10.7 million as multi-family industry project starts increased to 195,000 units from 154,000 units in 2010. In 2011, multi-family industry starts were attributed to improved demand for rental housing. Rental housing demand was partially driven by the deferral of purchases of single family homes due to more restrictive lending practices for single family purchases, an uncertain job market and lower apartment vacancy rates. Single family construction revenues declined by $6.6 million, partially due to the end in tax stimulus for new home buyers, more restrictive lending practices and an uncertain job market. Nationwide demand for single-family homes declined, particularly in markets such as Southern California, Arizona, Nevada, Texas and Georgia.

Gross Profit. During the year ended September 30, 2011, IES Residential segment experienced a $4.8 million, or 20.6%, reduction in gross profit as compared to the year ended September 30, 2010. Gross margin percentage in the Residential segment decreased to 16.1% during the year ended September 30, 2011. IES attributes much of the decline in Residential s gross margin to increased competition and increased costs of materials creating lower margins in both single-family and multi-family construction. As IES contracts provide for fixed prices, near term increases in costs for raw materials, such as copper, steel and fuel can significantly erode the margins which currently exist in the highly competitive residential construction marketplace. For example, copper prices are particularly volatile. During the year ended September 30, 2011, commodity prices for copper ranged from $3.15 to $4.62 per pound. The average spot price for copper was $4.13 per pound during the twelve months ended September 30, 2011, an increase of 29.0% over the prior twelve month period.

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Selling, General and Administrative Expenses. IES Residential segment experienced a $5.3 million, or 22.3%, reduction in selling, general and administrative expenses during the year ended September 30, 2011 compared to the year ended September 30, 2010. Selling, general and administrative expenses as a percentage of revenues in the Residential segment declined to 16.1% of segment revenue during the year ended September 30, 2011. IES attributes much of the decline in Residential selling, general and administrative expenses to lower management and incentive compensation expense.

Commercial & Industrial

2012 Compared to 2011

	Years Ended September 30,			
	2012		2011	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 204,649	100.0%	$ 207,794	100.0%
Gross Profit	19,148	9.4%	13,221	6.4%
Selling, general and administrative expenses	17,166	8.4%	21,788	10.5%

Revenue. Revenues in IES Commercial & Industrial segment decreased $3.2 million during the year ended September 30, 2012, a decrease of 1.5% compared to the year ended September 30, 2011. IES Commercial & Industrial segment is impacted not only by industry construction trends, but also specific industry and local economic trends. Impacts from these trends on IES revenues may be delayed due to the long lead time of its projects. IES revenues were also impacted by a refocusing of its business development strategy on projects within its demonstrated areas of expertise and with increased margin expectations. Projects in all sectors remain subject to delays or cancelation with little advance notice. In many of IES Commercial & Industrial markets, it continues to experience increased competition from new entrants, including residential contractors or contractors from other geographic markets.

Gross Profit. IES Commercial & Industrial segment s gross profit during the year ended September 30, 2012 increased $5.9 million, or 44.8%, as compared to the year ended September 30, 2011. Commercial & Industrial s gross margin percentage increased to 9.4% during the year ended September 30, 2012, primarily due to improved execution of projects in all locations. Although the competitive market that has existed during the prolonged recession has continued to depress project bid margins, IES has begun to experience some reprieve. In 2011, IES experienced margin erosion and project difficulties due to a combination of project management turnover, projects outside IES historical area of expertise, and delays in receipt of material and labor productivity, all of which significantly increased its cost on those projects. In 2012, IES focused its efforts on winning projects within its areas of expertise, and significantly reduced the project inefficiencies due to delay and labor turnover.

Selling, General and Administrative Expenses. IES Commercial & Industrial segment s selling, general and administrative expenses during the year ended September 30, 2012 decreased $4.6 million, or 21.2%, compared to the year ended September 30, 2011. Selling, general and administrative expenses as a percentage of revenues in the Commercial & Industrial segment decreased to 8.4% of segment revenue during the year ended September 30, 2012. This decrease is primarily attributed to the consolidation of back offices in several locations late in fiscal 2011.

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2011 Compared to 2010

	Years Ended September 30,			
	2011		2010	
	$	%	$	%
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 207,794	100.0%	$ 197,313	100.0%
Gross Profit	13,221	6.4%	19,556	9.9%
Selling, general and administrative expenses	21,788	10.5%	29,047	14.7%

Revenue. Revenues in IES Commercial & Industrial segment increased $10.5 million during the year ended September 30, 2011, an increase of 5.3% compared to the year ended September 30, 2010. IES Commercial & Industrial segment is impacted not only by industry construction trends, but also specific industry and local economic trends. Impacts from these trends on IES revenues may be delayed due to the long lead time of its projects. According to McGraw Hill, total nonresidential building starts in the United States, in terms of millions of square feet, decreased 13% in 2010 and was unchanged in 2011. IES Industrial projects experienced revenue increases while its Commercial projects were essentially unchanged as the rate of decline for most industry sectors has begun to stabilize. Revenues from IES Industrial projects increased by $10.7 million, during the year ended September 30, 2011, as compared to the year ended September 30, 2010, primarily due to a project at a refinery in Southeast Texas. Although the growth in Industrial projects were significant for the year over year comparison for the period ended September 30, 2011, there can be no assurance that this level of business or growth will continue, as substantially all of IES project work is awarded through a competitive bid process.

Gross Profit. IES Commercial & Industrial segment s gross profit during the year ended September 30, 2011 decreased $6.3 million, or 32.4%, as compared to the year ended September 30, 2010. Commercial & Industrial s gross margin percentage decreased to 6.4% during the year ended September 30, 2011, primarily due to lower margin construction projects and operating difficulties in several locations. The competitive market that has existed during the prolonged recession continued to depress project bid margins. In addition, IES experienced margin erosion and project difficulties due to a combination of project management turnover, projects outside IES historical area of expertise, and delays in receipt of material and labor productivity, all of which significantly increased IES cost on those projects. In many of IES Commercial markets, it continued to experience increased competition from new entrants, including residential contractors or contractors from other geographic markets.

Selling, General and Administrative Expenses. IES Commercial & Industrial segment s selling, general and administrative expenses during the year ended September 30, 2011 decreased $7.3 million, or 25.0%, compared to the year ended September 30, 2010. Selling, general and administrative expenses as a percentage of revenues in the Commercial & Industrial segment declined to 10.5% of segment revenue during the year ended September 30, 2011. The reduction is attributed primarily to the reduction of office personnel, and reduction in discretionary spending.

Restructuring Charges

In the first quarter of IES 2009 fiscal year, IES began a restructuring program (the 2009 Restructuring Plan) that was designed to consolidate operations within its three segments. In connection with the 2009 Restructuring Plan, IES incurred pre-tax restructuring charges, including severance benefits and facility consolidations and closings, of $0.8 million during the year ended September 30, 2010. Costs incurred related to IES Commercial & Industrial segment were $0.7 million and costs related to its Corporate office were $0.1 million for the year ended September 30, 2010.

In the second quarter of IES 2011 fiscal year, it began the 2011 Restructuring Plan that was designed to consolidate operations within its Commercial & Industrial business. Pursuant to the 2011 Restructuring Plan, IES planned to either sell or close certain underperforming facilities within its Commercial & Industrial operations.

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The 2011 Restructuring Plan was a key element of IES commitment to return IES to profitability. The results of operations for these facilities has now been re-classified as discontinued operations for the current and prior periods.

The facilities directly affected by the 2011 Restructuring Plan were in several locations throughout the country, including Arizona, Florida, Iowa, Louisiana, Massachusetts, Nevada and Texas. These facilities were selected due to current and future business prospects and the extended time frame needed to return the facilities to a profitable position. Restructuring expenses in respect of the 2011 Restructuring Plan totaling $5.0 million, including $1.2 million and $3.8 million for the years ended September 30, 2012 and 2011, respectively, were comprised of severance costs, lease terminations, and external consulting and management services. IES has recognized substantially all costs related to the 2011 Restructuring Plan as of September 30, 2012. IES will continue to incur professional fees in conjunction with the finalization of facility closure in fiscal year 2013.

Expenses related to the 2009 Restructuring Plan are classified as restructuring charges within IES Consolidated Statements of Operations for the year ended September 30, 2010. Expenses related to the 2011 Restructuring Plan are included in the net loss from discontinued operations within IES Consolidated Statements of Operations for the years ended September 30, 2012 and 2011.

The following table presents the elements of costs incurred for both the 2011 and 2009 Restructuring Plans:

	Years Ended September 30, (In thousands)		
	2012	2011	2010
Severance compensation	$ (62)	$ 1,455	$ 644
Consulting and other charges	1,099	1,531	119
Lease termination costs	133	799	
Total restructuring charges	$ 1,170	$ 3,785	$ 763

Interest and Other Expense, net

	Years Ended September 30, (In thousands)		
	2012	2011	2010
Interest expense	$ 1,755	$ 1,940	$ 3,175
Deferred financing charges	569	338	338
Total interest expense	2,324	2,278	3,513
Interest income	(34)	(68)	(242)
Other (income) expense, net	(62)	(7)	(18)
Total interest and other expense, net	$ 2,228	$ 2,203	$ 3,253

During the year ended September 30, 2012, IES incurred interest expense of $1.8 million primarily comprised of the Tontine Term Loan (as defined in Working Capital below) and the Insurance Financing Agreements (as defined in Working Capital below), an average letter of credit balance of 8.8 million under the 2006 Credit Facility (as defined in Working Capital below) and an average unused line of credit balance of $29.7 million. This compares to interest expense of $1.9 million for the year ended September 30, 2011, on a debt balance primarily comprised of the Tontine Term Loan and the Insurance Financing Agreements, an average letter of credit balance of $12.7 million under the 2006 Credit Facility and an average unused line of credit balance of $38.9 million.

For the years ended September 30, 2012 and 2011, IES earned interest income of $34 thousand and $68 thousand, respectively, on the average Cash and Cash Equivalents balances of 26.1 million and $29.9 million, respectively.

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Provision for Income Taxes

IES provision for income taxes decreased from of $0.2 million for the year ended September 30, 2011 to $38 thousand for the year ended September 30, 2012. The decrease is mainly attributable to an increase in the reversal of unrecognized tax benefits, resulting in a $0.2 million decrease in the income tax expense. IES provided a valuation allowance for the federal tax benefit resulting from the loss of operations for the years ended September 30, 2012 and 2011, respectively. As a result, IES did not recognize any net benefit for federal taxes for the years ended September 30, 2012 and 2011.

IES provision for income taxes increased from a benefit of $36 thousand for the year ended September 30, 2010 to an expense of $0.2 million for the year ended September 30, 2011. The increase is mainly attributable to a decrease in the reversal of unrecognized tax benefits, resulting in a $0.1 million increase in the income tax expense. IES provided a valuation allowance for the federal tax benefit resulting from the loss of operations for the years ended September 30, 2011 and 2010, respectively. As a result, IES did not recognize any net benefit for federal taxes for the years ended September 30, 2011 and 2010.

Results of Operations for the Three Months and Six Months Ended March 31, 2013 and March 31, 2012

IES reports its operating results across three operating segments: Communications, Residential and Commercial & Industrial. Expenses associated with IES Corporate office are classified as a fourth segment. The following table presents selected historical results of operations of IES and subsidiaries.

	Three Months Ended March 31,			
	2013		2012	
	(Dollars in thousands, Percentage of revenues)			
Revenues	$ 121,995	100.0%	$ 107,608	100.0%
Cost of services	105,999	86.9%	93,819	87.2%
Gross profit	15,996	13.1%	13,789	12.8%
Selling, general and administrative expenses	16,606	13.6%	14,407	13.4%
Gain on sale of assets	(21)	%	(19)	%
Income from operations	(589)	(.05)%	599	0.6%
Interest and other expense, net	298	0.2%	536	0.5%
Income from continuing operations before income taxes	(887)	(0.7)%	(1,135)	(1.1)%
Provision (benefit) for income taxes	53	%	51	%
Net income from continuing operations	(940)	0.7%	(1,186)	(1.1)%
Net loss from discontinued operations before income taxes	(152)	(0.1)%	(2,214)	(2.1)%
(Benefit) provision for income taxes	9	%	31	%
Net loss from discontinued operations	(161)	(0.1)%	(2,245)	(2.1)%
Net income (loss)	$ (1,101)	(0.6)%	$ (3,431)	1.0%

Consolidated revenues for the three months ended March 31, 2013 were $14.4 million greater than for the three months ended March 31, 2012, an increase of 13.4%. The increase in revenues resulted from a higher volume of projects and service revenues throughout IES as economic conditions improved year over year, particularly within IES Residential segment, and increased activity from multiple large projects in IES Communications segment during the three months ended March 31, 2013.

The $2.2 million increase in IES consolidated gross profit for the three months ended March 31, 2013, as compared to the three months ended March 31, 2012, was primarily the result of increased profitability in IES

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Communications division, offset by decreased profitability in IES Commercial & Industrial division. IES overall gross profit percentage increased to 13.1% during the three months ended March 31, 2013 as compared to 12.8% during the three months ended March 31, 2012.

Selling, general and administrative expenses include costs not directly associated with performing work for IES customers. These costs consist primarily of compensation and benefits related to corporate, division and branch management, occupancy and utilities, training, professional services, information technology costs, consulting fees, travel and certain types of depreciation and amortization. IES allocates certain corporate selling, general and administrative costs across its segments as IES believes this more accurately reflects the costs associated with operating each segment.

During the three months ended March 31, 2013, IES selling, general and administrative expenses were $16.6 million, an increase of $2.2 million, or 15.3%, as compared to the three months ended March 31, 2012. The increase in selling, general and administrative expenses resulted from costs associated with increased staffing in response to revenue growth in IES Residential and Communications divisions and incentive awards incurred in conjunction with specific profitability-based performance goals. Additionally, IES incurred $0.9 million in acquisition related costs pertaining to the asset purchase agreement with a group of entities operating under the name of the Acro Group: Residential Renewable Technologies, Inc., Energy Efficiency Solar, Inc. and Lonestar Renewable Technologies Acquisition Corp. (collectively, the Acro Group) and the merger agreement with MISCOR during the three months ended March 31, 2013. Similar costs were not incurred during the three months ended March 31, 2012.

	Six Months Ended March 31,			
	2013		2012	
	(Dollars in thousands, Percentage of revenues)			
Revenues	$ 249,259	100.0%	$ 216,606	100.0%
Cost of services	215,283	86.4%	189,624	87.5%
Gross profit	33,976	13.6%	26,982	12.5%
Selling, general and administrative expenses	31,528	12.6%	27,091	12.5%
Gain on sale of assets	(40)	%	(155)	(0.1)%
Income from operations	2,488	1.0%	46	0.1%
Interest and other expense, net	2,626	1.1%	1,009	0.5%
Income from continuing operations before income taxes	(138)	(0.1)%	(963)	(0.4)%
Provision (benefit) for income taxes	168	0.1%	32	%
Net income from continuing operations	(306)	(0.2)%	(995)	(0.4)%
Net loss from discontinued operations before income taxes	(290)	(0.1)%	(5,940)	(2.7)%
(Benefit) provision for income taxes	(6)	%	218	0.1%
Net loss from discontinued operations	(284)	(0.1)%	(6,158)	(2.8)%
Net income (loss)	$ (590)	(0.1)%	$ (7,153)	2.3%

Consolidated revenues for the six months ended March 31, 2013 were $32.7 million greater than for the six months ended March 31, 2012, an increase of 15.1%. The increase in revenues resulted from a higher volume of projects and service revenues throughout IES as economic conditions improved year over year, particularly within IES Residential segment, and increased activity from multiple large projects in IES Communications segment during the six months ended March 31, 2013.

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The $7.0 million increase in IES consolidated gross profit for the six months ended March 31, 2013, as compared to the six months ended March 31, 2012, was primarily the result of increased profitability in IES Communications division, offset by decreased profitability in IES Commercial or Industrial division. IES overall gross profit percentage increased to 13.6% during the six months ended March 31, 2013 as compared to 12.5% during the six months ended March 31, 2012.

Selling, general and administrative expenses include costs not directly associated with performing work for IES customers. These costs consist primarily of compensation and benefits related to corporate, division and branch management, occupancy and utilities, training, professional services, information technology costs, consulting fees, travel and certain types of depreciation and amortization. IES allocates certain corporate selling, general and administrative costs across IES segments as IES believe this more accurately reflects the costs associated with operating each segment.

During the six months ended March 31, 2013, IES selling, general and administrative expenses were $31.5 million, an increase of $4.4 million, or 16.4%, as compared to the six months ended March 31, 2012. The increase in selling, general and administrative expenses resulted from costs associated with increased staffing in response to revenue growth in IES Residential and Communications divisions and incentive awards incurred in conjunction with specific profitability-based performance goals. Additionally, IES incurred $0.9 million in acquisition related costs pertaining to the asset purchase agreement with the Acro Group, and the merger agreement with MISCOR during the six months ended March 31, 2013. Similar costs were not incurred during the six months ended March 31, 2012.

Communications

	Three Months Ended March 31,			
	2013		2012	
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 31,806	100.0%	$ 28,430	100.0%
Gross Profit	5,831	18.3%	4,056	14.3%
Selling, general and administrative expenses	3,301	10.4%	3,165	11.1%

Revenue. IES Communications segment revenues increased $3.4 million during the three months ended March 31, 2013, a 11.9% increase compared to the three months ended March 31, 2012. This increase is primarily due to increased activity from multiple large data center and high tech manufacturing projects during the three months ended March 31, 2013. The expansion of technology, cloud computing and increased demands for consumer focused data storage and collection has led to an increase in demand for additional data center capacity. Revenues attributable to data centers were $10.1 million for the quarter ended March 31, 2013 compared to $7.3 million for the quarter ended March 31, 2012. Revenues from high tech manufacturing projects were $9.2 million during the quarter ended March 31, 2013, compared to $8.1 million during the quarter ended March 31, 2012. Although the growth in data center and high tech manufacturing projects continued to be significant for the quarter ended March 31, 2013, and IES continues to bid on significant project opportunities, IES does not necessarily expect this level of business or growth will continue, as IES large size project work is periodically awarded.

Gross Profit. IES Communications segment s gross profit during the three months ended March 31, 2013 increased $1.8 million, or 43.8%, as compared to the three months ended March 31, 2012. Gross profit as a percentage of revenue increased 4.0% to 18.3% for the quarter ended March 31, 2013, due primarily to the increased productivity from data center and high tech manufacturing projects, and, to a lesser extent, increased supplier rebates during the three months ended March 31, 2013.

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Selling, General and Administrative Expenses. IES Communications segment s selling, general and administrative expenses increased $0.1 million, or 4.3%, during the three months ended March 31, 2013 compared to the three months ended March 31, 2012. Selling, general and administrative expenses as a percentage of revenues in the Communication segment decreased 0.7% to 10.4% of segment revenue during the quarter ended March 31, 2013. While higher expenses associated with IES increased staffing in response to revenue growth and incentive awards for achieving specific performance goals increased for the three months ended March 31, 2013, selling, general and administrative expenses as a percent of revenue decreased. During the three months ended March 31, 2012, IES experienced higher selling, general and administrative costs in its San Diego operations, due primarily to legal fees. These legal costs were not duplicated in the three months ended March 31, 2013.

	Six Months Ended March 31,			
	2013		2012	
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 71,925	100.0%	$ 53,591	100.0%
Gross Profit	13,063	18.2%	7,621	14.2%
Selling, general and administrative expenses	6,860	9.5%	5,875	11.0%

Revenue. IES Communications segment revenues increased $18.3 million during the six months ended March 31, 2013, a 34.2% increase compared to the six months ended March 31, 2012. This increase is primarily due to increased activity from multiple large data center and high tech manufacturing projects during the six months ended March 31, 2013. The expansion of technology, cloud computing and increased demands for consumer focused data storage and collection has led to an increase in demand for additional data center capacity. Revenues attributable to data centers were $23.9 million for the six months ended March 31, 2013 compared to $17.4 million for the six months ended March 31, 2012. Revenues from high tech manufacturing projects were $20.8 million during the six months ended March 31, 2013, compared to $10.9 million during the six months ended March 31, 2012. Although the growth in data center and high tech manufacturing projects continued to be significant for the six months ended March 31, 2013, and IES continues to bid on significant project opportunities, IES does not necessarily expect this level of business or growth will continue, as IES large size project work is periodically awarded.

Gross Profit. IES Communications segment s gross profit during the six months ended March 31, 2013 increased $5.4 million, or 71.4%, as compared to the six months ended March 31, 2012. Gross profit as a percentage of revenue increased 4.0% to 18.2% for the six months ended March 31, 2013, due primarily to increased productivity from data center and high tech manufacturing projects, and, to a lesser extent, increased supplier rebates during the six months ended March 31, 2013.

Selling, General and Administrative Expenses. IES Communications segment s selling, general and administrative expenses increased $1.0 million, or 16.8%, during the six months ended March 31, 2013 compared to the six months ended March 31, 2012. Selling, general and administrative expenses as a percentage of revenues in the Communication segment decreased 1.5% to 9.5% of segment revenue during the six months ended March 31, 2013. While higher expenses associated with IES increased staffing in response to revenue growth and incentive awards for achieving specific performance goals increased for the six months ended March 31, 2013, selling, general and administrative expenses as a percent of revenue decreased. During the six months ended March 31, 2012, IES experienced higher selling, general and administrative costs in its San Diego operations, due primarily to legal fees. These legal costs were not duplicated in the six months ended March 31, 2013.

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Residential

	Three Months Ended March 31,			
	2013		2012	
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 39,344	100.0%	$ 29,628	100.0%
Gross Profit	6,780	17.2%	4,531	15.3%
Selling, general and administrative expenses	6,412	16.3%	4,532	15.3%

Revenue. IES Residential segment revenues increased $9.7 million during the three months ended March 31, 2013, an increase of 32.8% as compared to the three months ended March 31, 2012. Revenues for IES multi-family construction increased by $6.1 million during the quarter ended March 31, 2013, as overall market conditions have continued to improve. Multi-family construction projects were primarily driven by increased demand for rental housing in Texas and throughout the eastern region. Single family construction revenues increased by $5.1 million, primarily in Texas where the economy has experienced continued growth and population expansion. Revenue was impacted to a lesser degree by decreases in solar installations and increases in service activity.

Gross Profit. During the three months ended March 31, 2013, IES Residential segment experienced a $2.2 million, or 49.6%, increase in gross profit as compared to the three months ended March 31, 2012. Gross margin percentage in the Residential segment increased 1.9% to 17.2% during the three months ended March 31, 2013. IES attributes much of the increase in Residential s gross margin to the higher volume of both single family and multi-family projects offset by increased labor cost and delays in solar installations. Gross margin was negatively impacted 0.2% by increased overall labor costs, and 1.2% from the solar division due to a delay in the third party financing from individual solar installation contracts. At the date of the Acro Group asset acquisition, installation contracts had been executed with end use customers, with the expectation of funding to be provided by the existing third party funding source. The existing third party funding source was unwilling or unable to provide funding for these pending contracts. IES was required to find an additional funding source and renegotiate installation contracts previously executed. As such, IES experienced delays in installations and lower associated revenues, while it continued to incur salaries and indirect costs, thus reducing overall gross margin.

Selling, General and Administrative Expenses. IES Residential segment experienced a $1.9 million, or 41.5%, increase in selling, general and administrative expenses during the three months ended March 31, 2013 compared to the three months ended March 31, 2012. Selling, general and administrative expenses as a percentage of revenues in the Residential segment increased 1.0% to 16.3% of segment revenue during the three months ended March 31, 2013. Much of the increased selling, general and administrative expenses is attributed to increased staffing, amortization due to the Acro asset acquisition, and incentive payments associated with revenue growth, as well as increased staffing and operational costs associated with the asset acquisition of solar operations by IES Renewable Energy, LLC (IES Renewable) from the Acro Group.

	Six Months Ended March 31,			
	2013		2012	
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 75,349	100.0%	$ 58,900	100.0%
Gross Profit	12,886	17.1%	9,179	15.6%
Selling, general and administrative expenses	11,640	15.4%	8,946	15.2%

Revenue. IES Residential segment revenues increased $16.4 million during the six months ended March 31, 2013, an increase of 27.9% as compared to the six months ended March 31, 2012. Revenues for IES multi-family construction increased by $9.4 million during the six months ended March 31, 2013, as overall market conditions have continued to improve. Multi-family construction projects were primarily driven by the increased

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demand for rental housing in Texas and throughout the eastern region. Single family construction revenues increased by $9.2 million, primarily in Texas where the economy has experienced continued growth and population expansion. Revenue was impacted to a lesser degree by decreases in solar and increases in service.

Gross Profit. During the six months ended March 31, 2013, IES Residential segment experienced a $3.7 million, or 40.4%, increase in gross profit as compared to the six months ended March 31, 2012. Gross margin percentage in the Residential segment increased 1.5% to 17.1% during the six months ended March 31, 2013. IES attributes much of the increase in Residential s gross margin to the higher volume of both single family and multi-family projects offset by increased labor cost and delays in solar installations. Gross margin was negatively impacted 1.4% by increased overall labor costs, and 0.3% from the solar division due to a delay in the third party financing from individual solar installation contracts. At the date of the Acro Group asset acquisition, installation contracts had been executed with end use customers, with the expectation of funding to be provided by the existing third party funding source. The existing third party funding source was unwilling or unable to provide funding for these pending contracts. IES was required to find an additional funding source and renegotiate installation contracts previously executed. As such, IES experienced delays in installations and lower associated revenues, while it continued to incur salaries and indirect costs, thus reducing overall gross margin.

Selling, General and Administrative Expenses. IES Residential segment experienced a $2.7 million, or 30.1%, increase in selling, general and administrative expenses during the six months ended March 31, 2013 compared to the six months ended March 31, 2012. Selling, general and administrative expenses as a percentage of revenues in the Residential segment increased 0.2% to 15.4% of segment revenue during the six months ended March 31, 2013. Much of the increased selling, general and administrative expenses is attributed to increased staffing and incentive payments associated with revenue growth, as well as increased staffing and operational costs associated with the asset acquisition of solar operations by IES Renewable from the Acro Group.

Commercial & Industrial

	Three Months Ended March 31,			
	2013		2012	
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 50,845	100.0%	$ 49,550	100.0%
Gross Profit	3,385	6.7	5,200	10.5%
Selling, general and administrative expenses	3,609	7.1	4,506	9.1%

Revenue. Revenues in IES Commercial & Industrial segment increased $1.3 million during the three months ended March 31, 2013, an increase of 2.6% compared to the three months ended March 31, 2012. IES Commercial & Industrial segment is impacted not only by industry construction trends, but also specific industry and local economic trends. Impacts from these trends on IES revenues may be delayed due to the long lead time of IES projects. IES revenues are also impacted by a refocusing of its business development strategy on projects within IES demonstrated areas of expertise and with increased margin expectations that started in mid-2011. During the period ended March 31, 2013, IES has started to experience improved industrial markets and other commercial markets, while certain commercial markets remain under sustained pressure due to a low level of activity and increased competition.

Gross Profit. IES Commercial & Industrial segment s gross profit during the three months ended March 31, 2013 decreased $1.8 million, or 34.9%, as compared to the three months ended March 31, 2012. Commercial & Industrial s gross margin percentage decreased 3.8% to 6.7% during the three months ended March 31, 2013. The decrease in margin was primarily due to the recognition of higher projected costs on a significant commercial project that commenced in 2009 and is scheduled to be completed in early 2014. The higher costs are due to lower productivity rates than originally estimated and are anticipated to continue for the remainder of the project. These projected costs resulted in a lower anticipated gross profit percentage on the project and a reduction in gross profit recognized to date. In addition, IES is pursuing cost recovery, which, if successful, could have a positive impact on the profitability of this project. To date, IES is unable to reasonably quantify the

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likelihood of its success in recovering these costs. While IES expects the project to be completed in an acceptable and profitable manner, the project is outside of the maximum size and duration criteria within IES risk management parameters that were implemented in mid-2011. Offsetting the impact of this commercial project were improvements in project execution on multiple commercial and industrial projects. While IES has experienced some reprieve in project bid margins, particularly in its industrial branches, the competitive market that has existed during the prolonged recession has continued to constrain significant increases in project bid margins in most commercial markets.

Selling, General and Administrative Expenses. IES Commercial & Industrial segment s selling, general and administrative expenses during the three months ended March 31, 2013 decreased $0.9 million, or 19.9%, compared to the three months ended March 31, 2012. Selling, general and administrative expenses as a percentage of revenues in the Commercial & Industrial segment decreased 2.0% during the three months ended March 31, 2013, reflective of improved management of overhead costs and scaled operations.

	Six Months Ended March 31,			
	2013		2012	
	(Dollars in thousands, Percentage of revenues)			
Revenue	$ 101,985	100.0%	$ 104,115	100.0%
Gross Profit	8,027	7.9	10,190	9.8%
Selling, general and administrative expenses	7,345	7.2	8,607	8.3%

Revenue. Revenues in IES Commercial & Industrial segment decreased $2.1 million during the six months ended March 31, 2013, a decrease of 2.0% compared to the six months ended March 31, 2012. IES Commercial & Industrial segment is impacted not only by industry construction trends, but also specific industry and local economic trends. Impacts from these trends on IES revenues may be delayed due to the long lead time of IES projects. IES revenues are also impacted by a refocusing of its business development strategy on projects within IES demonstrated areas of expertise and with increased margin expectations that started in mid-2011. During the period ended March 31, 2013, IES has started to experience improved industrial markets and certain commercial markets, while certain commercial markets remain under sustained pressure due to a low level of activity and increased competition.

Gross Profit. IES Commercial & Industrial segment s gross profit during the six months ended March 31, 2013 decreased $2.2 million, or 21.2%, as compared to the six months ended March 31, 2012. Commercial & Industrial s gross margin percentage decreased 1.9% to 7.9% during the six months ended March 31, 2013. The decrease in margin was primarily due to the recognition of higher projected costs on a significant commercial project that commenced in 2009 and is scheduled to be completed in early 2014. The higher costs are due to lower productivity rates than originally estimated and are anticipated to continue for the remainder of the project. These projected costs resulted in a lower anticipated gross profit percentage on the project and a reduction in gross profit recognized to date. In addition, IES is pursuing cost recovery, which, if successful, could have a positive impact on the profitability of this project. To date, IES is unable to reasonably quantify the likelihood of its success in recovering these costs. While IES expects the project to be completed in an acceptable and profitable manner, the project is outside of the maximum size and duration criteria within IES risk management parameters that were implemented in mid-2011. Offsetting the impact of this commercial project were improvements in project execution on multiple commercial and industrial projects. While IES has experienced some reprieve in project bid margins, particularly in its industrial branches, the competitive market that has existed during the prolonged recession has continued to constrain significant increases in project bid margins in most commercial markets.

Selling, General and Administrative Expenses. IES Commercial & Industrial segment s selling, general and administrative expenses during the six months ended March 31, 2013 decreased $1.3 million, or 14.7%, compared to the six months ended March 31, 2012. Selling, general and administrative expenses as a percentage of revenues in the Commercial & Industrial segment decreased 1.1% during the six months ended March 31, 2013, reflective of improved management of overhead costs and scaled operations.

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Restructuring Charges

In the second quarter of IES 2011 fiscal year, IES began the 2011 Restructuring Plan that was designed to consolidate operations within IES Commercial & Industrial business. Pursuant to the 2011 Restructuring Plan, IES planned to either sell or close certain underperforming facilities within its Commercial & Industrial operations. The 2011 Restructuring Plan was a key element of IES commitment to return IES to profitability. The results of operations related to the 2011 Restructuring Plan are included in the net loss from discontinued operations within IES Consolidated Statements of Operations for the years ended September 30, 2012 and 2011.

The facilities directly affected by the 2011 Restructuring Plan were in several locations throughout the country, including Arizona, Florida, Iowa, Louisiana, Massachusetts, Nevada and Texas. These facilities were selected due to their business prospects at that time and the extended time frame needed to return the facilities to a profitable position. As part of IES restructuring charges within IES Commercial & Industrial segment IES recognized $(4) thousand and $69 thousand in severance costs, $47 thousand and $483 thousand in consulting services, and $0 and $48 in costs related to lease terminations for the six months ended March 31, 2013 and 2012, respectively.

The following table presents the elements of costs incurred for the 2011 Restructuring Plan:

	Six Months Ended March 31,	
	2013	2012
	(In thousands)	
Severance compensation	$ (4)	$ 1,455
Consulting and other charges	61	1,531
Lease termination costs		799
Total restructuring charges	$ 57	$ 3,785

Interest and Other (Income) Expense, net

	Three Months Ended March 31,	
	2013	2012
	(In thousands)	
Interest expense	$ 322	$ 504
Deferred financing charges	127	39
Total Interest expense	449	543
Interest income	113	(8)
Other (income) expense, net	(38)	1
Total interest and other expense, net	298	536

During the three months ended March 31, 2013, IES incurred interest expense of $322 thousand primarily comprised of interest expense from the Tontine Term Loan (as defined in Working Capital below), the Wells Fargo Term Loan (as defined in Working Capital below) the Insurance Financing Agreements (as defined in Working Capital below), an average letter of credit balance of $7.2 million under the 2012 Credit Facility (as defined in Working Capital below) and an average unused line of credit balance of $22.6 million. This compares to interest expense of $504 thousand for the three months ended March 31, 2012, on a debt balance primarily comprised of the Tontine Term Loan, the Wells Fargo Term Loan, the Insurance Financing Agreements, an average letter of credit balance of $8.8 million under the 2006 Credit Facility (as defined in

Working Capital below) and an average unused line of credit balance of $31.2 million.

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For the three months ended March 31, 2013 and 2012, IES earned interest income of $4 thousand and $8 thousand, respectively, on the average Cash and Cash Equivalents balances of $16.1 million and $17.5 million, respectively. IES received $109 in conjunction with a legal settlement within its Commercial and Industrial segment.

	Six Months Ended March 31,	
	2013	2012
	(In thousands)	
Interest expense	$ 794	$ 1,126
Deferred financing charges	261	(38)
Total Interest expense	1,055	1,088
Interest income	(125)	(15)
Other (income) expense, net	1,696	(64)
Total interest and other expense, net	2,626	1,009

During the six months ended March 31, 2013, IES incurred interest expense of $794 thousand primarily comprised of interest expense from the Tontine Term Loan, the Wells Fargo Term Loan, the Insurance Financing Agreements, an average letter of credit balance of $7.7 million under the 2012 Credit Facility and an average unused line of credit balance of $22.1 million. This compares to interest expense of $1.1 million for the six months ended March 31, 2012, on a debt balance primarily comprised of the Tontine Term Loan, the Wells Fargo Term Loan, the Insurance Financing Agreements, an average letter of credit balance of $8.8 million under the 2006 Credit Facility and an average unused line of credit balance of $39.4 million.

For the six months ended March 31, 2013 and 2012, IES earned interest income of $16 thousand and $15 thousand, respectively, on the average Cash and Cash Equivalents balances of $17.6 million and $19.6 million, respectively. IES received $109 in conjunction with a legal settlement within its Commercial & Industrial segment.

During the six months ended March 31, 2013, IES fully reserved for an outstanding receivable for a settlement agreement with a former surety. The surety has failed to make payments in accordance with the settlement agreement, and has proposed a modified payment structure to satisfy the debt. IES concluded that collectability was not probable as of December 31, 2012, and has recorded a reserve for the entire balance of $1.7 million. The reserve was recorded as other expense within IES Consolidated Statements of Comprehensive Income.

Sale of Non-Strategic Manufacturing Facility

On November 30, 2010, a subsidiary of IES sold substantially all the assets and certain liabilities of a non-strategic manufacturing facility engaged in manufacturing and selling fabricated metal buildings housing electrical equipment, such as switchgears, motor starters and control systems, to Siemens Energy, Inc. As part of this transaction, Siemens Energy, Inc. also acquired certain real property where the fabrication facilities are located from another subsidiary of IES. The purchase price of $10.1 million was adjusted to reflect working capital variances. The transaction was completed on December 10, 2010 at which time IES recognized a gain of $6.8 million.

Sale of Non-Core Electrical Distribution Facility

On February 28, 2011, Key Electrical Supply, Inc., a wholly owned subsidiary of IES, sold substantially all the assets and certain liabilities of a non-core electrical distribution facility engaged in distributing wiring, lighting, electrical distribution, power control and generators for residential and commercial applications to Elliot Electric Supply, Inc. The purchase price of $6.7 million was adjusted to reflect working capital variances. The loss on this transaction was immaterial.

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Provision for Income Taxes

IES provision for income taxes increased from $51 thousand for the three months ended March 31, 2012 to an expense of $53 thousand for the three months ended March 31, 2013. A reliable estimate of the estimated annual effective tax rate cannot be determined. Therefore, IES is using year to date income tax expense to determine the income tax provision for the three months ended March 31, 2013.

IES provision for income taxes increased from $32 thousand for the six months ended March 31, 2012 to $0.2 million for the six months ended March 31, 2013. The increase is mainly attributable to an increase federal tax expense and an increase in state tax expense. A reliable estimate of the annual effective tax rate cannot be determined. Therefore, IES is using year to date income tax expense to determine the income tax provision for the six months ended March 31, 2013.

Working Capital

During the six months ended March 31, 2013, working capital decreased by $1.4 million from September 30, 2012, reflecting a $14.8 million decrease in current assets and an $13.4 million decrease in current liabilities during the period.

During the six months ended March 31, 2013, IES current assets decreased by $14.9 million, or 10.1%, to $132.5 million, as compared to $147.4 million as of September 30, 2012. Cash and cash equivalents decreased by $5.4 million during the six months ended March 31, 2013 as compared to September 30, 2012, primarily due to a $5.0 million cash payment to satisfy the Tontine Term Loan. The current trade accounts receivables, net, decreased by $3.5 million at March 31, 2013, as compared to September 30, 2012. Days sales outstanding (DSOs) decreased to 59 as of March 31, 2013 from 67 as of September 30, 2012. The improvement was driven predominantly by increased collection efforts. While the rate of collections may vary, IES secured position, resulting from its ability to secure liens against IES customers overdue receivables, reasonably assures that collection will occur eventually to the extent that IES security retains value. Inventory decreased $3.0 million inventory during the six months ended March 31, 2013 compared to September 30, 2012, due primarily to the completion of large projects within IES Communications division. IES also experienced a $1.8 million decrease in retainage during the six months ended March 31, 2013 compared to September 30, 2012.

During the six months ended March 31, 2013, IES total current liabilities decreased by $13.4 million to $91.0 million, compared to $104.4 million as of September 30, 2012. During the six months ended March 31, 2013, accounts payable and accrued expenses decreased $2.1 million. Billings in excess of costs decreased by $5.0 million during the six months ended March 31, 2013 compared to September 30, 2012. Finally, current maturities of long-term debt decreased by $6.3 million during the six ended March 31, 2013 compared to September 30, 2012 primarily due to the repayment of the Tontine Term Loan.

Surety

Many customers, particularly in connection with new construction, require IES to post performance and payment bonds issued by a surety. These bonds provide a guarantee to the customer that IES will perform under the terms of IES contract and that IES will pay its subcontractors and vendors. If IES fails to perform under the terms of its contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. IES must reimburse the sureties for any expenses or outlays they incur on its behalf. To date, IES has not been required to make any reimbursements to its sureties for bond-related costs.

As is common in the surety industry, sureties issue bonds on a project-by-project basis and can decline to issue bonds at any time. IES believes that its relationships with its sureties will allow IES to provide surety bonds as they are required. However, current market conditions, as well as changes in IES sureties assessment of IES operating and financial risk, could cause its sureties to decline to issue bonds for its work. If IES sureties decline

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to issue bonds for its work, IES alternatives would include posting other forms of collateral for project performance, such as letters of credit or cash, seeking bonding capacity from other sureties, or engaging in more projects that do not require surety bonds. In addition, if IES is awarded a project for which a surety bond is required but IES is unable to obtain a surety bond, the result could be a claim for damages by the customer for the costs of replacing IES with another contractor.

As of March 31, 2013, the estimated cost to complete IES bonded projects was approximately $59.9 million. IES believe the bonding capacity presently provided by IES sureties is adequate for its current operations and will be adequate for its operations for the foreseeable future. On May 7, 2013, IES entered into a new surety agreement with affiliates of Suremerica Surety Underwriting Services, LLC. As of March 31, 2013, IES utilized $1 million of cash (as is included in Other Non-Current Assets in IES Consolidated Balance Sheet) as collateral for certain of IES previous bonding programs.

The 2012 Revolving Credit Facility

On August 9, 2012, IES entered into a Credit and Security Agreement (the Credit Agreement), for a $30.0 million revolving credit facility (the 2012 Credit Facility) with Wells Fargo Bank, National Association (Wells Fargo). The 2012 Credit Facility originally matured on August 9, 2015, unless earlier terminated. On February 12, 2013, IES entered into an amendment of its 2012 Credit Facility with Wells Fargo (the Amendment). The Amendment extends the term of the 2012 Credit Facility to August 9, 2016 and adds IES Renewable as a borrower on the 2012 Credit Facility. In addition, pursuant to the Amendment, Wells Fargo provided IES with a $5.0 million term loan.

The 2012 Credit Facility contains customary affirmative, negative and financial covenants. The 2012 Credit Facility requires that IES maintains a fixed charge coverage ratio of not less than 1.0:1.0 at any time that its aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability (as defined in the Credit Agreement) is less than $20.0 million or Excess Availability is less than $7.5 million.

Borrowings under the 2012 Credit Facility may not exceed a borrowing base that is determined monthly by IES lenders based on available collateral, primarily certain accounts receivables and inventories. Under the terms of the 2012 Credit Facility, amounts outstanding other than amounts outstanding on the Wells Fargo Term Loan bear interest at a per annum rate equal to a Daily Three Month LIBOR (as defined in the Credit Agreement), plus an interest rate margin, which is determined quarterly, based on the following thresholds:

Level	**Thresholds**	**Interest Rate Margin**
I	Liquidity £ $20.0 million at any time during the period; or Excess Availability £ $7.5 million at any time during the period; or Fixed charge coverage ration <1.0:1.0	4.00 percentage points
II	Liquidity >$20.0 million at all times during the period; and Liquidity £ $30.0 million at any time during the period; and Excess Availability >$7.5 million; and Fixed charge coverage ratio ³ 1.0:1.0	3.50 percentage points
III	Liquidity >$30.0 million at all times during the period	3.00 percentage points

While borrowings under the Wells Fargo Term Loan bear interest at a per annum rate equal to Daily Three Month LIBOR plus 6.00%, IES and Wells Fargo intend to enter into an interest rate swap, whereby IES will cause the interest rate for borrowings under the Wells Fargo Term Loan to be fixed at 7.00% per annum. Interest is payable in monthly installments over a 24-month period. IES may prepay the Wells Fargo Term Loan in part or in whole prior to its stated maturity upon the payment of the outstanding principal amount, accrued but unpaid interest and prepayment fees.

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In addition, under the 2012 Credit Facility, IES is charged monthly in arrears for (1) an unused commitment fee of 0.50% per annum, (2) a collateral monitoring fee ranging from $1 thousand to $2 thousand, based on the then-applicable interest rate margin, (3) a letter of credit fee based on the then-applicable interest rate margin and (4) certain other fees and charges as specified in the Credit Agreement.

The 2012 Credit Facility is guaranteed by IES subsidiaries and secured by first priority liens on substantially all of IES subsidiaries existing and future acquired assets, exclusive of collateral provided to IES surety providers. The 2012 Credit Facility also restricts IES from paying cash dividends and places limitations on its ability to repurchase IES common stock. The 2012 Credit Facility requires that IES extend the maturity date of or refinance the Tontine Term Loan prior to or at February 15, 2013. On February 13, 2013, IES prepaid the remaining $10.0 million of principal on the Tontine Term Loan plus accrued interest with existing cash on hand and proceeds from the Wells Fargo Term Loan.

At March 31, 2013, IES had $16.5 million available to IES under the 2012 Credit Facility, $7.1 million in outstanding letters of credit with Wells Fargo and no outstanding borrowings outside the Wells Fargo Term Loan. The terms surrounding the 2012 Credit Facility agreement with Wells Fargo require that IES cash collateralize 100% of its letter of credit balance. As such, IES has $7.1 million classified as restricted cash within the Balance Sheet as of March 31, 2013.

At March 31, 2013, IES was subject to the financial covenant under the 2012 Credit Facility requiring that IES maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that IES aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability is less than $20.0 million or Excess Availability is less than $7.5 million. As of March 31, 2013, IES aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability was in excess of $20.0 million and Excess Availability was in excess of $7.5 million; had IES not met these thresholds at March 31, 2013, IES would not have met the required 1.0:1.0 fixed charge coverage ratio test.

While IES expects to meet its financial covenants, in the event that IES is not able to meet the covenants of its 2012 Credit Facility in the future and are unsuccessful in obtaining a waiver from IES lenders, IES expects to have adequate cash on hand to fully collateralize IES outstanding letters of credit and to provide sufficient cash for ongoing operations.

Commitment Letter for Acquisition Term Loan

On April 10, 2013, IES entered into a commitment letter with Wells Fargo, pursuant to which Wells Fargo committed to provide IES, subject to the satisfaction of certain conditions, a new amortizing term loan in a principal amount of up to $14 million (the Acquisition Term Loan) under the 2012 Credit Facility in order to finance the Merger Payments. The commitment letter was amended on July 10, 2013 to extend its termination to October 31, 2013 to correspond to the termination date of the merger agreement as amended.

Upon entering into the commitment letter, IES incurred an amendment fee in the amount of $37,500. The Acquisition Term Loan, which will mature on August 9, 2016, will be fully reserved from availability under the 2012 Credit Facility and will be subject to principal reduction on a 48-month straight-line amortization. The Acquisition Term Loan will bear interest at a per annum rate equal to the average Daily Three Month LIBOR plus 5.00% for the first year; thereafter, the margin will be determined based on the following grid:

Average Liquidity	LIBOR Spread
< $20 million	5.00%
≥ $20 million but < $30 million	4.50%
≥ $30 million	14.00%

Proceeds of the Acquisition Term Loan may be used only to (i) fund Merger Payments, (ii) refinance the Wells Fargo Term Loan, and (iii) as otherwise may be permitted by Wells Fargo. Except as specified in the Acquisition

Term Loan, all other terms, conditions and provisions of the Acquisition Term Loan shall be as set forth in the Credit Agreement.

The 2006 Revolving Credit Facility

On May 12, 2006, IES entered into a Loan and Security Agreement (the Loan and Security Agreement), for a revolving credit facility (as amended, the 2006 Credit Facility) with Bank of America, N.A. and certain other lenders. Under the terms of the amended 2006 Credit Facility, the size of the facility was $40.0 million and the maturity date was November 12, 2012. On August 9, 2012, the amended 2006 Credit Facility was replaced by the 2012 Credit Facility.

Under the terms of the amended 2006 Credit Facility, IES was required to cash collateralize all of its letters of credit issued by the banks. The cash collateral was added to the borrowing base calculation at 100% throughout the term of the agreement. The 2006 Credit Facility required that IES maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that its aggregate amount of unrestricted cash on hand plus availability was less than $25.0 million and, thereafter, until such time as IES aggregate amount of unrestricted cash on hand plus availability had been at least $25.0 million for a period of 60 consecutive days. The amended Agreement also called for cost of borrowings of 4.0% over LIBOR per annum. Cost for letters of credit was the same as borrowings and also included a 25 basis point fronting fee. In connection with the most recent amendment to the 2006 Credit Facility, IES incurred an amendment fee of $0.1 million which, together with unamortized balance of the prior amendment was amortized using the straight line method through August 30, 2012.

The 2006 Credit Facility was guaranteed by IES subsidiaries and secured by first priority liens on substantially all of IES subsidiaries existing and future acquired assets, exclusive of collateral provided to IES surety providers. The 2006 Credit Facility contained customary affirmative, negative and financial covenants. The 2006 Credit Facility also restricted IES from paying cash dividends and placed limitations on IES ability to repurchase its common stock.

Borrowings under the 2006 Credit Facility could not exceed a borrowing base that was determined monthly by IES lenders based on available collateral, primarily certain accounts receivables and inventories. Under the terms of the 2006 Credit Facility in effect as of August 30, 2012, interest for loans and letter of credit fees was based on IES Total Liquidity, which is calculated for any given period as the sum of average daily availability for such period plus average daily unrestricted cash on hand for such period as follows:

Total Liquidity	Annual Interest Rate for Loans	Annual Interest Rate for Letters of Credit
Greater than or equal to $60.0 million	LIBOR plus 3.00% or Base Rate plus 1.00%	3.00% plus 0.25% fronting fee
Greater than $40.0 million and less than $60.0 million	LIBOR plus 3.25% or Base Rate plus 1.25%	3.25% plus 0.25% fronting fee
Less than or equal to $40.0 million	LIBOR plus 3.50% or Base Rate plus 1.50%	3.50% plus 0.25% fronting fee

At March 31, 2013, IES had $0 in outstanding letters of credit with Bank of America.

For the three months ended March 31, 2013, IES paid no interest for loans under the 2006 Credit Facility and had a weighted average interest rate, including fronting fees, of 3.49% for letters of credit. In addition, IES was charged monthly in arrears (1) an unused commitment fee of 0.50%, and (2) certain other fees and charges as specified in the Loan and Security Agreement, as amended.

As of August 9, 2012, IES was subject to the financial covenant under the 2006 Credit Facility requiring that IES maintains a fixed charge coverage ratio of not less than 1.0:1.0 at any time that its aggregate amount of unrestricted cash on hand plus availability is less than $25.0 million and, thereafter, until such time as its

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aggregate amount of unrestricted cash on hand plus availability has been at least $25.0 million for a period of 60 consecutive days. As of August 9, 2012, IES Total Liquidity was in excess of $25.0 million.

The Tontine Term Loan

On December 12, 2007, IES entered into the Tontine Term Loan, a $25.0 million senior subordinated loan agreement, with Tontine, which IES terminated and prepaid in full subsequent to the first quarter of fiscal 2013, as further described below.

The Tontine Term Loan bore interest at 11.0% per annum and was due on May 15, 2013. Interest was payable quarterly in cash or in-kind at IES option. Any interest paid in-kind would bear interest at 11.0% in addition to the loan principal. The Tontine Term Loan was subordinated to the 2012 Credit Facility. The Tontine Term Loan was an unsecured obligation of IES and its subsidiary borrowers and contained no financial covenants or restrictions on dividends or distributions to stockholders. The Tontine Term Loan was amended on August 9, 2012 in connection with IES entering into the 2012 Credit Facility. The amendment did not materially impact IES obligations under the Tontine Term Loan.

On April 30, 2010, IES prepaid $15.0 million of principal on the Tontine Term Loan. On May 1, 2010, Tontine assigned the Tontine Term Loan to Tontine Capital Overseas Master Fund II, L.P., also a related party. Pursuant to its terms, IES was permitted to repay the Tontine Term Loan at any time prior to the maturity date at par, plus accrued interest without penalty within the restrictions of the 2012 Credit Facility. On February 13, 2013, IES repaid the remaining $10.0 million of principal on the Tontine Term Loan, plus accrued interest, with existing cash on hand and proceeds from the Wells Fargo Term Loan.

Capital Lease

IES leases certain equipment under agreements, which are classified as capital leases and included in property, plant and equipment. Amortization of this equipment for the three and six months ended March 31, 2013 and 2012 was $46 thousand and $91 thousand.

Insurance Financing Agreements

From time to time, IES elects to finance its commercial insurance policy premiums over a term equal to or less than the term of the policy (each, an Insurance Financing Agreement). The terms of the Insurance Financing Agreements for fiscal year 2013 were for twelve months with an interest rate range of 1.99% to 2.75%. The Insurance Financing Agreements were collateralized by the gross unearned premiums on the respective insurance policies plus any payments for losses claimed under the policies and are subject to an intercreditor agreement with Wells Fargo. The remaining balance due on the Insurance Financing Agreements at March 31, 2013 was $1.5 million. The remaining balance due on the Insurance Financing Agreements at March 31, 2012 was $1.4 million.

Liquidity and Capital Resources

As of March 31, 2013, IES had cash and cash equivalents of $13.5 million, working capital of $40.4 million, $7.1 million of letters of credit and $16.5 million of available capacity under its 2012 Credit Facility. IES anticipates that the combination of cash on hand, cash flows and available capacity under its 2012 Credit Facility will provide sufficient cash to enable IES to meet its working capital needs, debt service requirements and capital expenditures for property and equipment through the next twelve months. IES ability to generate cash flow is dependent on many factors, including demand for its services, the availability of projects at margins acceptable to IES, the ultimate collectability of IES receivables, and IES ability to borrow on its 2012 Credit Facility, if needed. IES was not required to test its covenants under its 2012 Credit Facility during the period. Had IES been required to test its covenants, IES would have failed at March 31, 2013.

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IES continues to closely monitor the financial markets and general national and global economic conditions. To date, IES has experienced no loss or lack of access to its invested cash or cash equivalents; however, IES can provide no assurances that access to its invested cash and cash equivalents will not be impacted in the future by adverse conditions in the financial markets.

Operating Activities

IES cash flow from operations is not only influenced by cyclicality, demand for its services, operating margins and the type of services IES provides, but can also be influenced by working capital needs such as the timing of its receivable collections. Working capital needs are generally lower during IES fiscal first and second quarters due to the seasonality that IES experiences in many regions of the country.

Operating activities provided net cash of $1.1 million during the six months ended March 31, 2013, as compared to $7.8 million of net cash used in the six months ended March 31, 2012. IES used substantially less cash to reduce its accounts payable and accrued expenses, and IES utilized inventory on hand. This production of cash was offset by a significant reduction in cash collected from accounts receivable and an increase in underbillings during the six months ended March 31, 2013.

Investing Activities

In the six months ended March 31, 2013, net cash from investing activities used $0.9 million as compared to $1.0 million of net cash used by investing activities in the six months ended March 31, 2012. Investing activities in the six months ended March 31, 2013 was comprised primarily of $0.8 million used in conjunction with the asset purchase agreement with the Acro Group within IES Residential segment, expanding IES solar division. Investing activities in the six months ended March 31, 2012 was entirely comprised of capital expenditures.

Financing Activities

Financing activities used net cash of $5.5 million in the six months ended March 31, 2013 compared to $9.0 million used in the six months ended March 31, 2012. Financing activities in the six months ended March 31, 2013 included $5.0 million to repay the Tontine Term Loan and $0.4 million used to purchase treasury stock to satisfy payroll tax obligations. Financing activities in the six months ended March 31, 2012 included an increase of $8.8 million in restricted cash to satisfy the requirements of IES 2012 Credit Facility.

Bonding Capacity

At March 31, 2013, IES had adequate surety bonding capacity under its surety agreements. IES ability to access this bonding capacity is at the sole discretion of IES surety providers. As of March 31, 2013, the expected cumulative cost to complete for projects covered by IES surety providers was $59.9 million. IES believes it has adequate remaining available bonding capacity to meet its current needs, subject to the sole discretion of IES surety providers. On May 7, 2013, IES entered into a new surety agreement with affiliates of Suremerica Surety Underwriting Services, LLC.

Controlling Shareholder

On July 21, 2011, Tontine filed an amended Schedule 13D indicating its ownership level of 57.4% of IES outstanding common stock. While Tontine is subject to restrictions under federal securities laws on sales of its shares as an affiliate, Tontine is party to a Registration Rights Agreement with IES under which it has the ability, subject to certain restrictions, to demand registration of its shares in order to permit unrestricted sales of those shares. On February 20, 2013, pursuant to the Registration Rights Agreement, Tontine delivered a request to IES for registration of all of its shares of IES common stock, and on February 21, 2013, IES filed a shelf registration

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statement (as amended, the Shelf Registration Statement) to register Tontine s shares. The Shelf Registration Statement was declared effective by the SEC on June 18, 2013. For so long as it remains effective, Tontine will have the ability to resell any or all of the shares of IES common stock included in the Shelf Registration Statement from time to time in one or more offerings, as described in the Shelf Registration Statement and in any prospectus supplement filed in connection with an offering pursuant to the Shelf Registration Statement. IES has received no indication from Tontine that it intends to resell any securities pursuant to the Shelf Registration Statement prior to closing of the merger, nor has Tontine made any such sales pursuant to the Shelf Registration Statement to date.

Should Tontine sell or otherwise dispose of all or a portion of its position in IES, a change in ownership could occur. A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of net operating losses for federal and state income tax purposes. As of September 30, 2012 IES had approximately $452 million of federal NOLs that are available to use to offset taxable income, inclusive of NOLs from the amortization of additional tax goodwill. As of September 30, 2012 IES had approximately $313 million of federal NOLs that are available to use to offset taxable income, exclusive of NOLs from the amortization of additional tax goodwill. On January 28, 2013, IES implemented a tax benefit protection plan (the NOL Rights Plan) that was designed to deter an acquisition of IES stock in excess of a threshold amount that could trigger a change of control within the meaning of Internal Revenue Code Section 382. The NOL Rights Plan was filed as an Exhibit to IES Current Report on Form 8-K filed with the SEC on January 28, 2013 and any description thereof is qualified in its entirety by the terms of the NOL Rights Plan. There can be no assurance that the NOL Rights Plan will be effective in deterring a change of control or protecting the NOLs. Furthermore, a change in control would trigger the change of control provisions in a number of IES material agreements, including its 2012 Credit Facility, bonding agreements with IES sureties and certain employment contracts with certain officers and employees of IES.

On April 30, 2010, IES prepaid $15.0 million of the original $25.0 million principal outstanding on the Tontine Term Loan; accordingly at December 31, 2012, $10.0 million remained outstanding under the Tontine Term Loan, which was scheduled to mature on May 15, 2013. On February 13, 2013, IES repaid the remaining $10.0 million of principal on the Tontine Term Loan, plus accrued interest, with existing cash on hand and proceeds from the Wells Fargo Term Loan. Pursuant to its terms, IES was permitted to repay the Tontine Term Loan at any time prior to the maturity date at par, plus accrued interest without penalty within the restrictions of the 2012 Credit Facility.

On March 29, 2012, IES entered into a sublease agreement with Tontine Associates, LLC, an affiliate of IES controlling shareholder, for corporate office space in Greenwich, Connecticut. The lease extends from April 1, 2012 through March 31, 2014, with monthly payments due in the amount of $6 thousand. The lease has terms at market rates and payments by IES are at a rate consistent with that paid by Tontine Associates, LLC to its landlord.

James M. Lindstrom has served as Chief Executive Officer and President of IES since October 3, 2011. Mr. Lindstrom previously served in such capacities on an interim basis since June 2011 and has served as Chairman of the IES Board of Directors since February 2011. Mr. Lindstrom was an employee of Tontine from 2006 until October 2011.

David B. Gendell has served as a member of IES Board of Directors since February 2012. Mr. Gendell, who is the brother of Jeffrey Gendell, the founder and managing member of Tontine, is also an employee of Tontine.

Off-Balance Sheet Arrangements and Contractual Obligations

As is common in IES industry, it has entered into certain off-balance sheet arrangements that expose it to increased risk. IES significant off-balance sheet transactions include commitments associated with non-cancelable operating leases, letter of credit obligations, firm commitments for materials and surety guarantees.

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IES enters into non-cancelable operating leases for many of its vehicle and equipment needs. These leases allow IES to retain its cash when it does not own the vehicles or equipment, and IES pays a monthly lease rental fee. At the end of the lease, IES has no further obligation to the lessor. IES may cancel or terminate a lease before the end of its term. Typically, IES would be liable to the lessor for various lease cancelation or termination costs and the difference between the 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 IES customers and vendors require IES to post letters of credit as a means of guaranteeing performance under IES contracts and ensuring payment by IES to subcontractors and vendors. If IES customer has reasonable cause to effect payment under a letter of credit, IES would be required to reimburse IES creditor for the letter of credit. At December 31, 2012, $0.7 million of IES outstanding letters of credit were to collateralize IES customers and vendors.

Some of the underwriters of IES casualty insurance program require IES to post letters of credit as collateral, as is common in the insurance industry. To date, IES has not had a situation where an underwriter has had reasonable cause to effect payment under a letter of credit. At March 31, 2013, $0.2 million of IES outstanding letters of credit were to collateralize its insurance programs.

From time to time, IES may enter into firm purchase commitments for materials such as copper wire and aluminum wire, among others, which IES expects to use in the ordinary course of business. These commitments are typically for terms less than one year and require IES to buy minimum quantities of materials at specified intervals at a fixed price over the term. As of March 31, 2013, IES did not have any open purchase commitments.

Many of IES customers require it to post performance and payment bonds issued by a surety. Those bonds guarantee the customer that IES will perform under the terms of a contract and that IES will pay subcontractors and vendors. In the event that IES fails to perform under a contract or pay subcontractors and vendors, the customer may demand the surety to pay or perform under its bond. IES 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 issue on its behalf. To date, IES have not incurred any costs to indemnify IES sureties for expenses they incurred on its behalf.

As of March 31, 2013, IES future contractual obligations due by September 30 of each of the following fiscal years include (in thousands) (1):

	Less than 1 year	1 - to 3 Years	3 to 5 Years	More Than 5 Years	Total
Long-term debt obligations	$ 2,752	$ 3,542	$	$	$ 6,294
Operating lease obligations	$ 1,826	$ 4,573	$ 1,613	$ 751	$ 8,763
Capital lease obligations	$ 159	$ 26	$	$	$ 185
Total	$ 4,737	$ 8,141	$ 1,613	$ 751	$ 15,242

(1) The tabular amounts exclude the interest obligations that will be created if the debt and capital lease obligations are outstanding for the periods presented.

IES other commitments expire by September 30 of each of the following fiscal years (in thousands):

	2013	2014	2015	Thereafter	Total
Standby letters of credit	$ 2,450	$ 4,602	$	$	$ 7,052
Other commitments	$	$	$	$	$
Total	$ 2,450	$ 4,602	$	$	$ 7,052

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IES 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. IES exposure to significant market risks includes fluctuations in commodity prices for copper, aluminum, steel and fuel. Commodity price risks may have an impact on IES results of operations due to the fixed price nature of many of its contracts. IES is also exposed to interest rate risk with respect to its outstanding debt obligations on the 2012 Credit Facility and the Wells Fargo Term Loan. For additional information see Cautionary Statement Concerning Forward-Looking Statements on page 117 of this joint proxy statement/prospectus.

Commodity Risk

IES exposure to significant market risks includes fluctuations in commodity prices for copper, aluminum, steel and fuel. Commodity price risks may have an impact on IES results of operations due to fixed nature of many of its contracts. Over the long-term, IES expects to be able to pass along a portion of these costs to its customers, as market conditions in the construction industry will allow.

Interest Rate Risk

IES is also exposed to interest rate risk, with respect to its outstanding revolving debt obligations as well as its letters of credit.

The following table presents principal or notional amounts and related interest rates by fiscal year of maturity for IES debt obligations at March 31, 2013 (Dollar amounts in thousands):

	2013	2014	2015	2016	2017	Thereafter	Total
Debt Obligations Fixed Rate:							
Capital Lease (22%)	$ 159	$ 26	$	$	$	$	$ 185
Fair Value of Debt:							
Fixed Rate	$ 147	$ 23	$	$	$	$	$ 170

IES DIRECTORS

IES Amended and Restated Certificate of Incorporation (the Certificate of Incorporation) and bylaws provide that the number of members of the IES board of directors (the Board) shall be fixed from time to time by the Board but shall not be less than one nor more than fifteen persons. The Board has set the number of directors at five. Directors hold office until the next annual meeting of stockholders and until their successors have been elected and qualified. Vacancies may be filled by recommendation from the Nominating and Governance Committee and a majority vote by the remaining directors.

Each director with an asterisk next to his name is independent in accordance with IES Corporate Governance Guidelines and the rules and regulations of the NASDAQ and the SEC. The business address and phone number for each of IES directors, other than Messrs. Lindstrom and Gendell, are 5433 Westheimer Road, Suite 500, Houston, Texas 77056 and (713) 860-1500, respectively. The business address and phone number for Messrs. Lindstrom and Gendell are One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830 and (203) 992-1111, respectively.

Joseph L. Dowling III* Director since 2012

Mr. Dowling, 49, has served since June 2013 as the Chief Investment Officer of Brown University, where he is responsible for the University s $3 billion endowment. In addition, since 1998, he has served as the founder and managing member of Narragansett Asset Management, LLC, a private investment partnership located in Stamford, Connecticut. From its formation in 1998 through 2006, Narragansett managed funds for institutions,

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pension funds and college endowments. Since 2006, Narragansett has focused on managing Mr. Dowling s personal capital and that of a select group of strategic investors. Prior to forming Narragansett, Mr. Dowling worked at The First Boston Corporation, Tudor Investments, and Oracle Partners, L.P. Mr. Dowling is a member of the Advisory Board of Ferrer Freeman & Company, LLC, a private equity firm providing growth capital to healthcare companies. The Nominating/Governance Committee believes that Mr. Dowling is qualified to serve on the Board given his extensive experience in public and private investing and finance.

David B. Gendell* Director since 2006

Mr. Gendell, 52, is currently an employee of Tontine Associates, LLC, an affiliate of IES majority stockholder, where he focuses on investment opportunities in industrial, manufacturing and basic materials companies. From 2006 to 2010, he served on the Board of Directors of Neenah Enterprises, one of the largest independent, publicly-traded foundries in the United States. Mr. Gendell has also held senior positions at several venture-backed startups. He was President and Chief Operating Officer of Homserv, LLC, a privately-held data aggregator focused on real estate transactions. Prior to that, he served as President and Chief Operating Officer of Cogent Design Inc., a privately-held practice management software system. He also currently serves on the Board of Advisors of the Duke Global Health Institute. The Nominating/Governance Committee believes that Mr. Gendell is qualified to serve on the Board given his extensive experience in public and private investing and finance.

Joe D. Koshkin* Director since 2013

Mr. Koshkin, 66, has worked as an independent financial consultant offering financial and advisory services to a diverse group of clients since 2006. Mr. Koshkin retired as a partner from PriceWaterhouseCoopers in 2006 after a 34-year career with the firm. During his career at PriceWaterhouseCoopers, he served as the partner in charge of the firm s North America Engineering and Construction Industry practice. He also served as a senior client service partner advising clients on technical accounting, Securities and Exchange Commission issues, Sarbanes-Oxley compliance, risk management, and mergers and acquisitions. From June 2010 to July 2011, Mr. Koshkin served as a director and a member of the audit committee of Sterling Bancshares. Mr. Koshkin is a Certified Public Accountant in Texas and is a member in good standing with the AICPA and TSCPA. The Nominating/Governance Committee believes that Mr. Koshkin is qualified to serve on the Board given his extensive experience extensive experience with corporate finance, financial reporting, and tax, and his experience as a director and audit committee member of a publicly held company.

James M. Lindstrom Director since 2010

Mr. Lindstrom, 40, has been President and Chief Executive Officer of IES since October 3, 2011. He previously served as Interim President and Chief Executive Officer of IES since June 30, 2011. From February 2006 until October 3, 2011, he was an employee of Tontine Associates, LLC, a private investment fund and an affiliate of Tontine. From 2003 to 2006, Mr. Lindstrom was Chief Financial Officer of Centrue Financial Corporation, a regional financial services company and had prior experience in private equity, investment banking and operations.
Mr. Lindstrom served as a director of Broadwind Energy, Inc. from October 2007 to May 2010 and has served as a board observer on multiple public and private boards. The Nominating/Governance Committee believes that Mr. Lindstrom is qualified to serve on the Board due to his extensive experience in public and private investing, prior executive roles and the knowledge and experience he brings as IES President and Chief Executive Officer.

Donald L. Luke* Director since 2005

Mr. Luke, 76, was Chairman and Chief Executive Officer of American Fire Protection Group, Inc., a private company involved in the design, fabrication, installation and service of products in the fire sprinkler industry from 2001 until April 2005. From 1997 to 2000, Mr. Luke was President and Chief Operating Officer of Encompass Services (construction services) and its predecessor company GroupMac. Mr. Luke held a number of key positions in product development, marketing and executive management in multiple foreign and domestic publicly traded companies. Mr. Luke also previously served on the board of directors of American Fire

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Protection Group, Inc. and currently serves as a director of Cable Lock, Inc., which manages the affiliated Olshan Foundation Repair companies. The Nominating/Governance Committee believes that Mr. Luke is qualified to serve on the Board given his extensive experience as an officer and director of a diverse group of consolidator public companies, including electrical contractors.

IES EXECUTIVE OFFICERS

Certain information with respect to each executive officer is as follows. The business address and phone number for each of IES executive officers, other than Mr. Lindstrom and Ms. Makode, are 5433 Westheimer Road, Suite 500, Houston, Texas 77056 and (713) 860-1500, respectively. The business address and phone number for Mr. Lindstrom and Ms. Makode are One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830 and (203) 992-1111, respectively.

James M. Lindstrom, 40, has served as President and Chief Executive Officer of IES since October 3, 2011. He previously served as Interim President and Chief Executive Officer of IES since June 30, 2011. Mr. Lindstrom was an employee at Tontine Associates, LLC, a private investment fund and an affiliate of IES controlling shareholder Tontine from 2006 to October 3, 2011. From 2003 to 2006, Mr. Lindstrom was Chief Financial Officer of Centrue Financial Corporation, a regional financial services company, and had prior experience in private equity and investment banking. Mr. Lindstrom served as a director of Broadwind Energy, Inc. from October 2007 to May 2010 and has served as a board observer on multiple public and private boards.

Terry L. Freeman, 62, served as Senior Vice President and Chief Financial Officer of IES from March 2010 until his resignation on January 20, 2012. From December 2005 until he joined IES, Mr. Freeman was an independent business consultant. From 1997 until December 2005, Mr. Freeman served as Chief Financial Officer of Metals USA, a metal service company that served OEM manufacturers, contractors and metal fabrication businesses, in several senior financial roles, most recently serving as Senior Vice President and Chief Financial Officer. From 1990 to 1997, Mr. Freeman held the positions of Corporate Controller and Director of Financial Reporting at Maxxam, Inc., a diversified holding company with sales in excess of $2.3 billion. From 1980 to 1990, he served in senior audit positions at Arthur Andersen & Company and at Deloitte & Touche. He also served in the U. S. Army.

William L. Fiedler, 55, served as Senior Vice President, General Counsel and Secretary of IES from March 2009 until his resignation on August 31, 2012. From October 1999 through February 2009, Mr. Fiedler served as Senior Vice President, General Counsel and Secretary of NetVersant Solutions, Inc., a privately-owned communications infrastructure company. From November 1997 through October 1999, Mr. Fiedler was Senior Vice President, General Counsel and Secretary of LandCare USA Inc., a publicly traded commercial landscaping company. From February 1994 through October 1997, Mr. Fiedler was Vice President, General Counsel and Secretary of Allwaste, Inc., a publicly traded industrial service company, and from February 1990 through January 1994, was Senior Counsel of Allwaste. Prior to that, Mr. Fiedler held the position of Chief Legal and Compliance Officer of Sentra Securities Corporation, a NASD registered broker-dealer.

Robert W. Lewey, 51, has served as Senior Vice President and Chief Financial Officer since January 20, 2012. From 2001 to 2006 and since 2007, Mr. Lewey served as Director of Tax, Vice President, Tax and Treasurer for IES. From 2006 to 2007, he served as Vice President, Tax for Sulzer US Holdings, Inc. From 1995 to 2001, Mr. Lewey served as Vice President, Tax for Metamor Worldwide, Inc., a leading provider of information technology solutions. Mr. Lewey began his career with Deloitte & Touche.

Gail D. Makode, 37, has served as Senior Vice President, General Counsel and Corporate Secretary since October 2012. Ms. Makode was previously General Counsel and Member of the Board at MBIA Insurance Corporation and Chief Compliance Officer of MBIA Inc. Prior to MBIA, Ms. Makode served as vice president and counsel for Deutsche Bank AG, and before that, was an associate at Cleary, Gottlieb, Steen & Hamilton, where she specialized in public and private securities offerings and mergers and acquisitions.

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Heather M. Sahrbeck, 41, served as Senior Vice President, General Counsel and Corporate Secretary on an interim basis until her resignation on November 1, 2012. Ms. Sahrbeck joined IES in May 2012 as corporate counsel. From 2000 to 2008, she served as a vice president and associate general counsel at Goldman, Sachs & Co. Prior to joining Goldman Sachs, Ms. Sahrbeck was employed by Davis Polk & Wardwell LLP, where she specialized in securities offerings and mergers and acquisitions.

IES has adopted a Code of Ethics for Executives that applies to IES Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The Code of Ethics may be found on IES website at www.ies-corporate.com. If IES makes any substantive amendments to the Code of Ethics or grant any waiver, including any implicit waiver, from a provision of the code to IES Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer, IES will disclose the nature of such amendment or waiver on its website or in a report on Form 8-K. Paper copies of these documents are also available free of charge upon written request to IES.

IES BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

Stockholder Communications with the Board of Directors

Stockholders who wish to communicate directly with the Board may do so by writing to Integrated Electrical Services, Inc. Board of Directors, c/o Corporate Secretary, Integrated Electrical Services, Inc., One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830. Stockholders may also communicate directly with individual directors by addressing their correspondence accordingly. Interested parties may make any concerns known to non-management directors by contacting IES Ethics Line at 1-800-347-9550.

IES has adopted a Code of Ethics for Financial Executives and a code of business conduct and ethics for all directors, officers and employees which has been memorialized as part of IES Legal Compliance and Corporate Policy Manual. Each of these documents can be found in the Corporate Governance section of IES website at http://www.ies-corporate.com. The Manual is also available in print to any stockholder who requests it by contacting Gail D. Makode, Senior Vice President, General Counsel, and Corporate Secretary, Integrated Electrical Services, Inc., One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830.

Corporate Governance Guidelines

IES management and Board are committed to conducting business consistent with good corporate governance practices. To this end, the Board has established a set of Corporate Governance Guidelines which reflect its view of how to help achieve this goal. These guidelines, which may be amended and refined from time to time, are outlined below and may also be found in the Corporate Governance section of IES website at http://www.ies-corporate.com. The guidelines are also available in print to any stockholder who requests them by contacting Gail D. Makode, Senior Vice President, General Counsel and Corporate Secretary, Integrated Electrical Services, Inc., One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830.

Directors

Core Competencies of the Board

In order to adequately perform the general corporate oversight responsibilities assumed by the Board, the Board as a whole should possess the following competencies:

Accounting & Finance The Board should have one or more members who are experienced in accounting and finance matters.

Management In order to *oversee* IES management team, the Board should have one or more directors who have experience as a Chief Executive Officer, a Chief Operating Officer or possess similar significant operating experience.

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Industry Knowledge While the theory of management is important, it is essential that the Board have one or more members with extensive hands-on practical relevant industry-specific knowledge.

Long-Range Strategy In addition to monitoring IES performance in the present, the Board should have one or more members with the skills to look to the future and provide direction for stability and growth.

Track Record The Board should have one or more members who have achieved prominence and strong reputations in their respective professions.

Independence of the Board

A majority of the Board shall be independent of management. An independent director must meet the standards imposed by the SEC and NASDAQ.

Committees

The Board has established the Audit, Human Resources and Compensation, and Nominating/ Governance Committees to assist in the performance of its functions of overseeing the management and affairs of IES. The Audit, Human Resources and Compensation, and Nominating/Governance Committees are composed entirely of independent directors under current NASDAQ standards, have written charters, and have the authority to retain and compensate counsel and experts. Copies of the charters may be found in the Corporate Governance section of IES website, http://www.ies-corporate.com. The charters are also available in print to any stockholder who requests them by contacting Gail D. Makode, Senior Vice President, General Counsel and Corporate Secretary, Integrated Electrical Services, Inc., One Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS OF IES

IES has adopted a written Related Person Transaction Policy that addresses the reporting, review and approval or ratification of transactions with related persons. IES recognizes that related person transactions can involve potential or actual conflicts of interest and pose the risk that they may be, or be perceived to have been, based on considerations other than the IES best interest. Accordingly, as a general matter, IES seeks to avoid such transactions. However, IES recognizes that in some circumstances transactions between related persons and IES may be incidental to the normal course of business or provide an opportunity that is in the best interests of IES to pursue or that is not inconsistent with the best interests of IES and where it is not efficient to pursue an alternative transaction. The policy therefore is not designed to prohibit related person transactions; rather, it is intended to provide for timely internal reporting of such transactions and appropriate review, oversight and public disclosure of them.

The policy supplements the provisions of IES Legal Compliance and Conflict of Interest Policy concerning potential conflict of interest situations. With respect to persons and transactions subject to the policy, the procedures for reporting, oversight and public disclosure apply. With respect to all other potential conflict of interest situations, the provisions of the IES Legal Compliance and Conflict of Interest Policy continue to apply.

The policy applies to the following persons (each a Related Person and, collectively, Related Persons):

Each director or executive officer of IES;

Any nominee for election as a director of IES;

Any security holder who is known to IES to own of record or beneficially more than five percent of any class of IES voting securities; and

Any immediate family member of any of the foregoing persons.

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A transaction participated in by IES with a company or other entity that employs a Related Person or is controlled by a Related Person, or in which a Related Person has an ownership of financial interest material to such Related Person, shall be considered a transaction with a Related Person for purposes of the policy. For purposes of the policy, related person transaction means a transaction or arrangement or series of transactions or arrangements in which IES participates (whether or not IES is a party) and a Related Person has a direct or indirect interest material to such Related Person. A transaction in which a subsidiary or any other company controlled by IES participates shall be considered a transaction in which IES participates.

Except as otherwise provided in the policy, including any delegation of review and approval authority, (i) any director, director nominee or executive officer who intends to enter into a related person transaction shall disclose the intention and all material facts with respect to the transaction to the Audit Committee of the Board and (ii) any officer or employee of IES who intends to cause it to enter into any related person transaction shall disclose that intention and all material facts with respect to the transaction to his or her superior, who shall be responsible for seeing that such information is reported to the Audit Committee. If a member of the Audit Committee has an interest in a related person transaction and, after such Audit Committee member excusing himself or herself from consideration of the transaction, there would be fewer than two members of the Audit Committee available to review the transaction who do approve the transaction, the transaction shall be reviewed by an ad hoc committee of at least two independent directors designated by the Board (which shall be considered the Audit Committee for this purpose).

The Audit Committee will review all related person transactions and approve such transactions in advance of such transaction being given effect. At the discretion of the Audit Committee, consideration of a related person transaction may be submitted to the Board. All related person transactions shall be publicly disclosed to the extent and in the manner required by applicable legal requirements and listing standards. The Audit Committee may determine that public disclosure shall be made even where it is not so required, if the Audit Committee considers such disclosure to be in the best interests of IES and its stockholders.

On December 12, 2007, IES entered into a Note Purchase Agreement with Tontine Capital Partners, L.P. (TCP), pursuant to which, on December 12, 2007, IES sold Tontine $25.0 million aggregate principal amount of IES 11% Senior Subordinated Notes due 2013 (the Tontine Note). The Note Purchase Agreement contained customary representations and warranties of the parties and indemnification provisions whereby IES agreed to indemnify Tontine against certain liabilities. The Tontine Note was not registered under the Securities Act and was sold to Tontine on a private placement, which transaction was exempt from the registration requirements of the Securities Act. The Tontine Note bore interest at 11% per annum and was due on May 15, 2013.

On April 30, 2010, IES prepaid $15.0 million of principal on the Tontine Note, and on May 1, 2010, Tontine assigned the Tontine Note to Tontine Capital Overseas Master Fund II, L.P. (TCP2). On February 13, 2013, IES prepaid the remaining $10.0 million of principal on the Tontine Note, plus accrued interest. The Tontine Note was an unsecured obligation of IES and its subsidiary borrowers, contained no financial covenants or restrictions on dividends or distributions to stockholders, and was subordinated to IES revolving credit facility with Wells Fargo.

On March 29, 2012, IES entered into a sublease agreement with Tontine Associates, LLC, an affiliate of Tontine, for corporate office space in Greenwich, Connecticut. The lease extends from April 1, 2012 through March 31, 2014, with monthly payments due in the amount of $6,000. The lease has terms at market rates and payments by IES are at a rate consistent with that paid by Tontine Associates, LLC to its landlord.

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IES EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Role of the Compensation Committee

The Human Resources and Compensation Committee (referred to in this section as the Committee) of the Board of Directors, which is comprised entirely of independent directors, is responsible for ensuring that IES executive compensation policies and programs are competitive within the markets in which IES competes for talent and reflect the investment interests of IES stockholders. The Committee reviews and approves the compensation levels and benefits programs for Named Executive Officers (NEOs).

The Committee has from time to time consulted with Meridian Compensation Partners, L.L.C. (Meridian), an independent compensation consultant, regarding specific elements of the IES compensation program, such as the competitiveness of the compensation structure and pay levels of the NEOs. In this role, Meridian reports directly to the Committee. The NEOs are the executives who appear in the compensation tables of this Proxy Statement.

The NEOs in this joint proxy statement/prospectus are:

James M. Lindstrom, President and Chief Executive Officer

Robert W. Lewey, Senior Vice President and Chief Financial Officer

William L. Fiedler, former Senior Vice President and General Counsel

Terry L. Freeman, former Senior Vice President and Chief Financial Officer

Heather M. Sahrbeck, former Senior Vice President and General Counsel

IES Human Resources Department staff, General Counsel, Chief Executive Officer and controlling shareholder Tontine provide additional analysis and counsel as requested by the Committee. You can learn more about the Committee s purpose, responsibilities, and structure by reading the Committee s charter, which can be found in the Corporate Governance section of IES website at http://www.ies-corporate.com.

The following is a more detailed discussion of the results of the actions taken by the Committee in fiscal year 2012 and first quarter of fiscal year 2013 and the reasons for such actions.

Compensation Objectives

All of the IES compensation and benefits for the NEOs, as described below, are focused on the primary objectives of attracting, retaining and motivating the highly talented individuals who will engage in the behaviors necessary to enable IES to succeed while upholding IES values in a highly competitive marketplace.

At IES 2011 annual meeting of stockholders (the 2011 Annual Meeting), IES was required, pursuant to Section 14A of the Exchange Act, to seek a non-binding advisory vote of stockholders to approve the compensation awarded to IES NEOs. At the 2011 Annual Meeting, IES stockholders approved, on a non-binding advisory basis, the compensation awarded to its NEOs for fiscal year 2010, as disclosed pursuant to Item 402 of Regulation S-K. The Committee has considered the result of this stockholder vote in setting compensation policies and making compensation decisions for fiscal years 2011 and 2012. At the 2011 Annual Meeting, IES stockholders also determined, on a non-binding advisory basis, that the stockholder vote on executive compensation should be held once every three years Under the Compensation Committee s

supervision, in fiscal year 2012, IES implemented a compensation program, which is comprised of salary, benefits, and incentive opportunity, and is intended to achieve the following objectives:

Be competitive. The program design and levels are set considering the practices of similar companies with which IES competes for talent.

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Drive results. The program emphasizes variable, at-risk incentive award opportunities, which are payable only if specified goals are achieved and include a balance of short-term and long-term incentive opportunities. The largest part of the incentive award for NEOs in fiscal year 2012 was focused on equity grants with short-term or no time-based restrictions and that are based on achievement of critical near-term goals which IES believes will significantly impact the long-term performance of IES. IES also has in the past provided, and may from time to time in the future provide, long-term equity incentive award opportunities which depend on its performance and which vest over multiple years. In light of the long-term equity incentive awards that currently remain outstanding for NEOs, and given the current environment, as IES seeks to stabilize its near-term performance, the Committee believes it is appropriate to offer awards that align the financial incentives of executives with the near-term goals of stockholders. Therefore, IES has implemented an incentive program that provides opportunities for discretionary equity awards based on achievement of critical near-term goals, long-term equity incentive awards and annual cash incentive awards based on individual and IES performance. In total, these at-risk incentives traditionally represent approximately 60%-75% of the NEOs targeted total direct compensation, with base salary representing the remaining 25-40%.

Reward individual performance. Salary, annual cash incentive awards and equity incentive awards are based on an individual s job level and performance against specified financial, operational, strategic or safety goals (as appropriate to the individual s position). The Committee also considers IES performance, the desired pay relationships among executive employees and market practices.

Emphasize stock ownership. Incentive awards are delivered as equity and/or cash awards to senior executives. The Board of Directors has established stock ownership guidelines for the NEOs to encourage managing from a stockholder s perspective. The NEOs are expected to own IES common stock with a value equal to between two to three times their annual base salaries. For additional information, please see Executive Stock Ownership Guidelines below.

The Committee believes these principles will reward and incentivize management to deliver on near-term and long-term business objectives and increase stockholder value over time, while helping IES attract and retain top executive talent.

Compensation Elements

Presented below are the key characteristics of the primary elements of the NEOs compensation.

Compensation Element	**Key Characteristics**
Base Pay (Fixed)	Fixed component of pay based on an individual s skills, responsibilities, experience and performance
	NEOs, as well as all other salaried employees, are eligible for annual increases based on performance and/or changes in job responsibilities.
Annual Incentive Award (Variable at-risk)	Variable component of pay; may include cash and/or equity.
	Reward for achieving specified financial, operational, strategic, safety and individual goals.
Short-term Incentives (Variable at-risk)	Variable component of pay; may include cash and/or equity.
	Reward for achieving critical near-term business goals.

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Compensation Element	Key Characteristics
Executive Benefits & Perquisites	NEOs are eligible to participate in certain programs that are part of IES broad-based total compensation program. For additional information, please see Perquisites below.
Other Benefits (Health and welfare)	NEOs are eligible to participate in benefits programs that are available to substantially all salaried employees which provide for basic life, disability and health insurance needs.

Compensation elements are either cash-based, partly or solely equity-based (and have a value which is at least partly related to the price of IES common stock) or are comprised of other benefits.

Market Benchmarking

IES benchmarks its executive compensation programs against those of a group of companies with which it competes for executive talent (the Survey Group). The Survey Group was revised in 2010 and is compiled based on input from Meridian. The composition is reviewed by the Committee annually and consists of thirteen Industry Peer Group and General Industry companies. They were selected from the electrical contracting services industry as well as other construction-related industries, as IES competes across industries for executive talent. The companies comprising the Survey Group are:

Comfort Systems U.S.A., Inc.

Dycom Industries, Inc.

MasTec, Inc.

Pike Electric Corporation

Furmanite Corp.

Englobal Corp.

Matrix Service Company

Team, Inc.

Aegion Corporation

Powell Industries

MYR Group

Primoris Services Corp.

Willbros Group, Inc.

The Committee, in developing total compensation for each executive officer, considers the median compensation levels of the Survey Group for similar jobs giving due consideration to individual elements. An individual executive s base salary, annual cash incentive and equity incentives are established after considering the following factors:

IES performance against financial measures, including net income, earnings before interest and taxes, total stockholder return, revenues, cash flow, operating income, cost management discipline and safety performance.

IES performance relative to goals approved by the Committee.

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- Individual performance versus personal performance goals and contributions to IES performance.

- Business climate, economic conditions and other factors.

- Stockholder input.

The CEO develops pay recommendations for IES executive officers, including the NEOs other than the CEO, based on market data, IES performance relative to goals approved by the Committee, individual performance versus personal goals, individual contributions to IES performance and market conditions. The CEO receives assistance with compensation analysis from IES Human Resources Department as well as the compensation consultant.

The Committee reviews and approves all compensation elements for the executive officers and sets the compensation of the CEO, after receiving advice from the compensation consultant, if appropriate. The compensation consultant provides advice to the Committee after reviewing market data, compensation levels and general trends in executive compensation. The Committee also has discretionary authority to increase or decrease recommended compensation for the CEO.

In addition to benchmarking compensation levels, the Committee also reviews tally sheets for the NEOs, modeling all aspects of compensation (base salary, annual cash incentive awards, short-term equity incentives, benefits and perquisites), which are utilized as the targeted overall compensation level.

Risk Analysis

The Committee analyzes risk with respect to IES compensation programs on an annual basis. The Committee s risk assessment for fiscal year 2012 concluded that IES compensation programs do not create risks that are reasonably likely to have a material adverse effect on IES. In reaching this conclusion, the Committee considered the following: (i) balanced performance targets, where no one metric is excessively weighted; (ii) IES clawback policy, as described under Severance and Employment Agreements below; (iii) IES executive stock ownership guidelines, as described under Executive Stock Ownership Guidelines below; (iv) performance metrics that are uniformly applied to executives; and (v) annual incentives that do not allow for unlimited payouts.

Compensation Actions Taken by the Committee based on Fiscal Year 2012 Results

After careful consideration of IES results in fiscal year 2012, the Committee took the following compensation actions during the first quarter of fiscal year 2013:

- Base Salary The Committee agreed to award targeted salary increases as a reflection of fiscal year 2012 results and a review of market data. These increases included an increase in the CEO s salary from $390,000 to $500,000 and in the CFO s salary from $290,000 to $325,000, in each case effective as of January 1, 2013.

- Annual Cash Incentive Award The Committee approved annual discretionary awards for the CEO and other NEOs based on fiscal year 2012 results as described below.

Base Pay

The Committee evaluates the CEO s performance annually in light of established corporate and personal goals and objectives. NEO salary levels and adjustments are recommended by the CEO and reviewed and approved by the Committee. Changes in base salary for the CEO and the NEOs are based on responsibility, the external market for similar jobs, the individual s current salary compared to the market and success in achieving business results.

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Annual Incentive Awards

Fiscal Year 2012 Annual Incentive Plan

On September 28, 2011, the Committee approved the Annual Incentive Plan for fiscal year 2012 (the 2012 Plan). As with the Annual Incentive Award for fiscal year 2011, the 2012 Plan provides for an incentive compensation pool for certain key employees and officers of IES, based on specified performance criteria. For fiscal year 2012, the plan was based on achievement of prescribed levels of IES consolidated annual net income, adjusted to exclude income or losses from operations in markets IES has elected to exit, as more fully described in IES Annual Report on Form 10-K for the fiscal year ended September 30, 2012, or other unusual items as determined by the Committee (the 2012 Adjusted Consolidated Net Income). Pursuant to the 2012 Plan, Messrs. Lindstrom, Fiedler and Lewey and Ms. Sahrbeck, who replaced Mr. Fiedler as Senior Vice President, General Counsel and Corporate Secretary effective September 1, 2012, were eligible to receive the amounts set forth below if the corresponding levels of 2012 Adjusted Consolidated Net Income were achieved for fiscal year 2012. Incentive awards were to be adjusted ratably for net income amounts that fell between net income levels above $0.6 million, net of incentives paid to all participants, and in the case of Mr. Fiedler and Ms. Sahrbeck, for partial year employment.

	Fiscal Year 2012 Adjusted Consolidated Net Income(1)					
Executive	**<$0.2 MM**	**$0.2 MM**	**$0.6 MM**	**$0.8 MM**	**$1.5 MM**	**>$1.5 MM**
James M. Lindstrom	$ -0-	$ 97,500	$ 195,000	$ 390,000	$ 780,000	$ 780,000
William L. Fiedler(2)	$ -0-	$ 37,500	$ 75,000	$ 150,000	$ 300,000	$ 300,000
Robert W. Lewey(3)	$ -0-	$ 36,250	$ 72,500	$ 145,000	$ 290,000	$ 290,000
Heather M. Sahrbeck(4)	$ -0-	$ 22,500	$ 45,000	$ 90,000	$ 180,000	$ 180,000

(1) Net of incentives paid to all participants.
(2) Mr. Fiedler s employment with IES terminated on August 31, 2012. Under the terms of the Severance Plan (described below) governing his termination, he was entitled to receive a prorated portion of his annual performance-based awards at the time any such awards were granted to the other NEOs.
(3) Mr. Lewey assumed the position of Senior Vice President and Chief Financial Officer on January 20, 2012.
(4) Ms. Sahrbeck assumed the position of Senior Vice President, General Counsel and Corporate Secretary on September 1, 2012 and her employment with IES terminated on November 1, 2012.

Mr. Freeman, pursuant to his employment agreement with IES, described further below in Severance and Employment Agreements , was entitled to receive a prorated portion of his annual performance based awards at the time any such awards were granted to the other NEOs. The Committee determined that Mr. Freeman s eligibility for a performance-based award would be based on the 2012 Plan eligibility available to Mr. Lewey, the current CFO.

At the Committee s discretion, the final awards were subject to adjustment downward or upward in amounts not to exceed 50 percent of the award based upon the individual s performance considerations. The performance review of Mr. Lindstrom was based upon the attainment of individual goals and objectives established for Mr. Lindstrom as discussed below. The other NEOs were reviewed based upon their performance in assisting Mr. Lindstrom in his efforts. The Committee had the sole discretion to increase or decrease the annual incentive award made to the CEO. The Committee had the right, in its sole discretion, to reduce or eliminate the amount otherwise payable based upon individual performance or any other factors the Committee deems appropriate.

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Fiscal Year 2012 Goals and Objectives

On December 5, 2011, the CEO recommended, and the Committee approved, the following goals and objectives to be used by the Committee when determining the discretionary element of the fiscal year 2012 annual incentive awards discussed above. These goals and objectives were established based on three primary factors:

Financial Performance.

Financial performance measures were based on consolidated annual net income and earnings per share. Primary focus was to return IES to profitability and to generate appropriate risk-adjusted returns on capital.

Financial incentives for NEOs and other corporate executive management were tied to IES consolidated performance. Incentives for other executive officers, managers and operating division personnel were tied to both their respective operating company and/or organizational unit results.

Strengthen IES balance sheet.

Safety Performance.

Safety performance targets were based on IES Total Recordable Incident Rate (TRIR) for the fiscal year.

The safety performance targets for NEOs and other corporate executive management were tied to IES consolidated TRIR. Safety performance targets for other executive officers, managers and operating division personnel were tied to the TRIR of both their respective operating company and organizational unit.

Maintain and enhance IES safety culture.

Business/Personal Objectives.

Other performance criteria in the form of personal objectives were established for each executive officer in line with IES fiscal year 2012 plan, including the following:

Setting the tone at the top for achieving highest level of ethical conduct

Improved financial control environment

Leadership/successor development

Assure adequate liquidity and risk mitigation to support current operations

Fiscal Year 2012 Annual Incentive Plan Awards

Based on a review of fiscal year 2012 financial results and in light of the disparity between IES negative consolidated net income for fiscal year 2012 and its positive 2012 Adjusted Consolidated Net Income, each as presented in its Annual Report on Form 10-K for the fiscal year ended September 30, 2012, the Committee determined that neither consolidated net income for 2012 Adjusted Consolidated Net Income accurately reflected its assessment of management performance. The Committee instead identified the following criteria as more relevant to its assessment in the context of management s primary objective of stabilizing results and returning IES to profitability: IES progress on critical near-term strategic goals, including refinancing of its credit facility, IES improvement in overall financial performance from the prior fiscal year, and each NEO s performance against the safety and business/personal objectives outlined above. The Committee then assessed the performance of each of Mr. Lindstrom, Mr. Lewey and Ms. Sahrbeck against the these objectives and determined to award each of them 50% of the maximum eligible award under the 2012 Plan, representing 100% of their target awards, in light of their direct involvement in achieving these objectives and, in particular, the credit facility refinancing, and, in its discretion, the Committee adjusted downward by an additional 50% the awards

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available to Messrs. Freeman and Fiedler in light of their more limited involvement during the fiscal year in achieving these objectives. As a result, the Committee awarded annual cash incentive awards to Mr. Lindstrom of $390,000, to Mr. Fiedler of $68,750, to Mr. Freeman of $26,847, to Mr. Lewey of $145,000 and to Ms. Sahrbeck of $37,500, reflecting these performance adjustments and a ratable adjustment for partial year employment, in the cases of Messrs. Fiedler and Freeman and Ms. Sahrbeck.

Fiscal Year 2013 Annual Incentive Plan

On December 5, 2012, the Committee approved the Annual Incentive Plan for fiscal year 2013 (the 2013 Plan). As with the 2012 Plan, the 2013 Plan provides for an incentive compensation pool for certain key employees and officers of IES, based on specified performance criteria. For fiscal year 2013, the awards may be made either in cash, equity or a combination thereof, at the Committee s discretion, and are based (1) 75% on achievement of the financial goals outlined below for fiscal year 2013 and (2) 25% on the achievement of the personal goals outlined below for fiscal year 2013. Pursuant to the 2013 Plan, Mr. Lindstrom, Mr. Lewey and Ms. Makode, who assumed the position of Senior Vice President, General Counsel and Corporate Secretary on October 16, 2012, are eligible to receive target awards, respectively, between $0 and a maximum of $500,000, $0 and a maximum of $162,500 and $0 and a maximum of $120,000, corresponding to the level of performance achieved with respect to these goals for fiscal year 2013, with the maximum award representing 100% performance with respect to the financial and personal goals outlined below. The Committee believes that there is a greater than 50% probability that the NEOs will receive the maximum available award under the 2013 Plan.

The performance review of the NEOs is based upon the attainment of individual goals and objectives established as discussed below. The Committee has the sole discretion to increase or decrease the annual incentive award made to the CEO. The Committee has the right, in its sole discretion, to reduce or eliminate the amount otherwise payable based upon individual performance or any other factors the Committee deems appropriate.

Fiscal Year 2013 Goals and Objectives

On December 5, 2012, the CEO recommended, and the Committee approved, the following goals and objectives to be used by the Committee when determining awards under the 2013 Plan.

Financial Goals: Reflecting a primary focus on returning IES to profitability and generating appropriate cash flow, financial performance measures for NEOs are based (1) 50% on fiscal year 2013 consolidated annual net income and (2) 50% on fiscal year 2013 consolidated annual operating cash flow less capital expenditures. Each such financial measure may be considered on an adjusted basis, in the sole discretion of the Committee, to reflect unusual items during the fiscal year.

Business/Personal Goals: The following business/personal goals and objectives were established for each NEO:

James M. Lindstrom

Ensure behavior consistent with established values of integrity and safety

Oversee acquisition program

Further development of IES succession planning program

Further development of IES strategic and capital plan and promotion of human capital investment program across IES

Robert W. Lewey

Support acquisition program

Develop financial and operational targets with divisional leadership

Ensure financial reporting integrity

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Gail D. Makode

Further enhancement of IES risk management program and framework

Lead governance and legal resources on strategic transactions

Promote a culture of integrity, ethics and compliance

Additional Short-Term Incentives

IES compensation program emphasizes variable, at-risk incentive award opportunities, which are payable only if specified goals are achieved and which include both short-term and long-term incentive opportunities. In addition to the annual incentive awards described above, which may take the form of cash or equity, IES provides short-term equity or cash incentive awards for NEOs based on achievement of critical near-term goals which IES believes will significantly impact the long-term performance of IES. IES also has in the past provided, and may from time to time in the future provide, long-term equity incentive award opportunities which depend on IES performance and which vest over multiple years. In light of the long- term equity incentive awards that currently remain outstanding, and given the current environment, as IES seeks to stabilize its near-term performance, the Committee believes it is appropriate to offer additional awards that align the financial incentives of executives with the near-term goals of stockholders. Therefore, IES has implemented an incentive program that includes short-term incentive award opportunities, on a discretionary basis, based on achievement of critical near-term goals which drive long-term stockholder value. These awards generally are made in equity form and have short-term or no time-based restrictions to strengthen the alignment of the incentive with achievement of the identified near-term goals.

Fiscal Year 2012 Additional Short-Term Incentives

On August 9, 2012, the Committee approved the grant of phantom stock units (PSUs) pursuant to IES 2006 Equity Incentive Plan, as amended and restated (the Plan), to Messrs. Lindstrom and Lewey and two other officers. The Committee granted a target amount of 50,000 and 25,000 PSUs to Messrs. Lindstrom and Lewey, respectively, and an aggregate target amount of 15,000 PSUs to the two other officers. These awards were subject to attainment by IES of a target cash and cash equivalents (including restricted cash and without an adjustment to working capital) balance at fiscal year-end 2012 (a Cash Target) of $20 million. Failure to meet a Cash Target of $20 million, but attainment of a Cash Target of $15 million, would result in a 50% payment of the PSUs, and failure to attain a Cash Target of $15 million would result in no payment. Payment of the PSUs would be in the form of an equal amount of shares of the IES common stock to be vested and delivered on December 6, 2012. As a result of IES attainment of a Cash Target of $20 million, the Committee approved on December 5, 2012 the immediate vesting of 100% of the PSUs on December 6, 2012.

Long-Term Equity Incentives

While the incentive portion of IES compensation program for NEOs is focused primarily on annual cash and discretionary short-term equity incentive compensation due to IES focus on near-term stabilization of performance, IES maintains a Long-Term Incentive Plan (LTIP), which IES has used to promote long-term performance in the past and may use from time to time in the future. IES made no grants under its LTIP during fiscal year 2012.

The LTIP was established on November 12, 2007 for certain IES officers and the officers of certain of its subsidiaries to foster and promote the long term financial success of IES and increase stockholder value by (a) strengthening IES ability to develop, maintain and retain effective senior management; (b) motivating superior performance by means of long-term performance related incentives linked to business performance; (c) encouraging and providing for ownership interests in IES by its senior management; (d) attracting and retaining qualified senior management personnel by providing incentive compensation opportunities competitive

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with comparable companies; and (e) enabling senior management to participate in the long-term financial growth and financial success of IES. To the extent that awards are granted under the LTIP, performance periods will commence on October 1st of each applicable fiscal year. The Committee may, in its sole discretion, establish the duration of any future performance period, provided such period may not be less than one year.

To the extent that new awards are granted under the LTIP, the Committee will establish in writing the performance goals for the next performance period, which may include any of the following performance criteria (either alone or in any combination) as the Committee may determine: return on net assets, sales, net asset turnover, cash flow, cash flow from operations, operating profit, net operating profit, income from operations, operating margin, net income margin, net income, return on total assets, return on gross assets, return on total capital, earnings per share, working capital turnover, economic value added, stockholder value added, enterprise value, receivables growth, earnings to fixed charges ratios, safety performance, customer satisfaction, customer service, or developing and/or implementing action plans or strategies. The foregoing criteria shall have any reasonable definitions that the Committee may specify at the time such criteria are adopted. Any such performance criterion or combination of such criteria may apply to a participant s award opportunity in its entirety, or to any designated portion or portions of the award opportunity, as the Committee may specify.

Each executive that participates in the LTIP is entitled to an award each year in which a grant is made based on a percentage of his or her annualized base salary in effect on the first day of the performance period. Up to one half of the award is payable as a retention component in the form of restricted IES common stock, restricted share units, stock appreciation rights or stock options, which vest three years from the grant date or as otherwise set forth in the grant. Upon vesting, retention-based restricted share units are convertible into IES common stock or cash, as determined by the Committee at the time of vesting. The remaining one-half of the award may be in the form of restricted share units or a cash bonus which vesting is based on the achievement of a predetermined performance goal(s) over a prescribed performance period. Upon vesting, such performance-based restricted share units are convertible into restricted IES common stock or the right to receive cash, as determined by the Committee at the time of grant. Restricted IES common stock issued on conversion of performance-based restricted share units vests one year following the end of the performance period. Cash remitted on conversion of performance-based restricted share units is payable to the participants one year following the end of the performance period. All shares of restricted IES common stock, restricted share units, stock appreciation rights and stock options granted under the LTIP are pursuant to the Plan. Upon vesting and delivery of restricted IES common stock or cash, the awardees are taxed at applicable income tax rates and IES receives a corresponding tax deduction.

The 2010 Retention Grant

For fiscal year 2010, in recognition of the importance of retaining senior management and key personnel and, with the assistance of Meridian, the Committee made grants of restricted IES common stock under the Plan to certain senior management and other key personnel. The grants vest in full on the second anniversary of the grant date. The basis of the grant awards and the selection of participants were to:

- enhance retention
- increase stock ownership by senior management and key personnel
- focus on incentivizing the executives and other key personnel who are critical to leading IES through this challenging business and operating environment.

On September 28, 2010, the Committee made grants of restricted IES common stock to Messrs. Freeman and Fiedler of 23,500 and 14,200 shares, respectively, as well as 167,900 shares to an additional 20 individuals. Other than those previously forfeited, these shares vested in full on September 28, 2012.

The 2011 LTIP Grant

On December 16, 2010, the Committee made grants of restricted IES common stock to Messrs. Freeman and Fiedler of 12,000 and 10,000 shares, respectively, as well as 178,000 shares to an additional 22 individuals.

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Unless previously forfeited, these shares vest as to the first one-third on December 16, 2011, as to the second one-third on December 16, 2012 and as to the last one-third on December 16, 2013. Upon their termination of employment with IES on January 20, 2012 and August 31, 2012, respectively, certain of Mr. Freeman s and Mr. Fiedler s outstanding restricted shares were vested, as described under Option Exercises and Stock Vested in Fiscal Year 2012 below.

The 2011 New Hire Grants

At the time he assumed the position of Interim President and Chief Executive Officer on June 30, 2011, Mr. Lindstrom received a grant of 100,000 shares of restricted IES common stock, which vest in thirds on December 16, 2011, December 16, 2012 and December 16, 2013. On October 3, 2011, when Mr. Lindstrom assumed the position of President and Chief Executive Officer on a permanent basis, he was granted an additional 100,000 shares of restricted IES common stock, which vest in thirds on the first, second and third anniversaries of the grant date. Both grants (together, the 2011 New Hire Grants) were made under the 2006 Equity Incentive Plan.

The 2012 New Hire Grant

On October 15, 2012, the Committee made a grant of restricted IES common stock to Ms. Makode of 12,500 shares in connection with her appointment as Senior Vice President, General Counsel and Secretary. The grant was made under the 2006 Equity Incentive Plan. Unless previously forfeited, these shares vest as to the first one-third on October 15, 2013, as to the second one-third on October 15, 2014 and as to the last one-third on October 15, 2015.

Compensation and Awards made by the Compensation Committee

Set forth below is information regarding compensation earned by or paid or awarded to the following NEOs during the year ended September 30, 2012: (i) James M. Lindstrom, who is IES Chairman, President and Chief Executive Officer; (ii) Robert W. Lewey, who is IES Senior Vice President and Chief Financial Officer, (iii) William L. Fiedler, who is IES former Senior Vice President, General Counsel and Corporate Secretary; (iv) Terry L. Freeman, who is IES former Senior Vice President and Chief Financial Officer and (v) Heather M. Sahrbeck, who, during part of fiscal year 2012, was IES Senior Vice President and General Counsel. Information relating to fiscal year 2012 equity incentive awards is described under Short-Term Equity Incentives and Long-Term Equity Incentives above.

Chief Executive Officer

James M. Lindstrom has served as IES President and Chief Executive Officer since October 3, 2011, prior to which he served as IES Interim President and Chief Executive Officer since June 30, 2011. As Interim President and Chief Executive Officer, Mr. Lindstrom s base salary was $25,000 per month, and upon assuming the position of President and Chief Executive Officer on a permanent basis, his base annualized salary was adjusted to $390,000 (a reduction of $220,000 from that of his immediate predecessor), due to the overall economic environment and IES specific financial condition. Upon assuming the position of Interim President and Chief Executive Officer, he also received the first of the 2011 New Hire Grants and upon assuming the position of President and Chief Executive Officer on a permanent basis, he received the second of the 2011 New Hire Grants. Mr. Lindstrom also received an annual incentive award for fiscal year 2012 of $390,000 and received, in connection with achievement of certain of IES financial targets, a grant of 50,000 PSUs under the 2006 Equity Incentive Plan which vested on December 6, 2012, as further described under Additional Short-Term Incentives above.

Chief Financial Officer

Robert W. Lewey has served as IES Senior Vice President and Chief Financial Officer since January 20, 2012. During fiscal year 2012 his annual base salary was $290,000. Mr. Lewey received an annual incentive award for

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fiscal year 2012 of $145,000 and received, in connection with achievement of certain of IES financial targets, a grant of 25,000 PSUs which vested on December 6, 2012, as further described under Additional Short-Term Incentives above.

Former Senior Vice President, General Counsel and Corporate Secretary

William L. Fiedler served as IES Senior Vice President, General Counsel and Corporate Secretary from March 2009 until August 31, 2012. His annualized base salary for fiscal year 2012 was $300,000. He did not receive a salary increase for calendar year 2012. Upon his termination of employment Mr. Fiedler received payments pursuant to the terms of the Severance Plan, described below, including an award under the Annual Incentive Plan of $68,750. For additional information, please see Severance and Employment Agreements below.

Former Chief Financial Officer

Terry L. Freeman served as IES Senior Vice President and Chief Financial Officer from March 2010 until January 20, 2012. During fiscal year 2012, Mr. Freeman s base annual salary was $350,000. He did not receive a salary increase for calendar year 2012. Upon his termination of employment, Mr. Freeman received payments pursuant to the terms of his employment agreement, described below, including an award under the Annual Incentive Plan of $26,847. For additional information, please see Severance and Employment Agreements below.

Former Senior Vice President, General Counsel and Corporate Secretary

Heather M. Sahrbeck served as IES Senior Vice President, General Counsel and Corporate Secretary on an interim basis from September 1, 2012 until November 1, 2012. Her annualized base salary for fiscal year 2012 was $180,000. Subsequent to her termination of employment, Ms. Sahrbeck received an annual cash incentive award of $37,500, as described under Annual Cash Incentive Awards above.

401(k) and Deferred Compensation Plan

IES provides all employees the opportunity to participate in a 401(k) plan. Under the Integrated Electrical Services, Inc. Retirement Savings Plan (the 401(k) Plan), IES has historically matched 50% of the first 5% that an employee contributes to the 401(k) Plan on a pre-tax basis. However, in order for the 401(k) Plan to comply with nondiscrimination requirements of Section 401(k) of the Internal Revenue Code, beginning in 2008, highly compensated employees (HCEs) became subject to a maximum contribution limit of 4% of their base annual earnings. On February 15, 2009, IES suspended the employer matching contribution to the 401(k) Plan as part of its cost cutting initiatives.

In order to further assist NEOs and certain other HCEs in saving for retirement, IES also provides an elective Deferred Compensation Plan. The Deferred Compensation Plan allows participants to voluntarily defer the receipt of salary (maximum deferral of 75%) and earned annual incentive awards (maximum deferral of 75%).

In October 2007, the Committee amended the Deferred Compensation Plan to provide a IES matching component effective for deferrals made beginning January 1, 2008 for selected employees, which includes the NEOs. Each participant who elects to make deferrals of eligible compensation to the Deferred Compensation Plan was eligible to receive a matching contribution equal to 25% of the first 10% of a participant s annual base salary deferrals into the Deferred Compensation Plan. Effective February 15, 2009, IES instituted a suspension of the employer matching contribution to the IES Deferred Compensation Plan as part of its cost cutting initiatives.

Details about NEO participation in the Deferred Compensation Plan and accumulated balances are presented under Nonqualified Deferred Compensation below. The NEOs accumulated balances disclosed under Nonqualified Deferred Compensation represent voluntary deferrals of earned compensation, not matching contributions by IES.

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Other Benefits

Some NEOs, along with certain other executives, are provided with a limited number of perquisites and additional benefits that are part of IES broad-based total compensation program. An item is not a perquisite if it is integrally and directly related to the performance of the executive s duties. An item is a perquisite if it confers a direct or indirect benefit that has a personal aspect, without regard to whether it may be provided for some business reason or for the convenience of IES, unless it is generally available on a non-discriminatory basis to all employees.

During fiscal year 2012, IES provided some or all of the following perquisites to the NEOs, all of which are quantified in the Summary Compensation Table and All Other Compensation table below.

Monthly auto allowance of $1,500, subject to normal payroll taxes, was provided to Messrs. Freeman and Fiedler. This benefit is not part of Mr. Lindstrom s, Mr. Lewey s or Ms. Sahrbeck s compensation.

Executive physical examination. IES believes it benefits from this perquisite by encouraging its executive officers to protect their health.

IES match under its non-qualified Deferred Compensation Plan. The Deferred Compensation Plan provides a 25 percent match on the first 10 percent of a participant s annual base salary deferrals, which vests following three years of service with IES. As noted above, IES instituted a suspension of its matching contribution to the Deferred Compensation Plan on February 15, 2009. No matching contribution was made to executives for fiscal year 2012.

The Committee annually reviews the perquisites and additional benefits provided to executive officers as part of their overall review of executive compensation. The Committee has determined the perquisites to be within the appropriate range of competitive compensation practices. Details about the NEOs perquisites, including the fiscal year 2012 cost to IES, are shown in the All Other Compensation column of the Summary Compensation Table and in the accompanying narrative.

Executive Stock Ownership Guidelines

In October 2007, the Board of Directors, upon the Committee s recommendation, adopted Stock Ownership Guidelines (the Guidelines) for NEOs to ensure that they have a meaningful economic stake in IES. The Guidelines are designed to satisfy an individual executive s need for portfolio diversification, while maintaining management stock ownership at levels significant enough to assure IES stockholders of management s commitment to value creation.

The Committee will annually review each executive s compensation and stock ownership levels for adherence to the Guidelines and to consider potential modifications of or exceptions to the Guidelines. The Guidelines currently recommend that the following executives have direct ownership of IES common stock in at least the following amounts:

Officer Position	Multiple of Salary
Chief Executive Officer	3X
All Other NEOs	2X

The Guidelines encourage each executive to comply with the Guidelines no later than five years after either the October 8, 2007 Board approval of the Guidelines or the date the executive is appointed to a position subject to the Guidelines, whichever is later. IES common stock ownership by the NEOs has not reached the levels recommended in the Guidelines.

For purposes of the Guidelines, stock ownership includes IES common stock beneficially owned (including IES common stock owned by immediate family members) and deferred stock not yet delivered. Performance share grants are not counted for purposes of the Guidelines.

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Tax Considerations

Deductibility Cap on Executive Compensation

Under the U.S. federal income tax law, IES cannot take a tax deduction for certain compensation paid in excess of $1 million to its executive officers. The Committee considers tax implications to IES as one of many factors in its compensation decisions and attempts to structure compensation and awards to preserve tax deductibility. The Committee may choose, however, to provide compensation that may not be deductible if it believes such payments are necessary to achieve IES compensation objectives and to protect stockholder interests.

Golden Parachute Taxes

Under certain circumstances, payments received by IES executive officers as a result of a change in control may be subject to excise taxes and may not be fully deductible. The Committee considered the possible effects of these taxes in developing the Executive Officer Severance Benefit Plan described under Severance and Employment Agreements below.

Section 409A

During fiscal year 2012, the Committee continued to monitor the regulatory developments under Internal Revenue Code Section 409A, which was enacted as part of the American Jobs Creation Act of 2004. Section 409A imposes additional limitations on non-qualified deferred compensation plans in order to insure their full compliance with the Act prior to December 31, 2008, the expiration of the transition period. IES believes all of its benefit plans substantially conform to the requirements of Section 409A.

Payments Upon a Change in Control

For information concerning payments upon the termination of the NEO s, including upon certain triggering events, please see Severance and Employment Agreements below.

Human Resources and Compensation Committee Report

The Committee believes that the executive compensation and policies provide the necessary incentives to properly align executive performance and the interests of the stockholders.

The Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Members of the Human Resources and Compensation Committee

Joseph L. Dowling III, Chairman

David B. Gendell

Donald L. Luke

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The following table displays the total compensation earned by the NEOs in fiscal years 2010, 2011 and 2012:

2012 Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(2)	Total ($)
James M. Lindstrom(3)	2012	422,500		143,500		390,000	29,383	985,383
President & Chief Executive Officer	2011	75,000		321,000			19,241	415,241
Robert W. Lewey(4)	2012	277,500		71,750		145,000		494,250
William L. Fiedler(5)	2012	292,307				68,750	374,255	751,812
Senior Vice President &	2011	275,208		34,900			18,000	328,108
General Counsel	2010	265,000	38,552	49,842			28,469	381,863
Terry L. Freeman(6)	2012	108,814				26,847	428,255	569,916
Former Senior Vice	2011	350,000		41,880			18,000	409,880
President & Chie Financial Officer	2010	178,650	50,000	157,482			9,188	395,320
Heather M. Sahrbeck	2012	75,000				37,500		112,500
Former Senior Vice President and General Counsel								

(1) This column represents the aggregate grant date fair value of awards of restricted IES common stock granted during the applicable fiscal years, computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 12 in the notes to IES Consolidated Financial Statements, included in IES Annual Report on Form 10-K for fiscal year ended September 30, 2012.

(2) All Other Compensation for fiscal year 2012 is detailed in All Other Compensation Table below.

(3) On October 3, 2011, Mr. Lindstrom received a stock award of 100,000 shares of restricted IES common stock, which vest in thirds on October 3, 2012, October 3, 2013 and October 3, 2014. (grant date fair value of $200,000). On August 9, 2012, Mr. Lindstrom received a phantom stock award of 50,000 shares of restricted IES common stock, which vest on December 6, 2012. (grant date fair value of $143,500).

(4) On August 9, 2012, Mr. Lewey received a phantom stock award of 25,000 shares of restricted IES common stock, which vest on December 6, 2012. (grant date fair value of $71,750).

(5) Includes severance payments made to Mr. Fiedler in connection with the termination of his employment with IES on August 31, 2012. For additional information, please see Severance and Employment Agreements below.

(6) Includes severance payments made to Mr. Freeman in connection with the termination of his employment with IES on August 31, 2012. For additional information, please see Severance and Employment Agreements below.

All Other Compensation

The table below details the compensation information found in the Summary Compensation Table under the All Other Compensation column.

Name and Principal Position	Auto Allowance ($)	Commuting Expenses ($)	Executive Wellness Physical ($)	401(K) Company Match ($)	Deferred Compensation Company Match ($)	Other ($)	Total ($)
James M. Lindstrom		29,383(1)					29,383

Robert W. Lewey			
William L. Fiedler	16,500	374,255(2)	390,755
Terry L. Freeman	6,000	425,255(2)	434,255
Heather M. Sahrbeck			

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(1) Reflects the cost of air and ground transportation incurred in connection with commuting to and from IES headquarters, together with related hotel expenses, prior to the leasing of office space in Greenwich, Connecticut.
(2) Reflects the amounts due to Mr. Fiedler upon his termination on August 31, 2012 under the terms of the Executive Officer Severance Benefit Plan and to Mr. Freeman upon his termination on January 20, 2012 as severance under the terms of his employment agreement.

Grants of Plan Based Awards in Fiscal Year 2012

The following table sets forth specific information with respect to each equity grant made to an NEO under a IES plan in fiscal year 2012.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards						
Name	Grant Date	Approval Date	Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Share)	Grant Date Fair Value of Stock and Option Awards ($)
James M. Lindstrom	8/9/2012(1)	8/9/2012				50,000			143,500
Robert W. Lewey	8/9/2012(2)	8/9/2012				25,000			71,750
William L. Fiedler									
Terry L. Freeman									
Heather M. Sahrbeck									

(1) Closing Share Price on 8/9/12 was $2.87
(2) Closing Share Price on 8/9/12 was $2.87

Outstanding Equity Awards at 2012 Fiscal Year End

The following table sets forth specific information with respect to unexercised options, unvested IES common stock and equity incentive plan awards outstanding as of September 30, 2012 for each NEO.

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#)					
Name	Exercisable	Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number Of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have not Vested ($)(1)
James M. Lindstrom					216,666	985,830

Robert W. Lewey	3,334	6,666	3.24	7/20/21	33,832	153,936
William L. Fiedler						
Terry L. Freeman						
Heather M. Sahrbeck						

(1) Closing Share Price on September 28, 2012 was $4.55.

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Option Exercises and Stock Vested in Fiscal Year 2012

The following table sets forth, on an aggregate basis, specific information with respect to each exercise of stock options, SARs and similar instruments, and each vesting of stock, including restricted stock, restricted IES common stock units and similar instruments, for each NEO during fiscal year 2012.

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
James M. Lindstrom(1)	33,334	66,668
Robert W. Lewey(2)	10,500	37,417
Terry L. Freeman(3)	17,313	46,226
William L. Fiedler(4)	19,165	52,578
Heather M. Sahrbeck		

(1) On December 16, 2011, Mr. Lindstrom vested 33,334 shares of restricted IES common stock ($2.00 per share).
(2) On December 16, 2011, Mr. Lewey vested 2,166 shares of restricted IES common stock ($2.00 per share). On July 20, 2012, Mr. Lewey vested 3,334 shares of restricted IES common stock ($3.10 per share). On September 28, 2012, Mr. Lewey vested 5,000 shares of restricted IES common stock ($4.55 per share).
(3) Upon his termination on January 20, 2012, Mr. Freeman vested 17,313 shares of restricted IES common stock ($2.67 per share).
(4) On December 16, 2011, Mr. Fiedler vested 3,334 shares of restricted IES common stock ($2.00 per share). Upon his termination on August 31, 2012, Mr. Fiedler vested 15,831 shares of restricted IES common stock ($2.90 per share).

Nonqualified Deferred-Compensation

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
James M. Lindstrom					
Robert W. Lewey					
William L. Fiedler					
Terry L. Freeman					
Heather M. Sahrbeck					

In order to further assist NEO s and certain other executives in saving for retirement, IES also provides an elective Deferred Compensation Plan. The Deferred Compensation Plan allows participants to voluntarily defer the receipt of salary (maximum deferral of 75%) and earned annual incentive awards (maximum deferral of 75%).

The Plan allows for distributions to commence after retirement or after a specific future year, even if the specific future year is later or earlier than the retirement date. Distributions may be paid either in a lump sum or in equal annual installments up to 10 years based on the employee s initial election as to the time and form of payment. If installments were elected, the unpaid balance will continue to accumulate gains and losses based on the employee s investment selections. Investment options mirror the 401(k) Plan. Investment choices are self-directed and may be changed at any time by the participant.

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On October 9, 2007, the Committee amended the Deferred Compensation Plan to provide an IES matching component effective for deferrals made beginning January 1, 2008 to selected employees, including NEO s. Each participant who elects to make deferrals of eligible compensation to the Elective Deferral Plan will receive a matching contribution equal to 25% of the first 10% of the participant s base salary deferrals into the Deferred Compensation Plan. Effective February 15, 2009, IES instituted a suspension of the matching contributions as part of its cost cutting initiatives.

Severance and Employment Agreements

Introduction

While IES historically entered into employment agreements with its executive officers, including the NEOs, on January 23, 2012, the Committee adopted an Executive Officer Severance Benefit Plan (the Severance Plan) to rationalize all NEO employment arrangements by requesting that all NEOs relinquish their rights pursuant to existing employment agreements. All NEOs were subject to the Severance Plan other than Mr. Freeman, whose employment terminated prior to enactment of the Severance Plan and who was subject to the terms of his employment agreement, as further described below. The Committee annually reviews the Severance Plan to determine its continuing need as well as the amount and nature of compensation potentially payable in the event a change in control or in the event that other provisions are triggered.

When executive positions become available, IES may search for potential replacements not only within IES but also in the marketplace, with the assistance of placement firms. Since prospective candidates from outside IES are often already employed, they must be recruited and the total compensation offered must satisfy the need to incentivize and reward the individual. Additionally, IES finds that, in light of variable economic conditions, prospective executives are often also looking for an element of security, which will ensure a source of income in the event that their employment is terminated without Cause (as defined in the Severance Plan).

The risk of unemployment is heightened in the event of a Change of Control (as defined in the Severance Plan) of IES, since the limited number of executive positions often results in terminations due to non-cost effective duplication. Thus, in order for IES to recruit the best possible executives, the Severance Plan provides for the mutual benefit of IES and the executive. Income, under the Severance Plan, is comprised of the same elements of compensation as IES ongoing compensation program discussed above, which includes base salary, annual cash incentives, equity incentives, benefits and, in certain circumstances, perks such as car allowances. The only employment agreement that IES has entered into with any of IES NEOs is described in more detail below.

The Severance Plan also includes a clawback provision which permits IES, in the event the Dodd-Frank Wall Street Reform and Consumer Protection Act requires an executive to repay IES erroneously awarded amounts of incentive compensation, to recoup such amount by reducing the severance pay or benefit otherwise due the executive under the Severance Plan.

The following information provides more detail concerning the specific terms and conditions of the Severance Plan and Mr. Freeman s employment agreement and describes the approximate value of the payments that may result if the executives were to terminate employment. The actual amounts to be paid can only be determined at the time of an executive s separation from IES. Thus, as disclosed herein, the amounts of compensation payable assume that such terminations were effective as of September 30, 2012 and include amounts earned through such time. However, in the case of Mr. Fielder, the amount of compensation payable is provided as of August 31, 2012, the effective date of his termination. Information with respect to Mr. Freeman is provided in a separate table which follows.

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Name	Termination Without Cause or For Good Reason After Change in Control ($)(1)	Termination Without Cause or For Good Reason Prior to Change in Control ($)	Death or Disability ($)
James M. Lindstrom, President and Chief Executive Officer			
Bonus for year of Separation(2)	390,000	-0-	-0-
Cash Severance(3)	780,000	390,000	-0-
Unvested and Accelerated Stock Options	-0-	-0-	-0-
Unvested and Accelerated Restricted Stock(4)	985,830	366,534	985,830
Executive Outplacement Assistance(5)	20,000	20,000	-0-
Health Care Benefits(6)	15,875	15,875	15,875
Total	2,191,705	805,044	1,001,705
Robert W. Lewey, Senior Vice President and Chief Financial Officer			
Bonus for year of Separation(2)	145,000	-0-	-0-
Cash Severance(3)	580,000	290,000	-0-
Unvested and Accelerated Stock Options	8,732	861	-0-
Unvested and Accelerated Restricted Stock(4)	153,936	68,058	153,936
Executive Outplacement Assistance(5)	20,000	20,000	-0-
Health Care Benefits(6)	15,223	15,223	15,223
Total	922,891	170,020	169,159
William L. Fielder, Former Senior Vice President, General Counsel and Secretary			
Bonus for year of Separation(2)	150,000	-0-	-0-
Cash Severance(3)	600,000	300,000	-0-
Unvested and Accelerated Stock Options	-0-	-0-	-0-
Unvested and Accelerated Restricted Stock(4)	30,330	10,110	30,330
Executive Outplacement Assistance(5)	20,000	20,000	-0-
Health Care Benefits(6)	14,121	14,121	14,121
Total	814,451	344,231	44,451
Heather Sahrbeck, Former Senior Vice President, General Counsel and Secretary			
Bonus for year of Separation(2)	150,000	-0-	-0-
Cash Severance(3)	360,000	180,000	-0-
Unvested and Accelerated Stock Options	-0-	-0-	-0-
Unvested and Accelerated Restricted Stock(4)	-0-	-0-	-0-
Executive Outplacement Assistance(5)	20,000	20,000	-0-
Health Care Benefits(6)	-0-	-0-	-0-
Total	530,000	200,000	-0-

(1) Termination by IES without Cause or by the covered executive for Good Reason on or within 12 months following a Change in Control event.

(2) Prior to a Change in Control, the amount of any annual bonus is as determined by the Compensation Committee and payable at the same time that annual bonuses for such fiscal year is paid to other similar executives of IES. On or after a Change in Control, a lump sum payment equal to two (2) times the greater of the most recent (i) annual bonus paid to the covered executive or (ii) covered executive s annual bonus opportunity, payable on the sixtieth (60th) day following termination. The annual bonus opportunities for Messrs. Lindstrom,

Lewey, Fiedler and Sahrbeck are calculated in accordance with the 2012 Plan.

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(3) Prior to a Change in Control, continued payment of base salary then in effect for 12 months immediately following the date of termination. On or after a Change in Control, continued payment of base salary then in effect for 24 months immediately following the date of termination.

(4) Reflects the value of unvested shares of restricted IES common stock held on September 30, 2012 that experience accelerated vesting due to termination of employment.

(5) Reflects the approximate cost of outplacement services for 12 months following termination, not to exceed $20,000. Mr. Fiedler and IES agreed that in lieu of outplacement services, he would be paid $20,000 in consideration for providing consulting services to IES pursuant to a Consulting Agreement entered into with IES on August 31, 2012.

(6) Reflects the approximate cost to provide health care continuation benefits to the covered executive and his eligible dependents under COBRA for the lesser of (i) for 12 months following termination or (ii) until the covered executive s COBRA coverage terminates.

Terry L. Freeman

On January 20, 2012, Mr. Freeman s employment with IES terminated. As such, Mr. Freeman was not subject to the Severance Plan, and the payments made to Mr. Freeman upon termination were governed by his employment agreement with IES.

On March 29, 2010 (the Effective Date), IES entered into an employment agreement with Mr. Freeman. The agreement had no definitive term and was terminable at any time and for any reason, at the option of either Mr. Freeman or IES, upon written notice to the other party. Pursuant to the terms of the agreement Mr. Freeman served as a Senior Vice President and Chief Financial Officer of IES.

The agreement provides for (i) an annual base salary of $350,000 (which could be increased in the sole discretion of the Committee), (ii) an annual bonus with a target opportunity of 75% of annual base salary (the Annual Bonus Opportunity) for fiscal year 2010, prorated, and thereafter as determined by the Committee and (iii) a signing bonus of $50,000. Mr. Freeman was also eligible to participate in IES LTIP.

If Mr. Freeman terminated his employment for Good Reason (as defined below) or if his employment was terminated by IES without Cause (as defined below) he was entitled to receive: (i) continued payment of base salary then in effect for 12 months immediately following the date of termination, (ii) any unpaid annual bonus that has been earned for the immediately preceding fiscal year plus the current year annual bonus, prorated based upon the percentage of the fiscal year that shall have elapsed through the date of termination to the extent performance objectives have been met, (iii) IES paid COBRA coverage, an automobile allowance of $1,500 per month and outplacement services (reasonable in amount but not to exceed $20,000) for 12 months immediately following the date of such termination or until Mr. Freeman obtained comparable employment, whichever is shorter, and (iv) a prorated amount of unvested equity awards under all equity plans for awards granted prior to September 24, 2010. The vesting proration period was to be calculated as the percentage of the vesting period for each unvested equity award in which he was actively employed.

Effective September 24, 2010, IES and Mr. Freeman entered into the first amendment to his employment agreement. The amendment changed the amount of awards that vest upon termination of employment for Good Reason or by IES without Cause to result in (i) a prorated amount of his then outstanding cash incentive awards and equity based awards granted after September 24, 2010, other than an annual bonus or a cash incentive award or an equity based award the payment of which is dependent upon the achievement of performance objectives during a performance period that has not ended, and (ii) a prorated portion of each performance award then outstanding, if any, which shall vest at the end of the performance period applicable to such award, but only if and to the extent the performance objectives have been achieved. In addition, in the event the Dodd-Frank Wall Street Reform and Consumer Protection Act required Mr. Freeman to repay IES erroneously awarded amounts of incentive compensation, he agreed to repay such amounts promptly.

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Mr. Freeman was subject to non-compete and non-solicit restrictive covenants during the employment term and for a period of one year (or two years if terminated by IES for Cause or if he resigns without Good Reason) following the termination of his employment. Mr. Freeman was also subject to restrictive covenants prohibiting disclosure of confidential information and intellectual property of IES.

When Mr. Freeman s employment with IES terminated on January 20, 2012, he became entitled to the payments and benefits outlined in the table below.

Name	Termination Without Cause or For Good Reason Prior to Change in Control ($)
Terry L. Freeman, Senior Vice President and Chief Financial Officer	
Bonus for year of Separation(1)	26,847
Cash Severance	350,000
Unvested and Accelerated Stock Options(2)	-0-
Unvested and Accelerated Restricted Stock(3)	46,226
Tax Reimbursement	-0-
Auto Allowance	18,000
Executive Outplacement Assistance(4)	20,000
Health Care Benefits(5)	10,815
Total	471,888

(1) Mr. Freeman, pursuant to his employment agreement with IES, was entitled to receive a prorated portion of his annual performance based awards at the time any such awards were granted to the other NEOs. The Committee determined that Mr. Freeman s eligibility for a performance-based award would be based on the 2012 Plan eligibility available to Mr. Lewey, the current CFO.

(2) Mr. Freeman had no stock options.

(3) Reflects the value of 17,313 shares of restricted IES common stock that vested upon his termination without cause. The closing price of the IES common stock on January 20, 2012 was $2.67 per share.

(4) Mr. Freeman and the IES agreed that in lieu of outplacement services, he would be paid $20,000 in consideration for providing consulting services to IES pursuant to a Consulting Agreement entered into with IES on January 20, 2012.

(5) Reflects cost to provide health care continuation benefits to executive under COBRA for 12 months following termination.

Definitions

The following definitions are used in the Severance Plan and Mr. Freeman s amended employment agreement described above.

Cause means (i) the executive s gross negligence in the performance or intentional nonperformance of any of the executive s material duties and responsibilities to IES or a participating affiliate; (ii) the executive s dishonesty, theft, embezzlement or fraud with respect to the business, property, reputation or affairs of IES or a participating affiliate; (iii) the executive s conviction of, or a plea of other than not guilty to, a felony or a misdemeanor involving moral turpitude; (iv) the executive s confirmed drug or alcohol abuse that materially affects the executive s service or violates IES or a participating affiliate s drug or alcohol abuse policy; (v) the executive s violation of a material IES or a participating affiliate s personnel or similar policy, such policy having been made available to the executive by IES or a participating affiliate; or (vi) the executive s having committed any material violation of any federal or state law regulating securities (without having relied on the advice of IES attorney) or having been the subject of any final order, judicial or administrative, obtained or

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issued by the Securities and Exchange Commission, for any securities violation involving fraud, including, without limitation, any such order consented to by the executive in which findings of facts or any legal conclusions establishing liability are neither admitted nor denied.

Cause in the agreement entered into with Mr. Freeman is defined in similar terms except it also includes the executive s willful and material breach of the employment agreement if not cured within ten days after receipt of a notice, and it includes a cure period for any act in clause (i) above.

Good Reason in Mr. Freeman s agreement is essentially defined as:

- Any material reduction in his position, authority or Base Salary,
- Any relocation of IES corporate office that is more than 50 miles from his primary location of work, or
- IES breach of a material term of the agreement.

All of the above are valid reasons only if IES fails to cure such event within 30 days after receipt from him of written notice of the event which constitutes Good Reason and he must give IES written notice of the event by the 60th day following its occurrence.

A Change in Control is defined in the agreements as follows:

- Any person or persons acting together which would constitute a group for purposes of Section 13(d) of the Exchange Act, other than Tontine Capital Partners L.P. and its affiliates, IES or any subsidiary, shall beneficially own (as defined in Rule 13d-3 of the Exchange Act) directly or indirectly, at least 50% of the ordinary voting power of all classes of capital stock of IES entitled to vote generally in the election of the Board, or
- Current directors shall cease for any reason to constitute at least a majority of the members of the Board (Current Directors means, as of the date of determination, any person who (i) was a member of the Board on the date that IES Joint Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code became effective or (ii) was nominated for election or was elected by the Board with the affirmative vote of a majority of the current directors who were members of the Board at the time of such nomination or election) or at any meeting of stockholders of IES called for the purpose of electing directors, a majority of the persons nominated by the Board for election as directors shall fail to be elected; or
- The consummation of a sale, lease, exchange or other disposition in one transaction or a series of transactions of all or substantially all of the assets of IES; or
- A transaction shall not constitute a Change in Control if its sole purpose is to change the state of IES incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held IES securities immediately before such transaction.

Director Compensation

Directors who are employees of IES or any of its subsidiaries, do not receive a retainer or fees for service on the Board or any committees. Each non-employee director receives a $40,000 annual retainer, paid after the annual stockholder meeting. The Chairman of the Human Resources and Compensation Committee and the Chairman of the Nominating/Governance Committee each receive an additional annual retainer of $10,000 and the Chairman of the Audit Committee receives an additional annual retainer of $25,000. Each of these retainers is also paid

quarterly. In addition, each director receives an annual retainer of $5,000 for each Committee on which the director serves other than as Chairman. Effective in the third fiscal quarter of fiscal year 2012, the directors elected to receive 50% of their retainers in shares of IES common stock and 50% in cash.

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Each year, in addition to the annual retainers described above, upon their election or re-election to the Board at an annual stockholders meeting, each director will receive a grant of Phantom Stock Units (Units) pursuant to the Plan. The number of Units granted to each director is determined by dividing $25,000 by the closing price of the IES common stock on the last trading day immediately preceding the annual stockholder meeting. The Units will convert to IES common stock on the date the director leaves the Board, for any reason. Each director will receive a grant for his or her subsequent periods of service on the Board, provided that he or she is re-elected at subsequent annual stockholder meetings. Directors are also reimbursed for reasonable out-of-pocket expenses incurred in attending Board and committee meetings and for their reasonable expenses related to the performance of their duties as directors. The following table reflects the amounts paid to each individual non-employee director who served on the Board in fiscal year 2012. These amounts reflect immaterial corrections to the fees earned or paid in cash and the stock awards earned during fiscal year 2012.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(1)(2)(3)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Charles H. Beynon	51,254	41,244	-0-	-0-	-0-	92,498
Joseph L. Dowling III	17,088	38,743	-0-	-0-	-0-	55,831
David B. Gendell	15,836	37,495	-0-	-0-	-0-	53,331
Donald L. Luke	43,755	38,743	-0-	-0-	-0-	82,498
John E. Welsh III	42,503	37,495	-0-	-0-	-0-	79,998

(1) Represents cash fees earned during the fiscal year ended September 30, 2012.

(2) Represents the aggregate grant date fair value of awards of Phantom Stock Units earned during the fiscal year ended September 30, 2012, computed in accordance with FASB ASC Topic 718. Each Phantom Stock Unit converts into one share of IES common stock when the respective director leaves the Board for any reason. Assumptions used in the calculation of these amounts are included in Note 12 in the notes to IES Consolidated Financial Statements, included in IES Annual Report on Form 10-K for fiscal year ended September 30, 2012.

(3) As of September 30, 2012, and including post-fiscal-year-end grants made in respect of fees earned in fiscal year 2012, each non-employee director held the following aggregate number of Phantom Stock Units: Mr. Beynon 22,093; Mr. Welsh 20,997; Mr. Dowling 10,396; Mr. Gendell 10,031; Mr. Luke 31,362.

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BUSINESS OF MISCOR

MISCOR began operations in July 2000 with the purchase of the operating assets of an electric motor and magnet shop in South Bend, Indiana. Through acquisitions and internal growth, MISCOR expanded the nature of its operations as well as its geographic presence, which now includes locations in Indiana, Alabama, Ohio, West Virginia, and California. In April 2004, MISCOR reorganized its operations into a holding company structure, forming Magnetech Integrated Services Corp. to act as the parent company. In September 2005, MISCOR changed its name from Magnetech Integrated Services Corp. to MISCOR Group, Ltd.

Between 2005 and September 2008, MISCOR made a series of acquisitions allowing it to enter into Rail Services and expand its Construction and Engineering Services and Industrial Services businesses. Following experiences in the financial crisis, MISCOR decided to reorient its growth strategy and to intensify its focus on industrial and utility services. In December 2009, MISCOR announced an overall restructuring plan, which it has completed. This plan included the divesture of MISCOR s subsidiaries in the Rail Services and CES segments to allow for alignment of its operations with its long-term vision and its focus on industrial and utility services. As part of this restructuring, MISCOR divested (i) AMP Canada in December 2009; (ii) its CES subsidiaries, Martell Electric and Ideal, in February 2010; and (iii) AMP in March 2010. In December of 2011, MISCOR announced its intentions to no longer have HKEC, the subsidiary representing its Rail Services segment, as held for sale. While MISCOR sees HKEC as outside of its business strategy focusing on industrial and utility services, MISCOR does see significant value in HKEC and believes it would not obtain the appropriate value for this business if it were to be sold.

Following completion of the sale of the CES subsidiaries and AMP in the first quarter of 2010, MISCOR has since operated primarily in two business segments:

Industrial Services Providing maintenance and repair services to several industries including electric motor repair and rebuilding; maintenance and repair of electro-mechanical components for the wind power industry; and the repairing, manufacturing, and remanufacturing of industrial lifting magnets for the steel and scrap industries. To supplement its service offerings, MISCOR also provides on-site maintenance services and custom and standardized industrial maintenance training programs.

Rail Services Manufacturing and rebuilding power assemblies, engine parts, and other components related to large diesel engines, and providing locomotive maintenance, remanufacturing, and repair services for the rail industry.

Business Strategy

MISCOR s objective is to be a leading provider of integrated mechanical and electrical products and services to industry. To achieve that objective, MICOR intends to structure itself in order to capitalize on long-term growth opportunities in the wind power and the utility markets as well as the heavy industry market.

Employees

At December 31, 2012, MISCOR had 269 employees, of which 67 were salaried and 202 were hourly employees. At that date, approximately 12% of MISCOR s employees were covered by two collective bargaining agreements, one of which expired during August 2011 (and has not been renewed although the parties continue to operate under its terms), with the other expiring in December 2014. MISCOR believe its relations with its employees are good.

Segment Information

In December 2009, MISCOR announced an overall restructuring plan, which it has completed. This plan included the divesture of MISCOR s subsidiaries in the Rail Services and CES segments to allow for alignment of its operations with its long-term vision and its focus on industrial and utility services. Accordingly, MISCOR divested its interest in: (i) AMP Canada in December 2009; (ii) its CES subsidiaries, Martell Electric and Ideal,

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in February 2010; and (iii) AMP in March 2010. It was MISCOR s original intent to sell HKEC, the subsidiary comprising its Rail Services segment. However, in December of 2011, MISCOR announced its intentions to no longer have HKEC listed as held for sale. While MISCOR sees HKEC as outside of its business strategy focusing on industrial and utility services, it does see significant value in HKEC and believes it would not obtain the appropriate value for this business, if it were to be sold. As a result of the divestitures, MISCOR operates in two business segments: Industrial Services and Rail Services.

Segment Performance

The following table summarizes financial information concerning our three reportable segments as of and for the years ended December 31, 2012 and 2011 and the three months ended March 31, 2013 and April 1, 2012 (amounts in thousands).

	For the three months ended		For the years ended	
	March 31, 2013	April 1, 2012	December 31, 2012	2011
Revenues:				
Industrial Services	$ 7,089	$ 8,225	$ 32,174	$ 33,849
Rail Services	4,352	4,253	17,528	12,038
Corporate				
Elimination				
Consolidated	$ 11,441	$ 12,478	$ 49,702	$ 45,887
Gross Profit:				
Industrial Services	$ 1,350	$ 1,820	$ 6,578	$ 6,720
Rail Services	1,174	1,208	5,292	2,724
Corporate				
Elimination				
Consolidated	$ 2,524	$ 3,028	$ 11,870	$ 9,444
Net income (loss):				
Industrial Services	$ (323)	$ 244	$ (250)	$ 44
Rail Services	647	740	3,238	1,264
Corporate	(448)	(169)	1,188	(654)
Elimination				
Consolidated	$ (124)	$ 815	$ 4,176	$ 654

	As of March 31, 2013	As of April 1, 2012	As of December 31, 2012	2011
Total assets:				
Industrial Services	$ 18,429	$ 19,755	$ 18,951	$ 20,396
Rail Services	4,885	3,987	4,681	3,643
Corporate	2,984	1,022	2,813	745
Consolidated	$ 26,298	$ 24,764	$ 26,445	$ 24,784

Following is additional information regarding MISCOR s three business segments through March 31, 2013.

Corporate Segment

MISCOR s Corporate segment represents shared services provided to and on behalf of the Industrial Services and Rail Services Segments. These services include, but are not limited to, executive management, accounting, environmental, finance, human resources, marketing, safety, and sales.

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All corporate expenses, with the exception of depreciation, interest, federal income taxes, and other income and expense are allocated back to the Industrial Services and Rail Services segments.

Industrial Services Segment

MISCOR has organized its Industrial Services segment into one primary business group. This group provides on-site and off-site maintenance and repair services for electro-mechanical equipment.

Business Strategy

MISCOR seeks to continue to strengthen and broaden its position as a provider of maintenance service and repair, industrial education and training, and complimentary services to the industries it serves throughout the United States. In addition, MISCOR s strategy is to expand into other geographic markets with respect to the remanufacture and repair services for renewable wind generation facilities and wind generators. To achieve these objectives, MISCOR is pursuing the following business strategies:

- Strengthen competitive position in the growing market for outsourcing industrial services. MISCOR believes that participants in the steel, power generation and other industries it serves, in an effort to remain competitive, will increasingly rely on independent contractors to provide maintenance and repair services. MISCOR intends to expand its capabilities to provide its customers an outsourcing solution.

- Expand its presence in industries with long-term growth potential, including the wind energy, utility, and heavy industry markets.

Principal Products, Services, Markets and Distribution

MISCOR s Industrial Services segment provides maintenance and repair services for both alternating current (AC) and direct current (DC) electro-mechanical devices; including breakers, generators, magnets, motors, transformers, and switchgear. MISCOR s customers operate in a broad range of major industries, including the steel, railroad, marine, petrochemical, pulp and paper, wind energy, mining, automotive, and power generation industries.

The Industrial Services segment accounted for approximately 65% and 74% of total consolidated revenues for the years ended December 31, 2012 and 2011, respectively.

Marketing and Customers

The products and services comprising MISCOR s Industrial Services segment are marketed principally by personnel based at its seven locations and independent sales representatives. MISCOR believe that these locations are situated to facilitate timely responses to its customers needs, which is an important feature of its services. No customer of MISCOR s Industrial Services Segment accounted for more than 10% of its consolidated revenues for the years ended December 31, 2012 and 2011.

Raw Materials

The principal raw materials used in MISCOR s Industrial Services segment are copper, raw steel, and various flexible materials. Certain raw materials are obtained from a number of commercial sources at prevailing prices, and MISCOR does not depend on any single supplier for any substantial portion of raw materials. MISCOR sources its copper and raw steel from across the country via multiple sources. The cost to deliver copper and raw steel can limit the geographic areas from which MISCOR can obtain this material. MISCOR attempts to minimize this risk by stocking adequate levels of key components. However, it may encounter problems at times in obtaining the raw materials necessary to conduct its business.

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Competition

The level of competition MISCOR faces varies depending on the electro-mechanical device and the region of the country. While MISOCR tends to compete with various original equipment manufacturers, such as General Electric Company, most of its primary competitors are local electro-mechanical maintenance and repair service shops within their specific region of the United States.

Participants in MISCOR s industry compete primarily on the basis of service, quality, timeliness, and price. In general, competition stems from other outside service contractors and customers in-house maintenance departments. MISOCR believes it has competitive advantages over most service contractors due to the quality, training and experience of its technicians, its regional service capability and the broad range of services it provides, as well as the technical support and manufacturing capabilities supporting its service network.

Foreign Sales

MISCOR s Industrial Services segment derives a portion of its revenues from foreign customers. Foreign sales for the years ended December 31, 2012 and 2011 were approximately $745,000 or 2.3%, and $600,000, or 1.8%, of the total revenues of this segment, respectively. Revenues from sales to foreign customers for the Industrial Services segment are denominated in U.S. dollars.

Backlog

At May 31, 2013, the backlog of MISCOR s Industrial Services segment was approximately $2.634 million compared to $4.600 million as of December 31, 2012, and $4.700 million at December 31, 2011. Backlog represents the amount of revenue that MISCOR expects to realize from work to be performed on uncompleted contracts, work in progress, time and material work orders, and from contractual agreements upon which work has not commenced. The decline in its backlog is due to the timing of orders received from its customers. Contracts included in backlog may have provisions which permit cancellation or delay in their performance by the customer, and there can be no assurance that any work orders included in backlog will not be modified, canceled or delayed.

Working Capital

With respect to MISCOR s Industrial Services segment, its customers typically compensate it for services performed upon completion of a given project or on an agreed upon progress payment schedule for larger projects. Therefore, MISCOR must have sufficient working capital to permit it to undertake its services and to carry the appropriate inventory level of spare parts and equipment throughout the duration of a project. For further discussion of MISCOR s working capital and borrowing facilities, see MISCOR Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for the Years Ended December 31, 2012 and 2011.

Seasonality and Quarterly Fluctuations

MISOCR s revenues from the Industrial Services segment may be affected by the timing of scheduled outages at its industrial customers facilities and by weather conditions with respect to projects conducted outdoors, but the effects of seasonality on revenues in its industrial services business are insignificant. The effects of seasonality may be offset by the timing of large individual contracts, particularly if all or a substantial portion of the contracts fall within a one- to two-quarter period. Accordingly, MISCOR s quarterly results may fluctuate and the results of one fiscal quarter may not be representative of the results of any other quarter or of the full fiscal year.

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Rail Services Segment

Business Strategy

In March 2005, MISCOR acquired certain assets related to the diesel engine operations of Hatch & Kirk, Inc. located in Hagerstown, Maryland and Weston, West Virginia. This acquisition launched the Rail Services Group and the diesel engine components business of MISCOR s Rail Services segment, which is conducted through HKEC.

In December 2009, MISCOR announced its plan to sell its HKEC subsidiary in order to focus on its core industrial services operations. Due to favorable results from its ongoing profit improvement plan and restructuring activities, in December 2011, MISCOR assessed the classification of HKEC and found it to be in MISCOR s best interest to forego selling HKEC. While MISCOR sees HKEC as non-core to its business model, it does see significant value in HKEC and believes it would not obtain the appropriate value for this business, if it were to be sold in today s economic environment

Principal Products, Services, Markets and Distribution

HKEC manufactures and remanufactures power assemblies for large diesel engines used in the rail, marine, and power industries. HKEC also engineers, manufactures and sells other related components parts for these large engines. HKEC customers include companies that use, manufacture, or distribute diesel engines and related components for the railroad, utilities, maritime, and offshore drilling industries.

HKEC accounted for approximately 35% and 26% of total consolidated revenues for the years ended December 31, 2012 and 2011, respectively.

Marketing and Customers

The products and services comprising HKEC are marketed principally by personnel based at its two locations and independent sales representatives. Two customers accounted for more than 10% of HKEC s sales during the year ended December 31, 2012. These two customers accounted for 78% and 68% of HKEC s sales for the years ended December 31, 2012 and 2011, respectively. Union Pacific, Inc. accounted for 40% and CSX, Inc., accounted for 38% of HKEC s revenues during the year ended December 31, 2012. During the year ended December 31, 2011, only one customer accounted for more than 10% of HKEC s sales. CSX, Inc. accounted for 59% of HKEC s revenues for that period. The loss of either of these customers would have a material adverse effect on MISCOR.

Raw Materials

The principal raw materials used in MISCOR s diesel engine components business are scrap and raw steel, aluminum, alloys, and molds. Certain raw materials are obtained from a number of commercial sources at prevailing prices, and MISCOR does not depend on any single supplier for any substantial portion of raw materials. However, it is sometimes difficult to obtain adequate quantities of scrap steel and alloys at competitive prices. MISCOR attempts to minimize this risk by stocking adequate levels of key components. However, MISCOR encountered, and may continue to encounter, problems at times in obtaining the raw materials necessary to conduct its diesel engine components business.

Competition

MISCOR s two largest competitors in the diesel engine components market are General Electric and the former Electro Motive Diesel division of Caterpillar Corporation. MISCOR believes that its HKEC subsidiary is the largest supplier of diesel engine components in the United States that is not an original equipment manufacturer, based on revenues for the year ended December 31, 2012. There are a number of smaller competitors.

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Participants in this industry compete primarily on the basis of service, quality, timeliness, and price. In general, competition stems from other outside service contractors and customers in-house maintenance departments.

Foreign Sales

For the years ended December 31, 2012 and 2011, HKEC s foreign sales were $3.008 million, or 17%, of total segment revenues, and $2.400 million, or 20%, of total segment revenues, respectively. There are no sales denominated in currencies other than the U.S. dollar.

Backlog

At May 31, 2013, the backlog of HKEC was approximately $2.634 million compared to $3.200 million at December 31, 2012, and $3.100 million at December 31, 2011. The fluctuations are due to contracts in place with CSX, Inc. and Union Pacific, Inc. Backlog represents the amount of revenue that MISCOR expects to realize from work to be performed on uncompleted contracts, work in progress, time and material work orders, and from contractual agreements upon which work has not commenced. Contracts included in backlog may have provisions which permit cancellation or delay in their performance by the customer, and there can be no assurance that any work orders included in backlog will not be modified, canceled, or delayed.

Working Capital

For its product sales, HKEC s customers typically pay within 30 to 60 days from the date of shipment, while some foreign customers typically pay within 90 days. HKEC s customers typically compensate us for services performed upon completion of a given project. Therefore, HKEC is required to have sufficient working capital to permit it to undertake its services and to carry the appropriate inventory level of spare parts and equipment throughout the duration of a project. For further discussion of MISCOR s working capital and borrowing facilities, see MISCOR Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for the Years Ended December 31, 2012 and 2011.

Seasonality and Quarterly Fluctuations

The effects of seasonality on revenues for HKEC are insignificant. The effects of seasonality may be offset by the timing of a large individual contract, particularly if all or a substantial portion of the contracts fall within a one- to two-quarter period. Nevertheless, HKEC s quarterly results may fluctuate and the results of one fiscal quarter may not be representative of the results of any other quarter or of the full fiscal year.

PROPERTY OF MISCOR

As of March 31, 2013 and December 31, 2012, MISCOR conducted its business from nine locations in the United States. MISCOR leases facilities in Hammond and Merrillville, Indiana; Hagerstown, Maryland; Boardman and Massillon, Ohio; Huntington, West Virginia; and Visalia, California. MISCOR s leases have terms expiring at various times through November 2017, with annual base rental payments ranging from $61 to $566. MISCOR also leased a facility in South Bend, Indiana that served as the previous site of its corporate office before its move to Massillon, Ohio, but that lease obligation expired in May 2012; MISCOR discontinued a month-to-month lease obligation in July 2012. MISCOR owns its facilities in Weston, West Virginia and Saraland, Alabama.

MISCOR s Hagerstown, Maryland and Weston, West Virginia facilities are used in the Rail Services segment. The other facilities are used in the Industrial Services segment of MISCOR s business. MISCOR maintains its executive offices at MISCOR s Massillon, Ohio facility.

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MISCOR believes that its existing facilities are adequate to meet current requirements and that suitable additional or substitute space would be available on commercially reasonable terms as needed to accommodate any expansion of its operations.

MISCOR leases its Hammond, Indiana, and Boardman, Ohio facilities from companies controlled by its Chairman under agreements expiring in August 2015. Renewal options are available for each property. MISCOR leases the Hagerstown, Maryland facility from a partnership, one partner of which is vice president of HKEC, under an agreement expiring in July 2016. MISCOR leases the Massillon, Ohio facility from a partnership, one partner of which is a former officer of MIS, under an agreement expiring in November 2017. MISCOR leases its Merrillville, Indiana, Huntington, West Virginia, and Visalia, California facilities from unrelated parties under agreements expiring before November 2016. Total rent expense for all facility leases was approximately $1.388 million and $1.226 million for the years ended December 31, 2012 and 2011, respectively, including $0.968 million and $1.020 million, respectively to related parties.

MISCOR LEGAL PROCEEDINGS

MISCOR is periodically involved in ordinary routine litigation incidental to its business. In MISCOR s opinion, there are no material pending legal proceedings the resolution of which is expected to have a material adverse effect on its consolidated results of operations, cash flows, or financial position.

MISCOR DIRECTORS AND EXECUTIVE OFFICERS

The names of MISCOR s directors and executive officers and their ages, positions, and biographies as of December 31, 2012, are set forth below. MISCOR s executive officers are appointed by, and serve at the discretion of, the MISCOR board of directors. There are no family relationships among any of MISCOR s directors and executive officers. The MISCOR board of directors did not select any current director or executive officer pursuant to any arrangement or understanding between a current director and any other person. The business address and phone number for each of MISCOR s officers and directors is 800 Nave Road, SE, Massillon, Ohio 44646 and (330) 830-3500, respectively.

William J. Schmuhl, Jr., 69, has been a director of MISCOR and a member of the Compensation Committee of the MISCOR board of directors since October 2005. Since August 2001, Mr. Schmuhl has been a member of the teaching faculty in the Mendoza College of Business at the University of Notre Dame. He also serves as Chairman of the Board of Directors of Heywood Williams USA, Inc., a manufacturer and distributor of products for the manufactured housing and recreational vehicle industries, where he has served since 1996. Mr. Schmuhl is also a director of JSJ Corporation, a manufacturer of automotive parts, furniture, and specialty products, and Rieth-Riley Construction Co., Inc., a paving contractor. Mr. Schmuhl chairs the audit committees of the boards of directors of JSJ Corporation and Rieth-Riley Construction Co., Inc. Mr. Schmuhl served as a director of Heywood Williams Group, PLC, a UK-based specialty distributor, until November 2009. He is an attorney and certified public accountant.

John A. Martell, 57, is the founder of MISCOR, has been Chairman of the MISCOR board of directors since April 2004, and was Chief Executive Officer and President from April 2004 until February 3, 2010. Mr. Martell is currently the President and owner of Martell Electric, LLC (Martell Electric). Mr. Martell was Chief Executive Officer of MISCOR s subsidiary Magnetech Industrial Services, Inc. from November 2001 until February 3, 2010, and President of MISCOR s subsidiary HK Engine Components, LLC from February 2005 until February 3, 2010. On February 3, 2010, MISCOR sold its Construction and Engineering Services business, consisting of Ideal Consolidated, Inc., of which Mr. Martell had been President since October 2008, and Martell Electric, of which Mr. Martell had been President since December 2001, to Mr. Martell and his wife. Mr. Martell is registered as a Professional Engineer in Indiana and Michigan.

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Michael D. Topa, 56, joined MISCOR in May 2009 as MISCOR s treasury consultant and was MISCOR s interim Chief Financial Officer from June 2009 until his resignation effective December 31, 2010. Mr. Topa was appointed to serve as a member of the MISCOR board of directors on January 21, 2010. Currently, Mr. Topa is CFO of Towne Air Freight, Inc., a leading asset-light provider of premium air cargo ground transportation services and logistics management solutions, headquartered in South Bend, Indiana.

Michael P. Moore, 56, joined MISCOR on June 14, 2010, and serves as President and Chief Executive Officer of MISCOR Group Ltd., Magnetech Industrial Services, and HK Engine Components and was appointed to the MISCOR board of directors in 2011. He formerly served as president of Emerald Performance Materials, a Lubrizol divestiture and leading supplier of niche chemicals to the automotive, food, textile, and other industrial and consumer markets with annual revenues of approximately $400 million. Mr. Moore has extensive experience in manufacturing services, operations, and business having held a variety of senior positions in Lubrizol, Noveon, and BF Goodrich.

Marc Valentin, CPA, CGMA, 45, joined MISCOR in October of 2010 as Corporate Controller and was promoted to Chief Accounting Officer on January 4, 2011, effective January 1, 2011. Prior to joining MISCOR, from 2007 to 2010, Mr. Valentin served as the Vice President of Finance for Maverick Corporate Management, LLC, a Smithville, Ohio fabricator of steel products for agriculture, energy, and food processing. From 2004 to 2007, he served as Senior Vice President and Chief Financial Officer of National Bancshares Corporation/First National Bank of Orrville, Ohio, a community bank. From 1996 to 2004, Mr. Valentin served as Business Unit Controller of Bekaert Corporation/Contours, Ltd., an Orrville, Ohio manufacturer of cold-drawn and cold-rolled wire products. Mr. Valentin has served as a director on a number of not-for-profit boards in Medina and Wayne counties of Northeast Ohio, including Hospice of Wayne County, Ohio, the Orrville Chamber of Commerce, and Dunlap Memorial Hospital. Mr. Valentin is a certified public accountant licensed in the State of Ohio.

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MISCOR MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATION

Overview

MISCOR began operations in July 2000 with the purchase of the operating assets of an electric motor and magnet shop in South Bend, Indiana. Through acquisitions and internal growth, MISCOR expanded the nature of its operations as well as its geographic presence, which now includes locations in Indiana, Alabama, Ohio, West Virginia, and California.

Following completion of the sale of the CES subsidiaries and AMP in the first quarter of 2010, MISCOR has since operated primarily in two business segments:

- Industrial Services Providing maintenance and repair services to several industries including electric motor repair and rebuilding; maintenance and repair of electro-mechanical components for the wind power industry; and the repairing, manufacturing, and remanufacturing of industrial lifting magnets for the steel and scrap industries. To supplement its service offerings, MISCOR also provides on-site maintenance services and custom and standardized industrial maintenance training programs.

- Rail Services Manufacturing and rebuilding power assemblies, engine parts, and other components related to large diesel engines, and providing locomotive maintenance, remanufacturing, and repair services for the rail industry.

MISCOR s objective is to be a leading provider of integrated mechanical and electrical products and services to industry. To achieve that objective, MICOR intends to structure itself in order to capitalize on long-term growth opportunities in the wind power and the utility markets as well as the heavy industry market. As of July 24, 2013, the latest practicable date prior to the record date, there were 65 holders of record of MISCOR common stock. For additional information on the business of MISCOR, please refer to Business of MISCOR of this joint proxy statement/prospectus.

Recent Developments

In December 2012, MISCOR entered into a new credit agreement (the PNC Credit Agreement) with PNC Bank, National Association (PNC Bank) which established a $6.5 million line of credit note (the Line of Credit) and a $2.5 million term note (the Term Note, and, together with the Line of Credit, the PNC Credit Facility). The PNC Credit Facility replaced MISCOR s previous credit facility with Wells Fargo (the Wells Fargo Credit Facility). Initial borrowings under the PNC Credit Facility were used to repay outstanding obligations under the Wells Fargo Credit Facility and to pay off MISCOR s outstanding subordinated debt. MISCOR believe that the more favorable terms under the PNC Credit Facility compared to those in the Wells Fargo Credit Facility primarily reflect its improved financial and operating results and MISCOR s enhanced liquidity, as well as more favorable conditions in the credit markets. The PNC Credit Facility allows MISCOR to significantly reduce its borrowing rates compared to the rates under the Wells Fargo Credit Facility and its subordinated debt, as well as its banking fees. The PNC Credit Agreement contains certain financial and other covenants. In the event MISCOR is unable to achieve the results required in its covenants, MISCOR may have future debt covenant violations and the lender could claim a default and demand repayment. If PNC Bank demands immediate repayment of the outstanding borrowings under the PNC Credit Facility, MISCOR does not currently have means to repay or refinance the amounts that would be due. If demanded, and if MISCOR were unable to repay or refinance the amounts due under the PNC Credit Facility, PNC Bank could exercise its contractual remedies, including foreclosing on substantially all of MISCOR s assets, which MISCOR pledges as collateral to secure its obligations under the PNC Credit Facility.

During 2012, MISCOR continued to focus its efforts to maintain the generation of positive operating cash flow, pay off its subordinated debt and extend or refinance the Wells Fargo Credit Facility. MISCOR continues its efforts to enhance its future cash flows and to improve profitability. These improvements include efforts to collect accounts receivable at a faster rate, decrease inventory levels, improve operating margins, and negotiate extended terms with its vendors.

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Financing Matters

On December 24, 2012, MISCOR executed the PNC Credit Agreement with PNC Bank, which established the Line of Credit and the Term Note. Initial borrowings under the PNC Credit Facility were used to repay outstanding obligations under the Wells Fargo Credit Facility, and to pay off MISCOR s outstanding subordinated debt. The PNC Credit Facility enabled MISCOR to reduce its borrowing rates for its long-term debt.

The Line of Credit allows for borrowings up to the lesser of (i) $6.5 million; and (ii) an amount equal to the sum of 85% of eligible accounts receivable and 50% of eligible inventory. Additionally, the Line of Credit allows for Letter(s) of Credit in the aggregate at any time outstanding not to exceed $1.5 million. The Line of Credit bears interest at a rate per annum equal to the Daily LIBOR Rate plus the applicable LIBOR Margin, which is a function of the ratio of Funded Debt to Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA). From December 24, 2012 until the Funded Debt to EBITDA ratio is determined from MISCOR s consolidated financial statements for the period ending March 31, 2013, the applicable LIBOR Margin will be 2.75%. Once the Funded Debt to EBITDA ratio is determined, the applicable LIBOR Margin and Unused Commitment Fee will be adjusted as of the first day of the second month following the end of each calendar quarter as set forth in the table below:

Funded Debt/EBITDA	LIBOR Margin	Unused Commitment Fee
Greater than or equal to 2.50:1.00	Default	Default
Greater than or equal to 1.75:1.00 and less than 2.50:1.00	2.25%	0.20%
Greater than or equal to 1.00:1.00 and less than 1.75:1.00	1.75%	0.20%
Less than 1.00:1.00	1.25%	0.20%

The expiration date of this Line of Credit is December 24, 2014.

The Term Note provided as part of the PNC Credit Facility is for the amount of $2.5 million, together with interest accruing on the outstanding principal balance from December 24, 2012. The Term Note bears interest at a rate per annum equal to the Daily LIBOR Rate plus the applicable LIBOR Margin, which is a function of MISCOR s ratio of Funded Debt to EBITDA. From December 24, 2012 until the Funded Debt to EBITDA ratio is determined from MISCOR s consolidated financial statements for the period ending March 31, 2013, the applicable LIBOR Margin will be 3.00%. Once the Funded Debt to EBITDA ratio is determined, the applicable LIBOR Margin will be adjusted as of the first day of the second month following the end of each calendar quarter as set forth in the table below:

Funded Debt/EBITDA	LIBOR Margin
Greater than or equal to 2.50:1.00	Default
Greater than or equal to 1.75:1.00 and less than 2.50:1.00	2.50%
Greater than or equal to 1.00:1.00 and less than 1.75:1.00	2.00%
Less than 1.00:1.00	1.50%

MISCOR is obligated to make equal monthly installments of approximately $42,000, commencing on January 24, 2013, and continuing on the same day of each month thereafter. Interest shall be payable at the same time as the principal payments. Any outstanding principal and accrued interest shall be due and payable in full on December 24, 2017.

Terms of the PNC Credit Facility require MISCOR to meet two financial covenants:

1. Maintain as of the end of each fiscal quarter, on a rolling four quarters basis, a ratio of Funded Debt to EBITDA of less than or equal to 2.50 to 1.00 at close and at December 31, 2012; and 2.25 to 1.00 at December 31, 2013 and thereafter; and

2. Maintain as of the end of each fiscal quarter, on a rolling four quarters basis, a Fixed Charge Coverage Ratio of greater than or equal to 1.25 to 1.00.

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In connection with establishing the PNC Credit Facility, MISCOR paid total closing fees of $8,000 and entered into a Security Agreement in favor of PNC Bank, which granted PNC Bank a security interest in all of MISCOR s assets. Additionally, MISCOR s subsidiaries Magnetech Industrial Services, Inc. (MIS) and HKEC each entered into both a Security Agreement (also granting PNC Bank a security interest in all their assets, including certain equipment and fixtures) and a Guaranty Agreement in favor of PNC Bank.

Initial borrowings under the Line of Credit and Term Note were used to pay off all borrowings under the Wells Fargo Credit Facility and all subordinated debt of MISCOR owed to John A. Martell, BDeWees, Inc., and XGen III, Ltd. Accordingly, on December 24, 2012, MISCOR made payments to BDeWees Inc., XGen III Ltd., and John A. Martell in the amounts of $0.763 million, $0.763 million, and $0.653 million, respectively.

Before MISCOR established the PNC Credit Facility, MISCOR s primary lender was Wells Fargo under the Wells Fargo Credit Facility. Over the course of 2010, 2011, and 2012, MISCOR entered into a series of amendments to the Credit and Security Agreement with Wells Fargo, as well as several letter agreements with Wells Fargo. These amendments and letter agreements extended the duration of the Wells Fargo Credit Facility and allowed MISCOR to pursue certain business initiatives and manage its relationships with its subordinated creditors without breaching its agreement with Wells Fargo. Additionally, Wells Fargo agreed to adjust or waive certain covenants and restrictions. For these accommodations, MISCOR paid Wells Fargo total fees of $0.100 million in 2010 and $50,000 in 2011.

Prior Financing Transactions Involving Tontine

For a description of certain financing transactions that MISCOR has entered into with Tontine, please see Special Factors Relationship with Tontine Relationship between MISCOR and Tontine beginning on page 97.

Operating Results

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenues. Total revenues increased by $3.815 million, or 8.3%, to $49.702 million in 2012 from $45.887 million in 2011. This increase is comprised of a $2.661 million, or 8.7%, decrease in service revenues and a $6.476 million, or 42.5%, increase in product sales. Industrial Services revenues decreased by $1.675 million, or 5.0%, while revenues for Rail Services increased $5.490 million, or 45.6%. The decrease in the service revenues represents lower demand for these services in the market place, specifically field service. The increase in product sales is primarily related to demand for engine components produced by MISCOR s HKEC unit.

Gross Profit. Total gross profit in 2012 was $11.870 million, or 23.9%, of total revenues compared to $9.444 million, or 20.6%, of total revenues in 2011. This represents an increase of $2.426 million, or 25.7%. This increase is comprised of a $2.039 million, or 35.4%, decrease in gross profit related to service revenues and $4.465 million, or 121.4%, increase in gross profit related to product sales. Industrial Services gross profit decreased by $142,000, or 2.1%, while gross profit for Rail Services increased $2.568 million, or 94.3%. Gross profit declined proportionally less than the revenue decline for both service revenues and Industrial Services, as MISCOR was able to improve its operational efficiencies and eliminate cost and redundant processes. However, gross profit associated with service revenues was negatively impacted by a number of large quoted jobs not achieving optimal efficiencies. Product sales gross profit increased due to price increases, volume increases, and MISCOR s ability to eliminate costs and improve operational efficiencies.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, increased to $8.796 million in 2012 from $8.247 million in 2011. This represents an increase of $549,000, or 6.7%. Selling expenses were 5.8% of total revenues in 2012 and 5.5% of total revenues 2011. Overall, selling expenses increased $375,000, or 15%, to $2.877 million in 2012 from $2.502 million in 2011. This increase is primarily attributed to increasing the number of salesmen in Industrial Services and increased commission expense in Rail Services.

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Selling expenses for Industrial Services were 6.9% of Industrial Services revenues in 2012 and 5.7% of Industrial Services revenues in 2011. Selling expenses for Rail Services were 3.3% of Rail Services revenues in 2012 and 4.4% of Rail Services revenues in 2011. General and administrative expenses increased $174,000, or 3.0%, to $5.919 million in 2012 from $5.745 million in 2011. The increase in general and administrative expenses is attributed to increased consulting expenses. General and administrative expenses were 11.9% and 12.5% of total revenues for 2012 and 2011, respectively. General and administrative expenses for Industrial Services were 13.8% of Industrial Service revenues for 2012 and 13.8% of Industrial Services revenues for 2011. General and administrative expenses for Rail Services were 8.3% of Rail Services revenues for 2012 and 8.4% of Rail Services revenues for 2011.

Income from Operations. Income from operations improved $1.877 million from $1.197 million in 2011 to $3.074 million in 2012. This improvement is directly attributable to increased gross profit as a result of increased product sales. Industrial Services generated loss from operations of $71,000 in 2012. This is a decline of $179,000, or 165.7%, from income from Industrial Services of $108,000 in 2011. Rail Services generated income from operations of $3.252 million in 2012, an improvement of $2.044 million, or 169.2%, from income from operations of $1.208 million in 2011.

Interest Expense and Other Expense (Income). Interest expense decreased by $232,000, or 23.9%, to $737,000 in 2012 from $969,000 in 2011. This reduction is the result of MISCOR s reduced level of high cost subordinated debt and the benefits of the credit facility MISCOR renegotiated with Wells Fargo in 2011. Other expense increased $450,000 to $24,000 of expense in 2012 from $426,000 of income in 2011. The increase in other expense is predominantly attributed to the recovery in various legal matters and a $100,000 non-refundable deposit which was recognized as income when a potential buyer of HKEC did not complete a transaction during 2011.

Income Tax Benefit. Prior to December 31, 2012, the amount of objectively-measured negative evidence related to cumulative losses in the most recent three-year period outweighed the available positive evidence regarding the realization of MISOCR s deferred tax assets. By the end of 2012, cumulative taxable losses were offset by recent operating performance, which included positive results for both 2011 and 2012. The improvement in profitability has been driven by the complete refinancing of MISCOR s debt with significant reductions in borrowing costs and improved operational performance through restructuring and cost controls. The historical factors that drive the minimal cumulative loss have reduced significantly because of the significant reduction in finance costs through the refinancing, and MISCOR s aligned cost structure results in the more likely than not realization of certain of the deferred future tax benefits. Hence, MISCOR recorded a $1.942 million income tax benefit in 2012 for the reversal of a portion of the valuation allowance previously established against the deferred tax assets, reflecting the portion of the deferred tax assets it reasonably estimates to be realized in 2013. Due to economic uncertainty beyond the immediate future, MISCOR has not reversed the valuation allowance in excess of $1.942 million.

Net Income. Net income was $4.176 million in 2012 as compared to $654,000 in 2011. This is an increase of $3.522 million, or 538.5%. The improvement is due to the increase in income from operations, as well as the income tax benefit associated with the partial reversal of valuation allowances previously established against deferred tax assets, as described above.

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Earnings Before Interest Expense, Income Taxes, Depreciation, and Amortization (EBITDA)

Consolidated EBITDA increased by $1.071 million from $3.644 million for the year ended December 31, 2011 to $4.715 million for the year ended December 31, 2012. The increase in Consolidated EBITDA is primarily a result of increased profitability during the year ended December 31, 2012. See Operating Results above for details of the increase in profitability.

	Year Ended December 31, (Amounts in 000s)	
	2012	2011
EBITDA		
Net income	$ 4,176	$ 654
Reduction:		
Income Taxes	(1,863)	
Add back:		
Interest Expense	737	969
Depreciation and amortization	1,665	2,021
EBITDA(1)	$ 4,715	$ 3,644

(1) EBITDA represents earnings before interest expense, income taxes, depreciation, and amortization. MISCOR management believes EBITDA is useful in evaluating MISOCR s operating performance compared to that of other companies in MISOCR s industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions. MISCOR management believes EBITDA is useful to investors to assist them in getting a more accurate picture of MISCOR s results from operations.

However, EBITDA is not a recognized measurement under generally accepted accounting principles (GAAP) and when analyzing MISCOR s operating performance, readers should use EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, MISCOR s presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for MISCOR management s discretionary use, as it does not consider certain cash requirements such as tax and debt service payments. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in MISCOR s debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and MISCOR s ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Revenues. Total revenues attributed to continuing operations increased by $5.105 million or 12.5% to $45.887 million in 2011 from $40.782 million in 2010. This increase is comprised of a $2.360 million or 8.3% increase in service revenues and a $2.745 million or 22.0% increase in product sales. Industrial Services revenues increased by $0.781 million or 2.4%, while revenues for the Rail Services increased $3.612 million or 42.9%. The increase in the service revenues represents a concerted effort to re-establish MISCOR in the market place, as well as a general economic recovery in the markets it serves, resulting in increases in volume and selling price. The increase in product sales is primarily related to demand for engine components produced by MISCOR s HKEC unit.

Gross Profit. Total gross profit in 2011, attributed to continuing operations, was $9.444 million or 20.6% of total revenues compared to $6.947 million or 17.0% of total revenues in 2010. This represents an increase of $2.497 million or 36.1%. This increase is comprised of a $1.323 million or 29.8% increase in service revenues and $1.174 million or 47.3% in product sales. Industrial Services gross profit increased by $1.002 million or 17.5%, while gross profit for the Rail Services increased $1.620 million or 146.7%. In all cases, service revenue and product sales gross profit increased due to MISCOR s ability to eliminate costs and improve operational

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efficiencies. Included as a reduction against gross profit in 2011 is a $0.183 million charge related to 2010 depreciation on HKEC. In 2010, HKEC was held-for-sale and accordingly no depreciation was taken. Based on MISCOR s decision to not sell HKEC, MISCOR was required to record depreciation for 2010 during the year ended December 31, 2011.

Selling, General and Administrative Expenses. Selling, general and administrative expenses excluding goodwill impairment in 2010, attributed to continuing operations decreased to $8.247 million in 2011 from $9.513 million in 2010. Selling expenses were 5% of total revenues in 2011 and 7% of total revenues 2010. Selling expenses for Industrial Services were 6% of Industrial Services revenues in 2011 and 7% of Industrial Services revenues in 2010. Selling expenses for Rail Services were 4% of Rail Services revenues and 6% of Rail Services revenues in 2010. General and administrative expenses decreased 13% to $5.744 million in 2011 from $6.591 million in 2010. This decrease in expenditures was accomplished through reduced staffing, reduced consulting fees, spending freezes, closure of MISCOR s South Bend, Indiana, corporate office, and reduced bad debts. General and administrative expenses were 12% and 17% of total revenues for 2011 and 2010, respectively. General and administrative expenses for Industrial Services were 14% of Industrial Service revenues for 2011 and 15% of Industrial Services revenues for 2010. General and administrative expenses for Rail Services were 8% of Rail Services revenues in 2011 and 12% of Rail Service revenues in 2010.

Goodwill Impairment. During 2010, there was $7.831 million of goodwill impairment charges related to the Industrial Services segment. This charge represents the write down of goodwill in the amount of the excess of the previous carrying value of goodwill over the implied fair value of goodwill.

Income (Loss) from Operations. Income from operations improved $11.594 million from ($10.397 million) in 2010 to $1.197 million in 2011. This improvement is directly attributable to increased gross profit, reduced selling, general and administrative expenses, and the goodwill impairment charge during the year ended December 31, 2010. Industrial Services generated a loss from operations of $0.401 million in 2011. This is an improvement of $9.173 million from a loss from operations of $9.574 million in 2010. Rail Services generated income from operations of $1.264 million in 2011 or an improvement of $1.659 million from loss from operations of $0.395 million in 2010.

Interest Expense and Other Expense (Income). Interest expense increased in 2011 to $0.969 million from $0.902 million in 2010. Although MISCOR is carrying significantly less debt on its books and was able to renegotiate its credit facility with Wells Fargo, effectively reducing the interest rate by approximately 39%, the interest related to certain of MISCOR s subordinated debt increased during November 2010, thus, MISCOR felt the full effects of this increase during 2011. For 2011, MISCOR reported other income of $0.426 million, compared to other expense of $0.178 million for 2010, as 2011 included the recovery in various legal matters and a $0.100 million non-refundable deposit which was recognized as income when a potential buyer of HKEC did not complete a transaction.

Income (Loss) from Continuing Operations. Net income was $0.654 million in 2011 and net loss was ($11.477 million) in 2010. The improvement is due to the increase in income from operations, as described above.

Provision for Income Taxes. MISCOR has experienced tax net operating losses in each year since it commenced operations. MISCOR is uncertain as to whether it will be able to utilize these tax losses before they expire. Accordingly, MISCOR has provided a valuation allowance for the income tax benefits associated with these net future tax benefits which primarily relates to cumulative net operating losses, until such time profitability is reasonably assured and it becomes more-likely-than-not that MISCOR will be able to utilize such tax benefits.

Loss from Discontinued Operations. For 2010, MISCOR s CES segment and the AMP portion of its Rail Services segment have been classified as discontinued operations. Net loss from discontinued operations was $0 in 2011 versus a net loss of $0.412 million in 2010. During 2011, MISCOR did not have any discontinued operations. The loss in 2010 is due to the operating loss associated with these businesses, partially offset by realized gains of $0.314 million upon the sale of those businesses.

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Net Income (Loss). Net income was $0.654 million in 2011 and net loss was ($11.889 million) in 2010. As indicated above, the improvement year over year is due to improved gross margins; reduced expenditures related to selling, general and administrative expenses; the goodwill impairment charge during 2010; and the elimination of losses related to divested businesses.

Three Months Ended March 31, 2013 Compared to Three Months Ended April 1, 2012

Revenues. Total revenues decreased by $1.037 million or 8.3% to $11.441 million for the three months ended March 31, 2013 from $12.478 million for the three months ended April 1, 2012. This decrease is comprised of a $0.88 million or 12.7% decrease in service revenues and a $0.155 million or 2.8% decrease in product sales. Industrial Services revenues decreased by $1.136 million or 13.8%, while revenues for the Rail Services segment increased $0.099 million or 2.3%. The decrease in the service revenues represents low demand in the market place, primarily due to customer fiscal cliff concerns during the first half of the three months ended March 31, 2013. The increase in product sales is primarily related to demand for engine components produced by MISCOR s Rail Services unit.

Gross Profit. Total gross profit for the three months ended March 31, 2013 was $2.524 million or 22.1% of total revenues compared to $3.028 million or 24.3% of total revenues for the three months ended April 1, 2012. This represents a decrease of $0.504 million or 16.6%. The decrease is comprised of a decline in gross profits of $0.385 million or 38.0% in service revenues and a decrease in gross profits of $0.119 million or 5.9% in product sales. Industrial Services gross profit decreased by $0.470 million or 25.8%, while gross profit for the Rail Services decreased $0.034 million or 2.8%. The decline in gross profits associated with service revenues is due to a decline in sales volume for the three months ended March 31, 2013. Additionally, as a result of a soft market, MISCOR was required to reduce its selling price, and consequentially its gross profit, on various projects, in order to obtain the projects. Although product sales reflected a slight increase in sales, gross profit decreased due to mix of customer sales, as MISCOR experienced an increase in sales for lower gross profit customers.

Selling, General and Administrative Expenses. Selling, general and administrative expenses attributed to operations increased to $2.578 million for the three months ended March 31, 2013 from $2.014 million for the three months ended April 1, 2012. This is an increase of $0.564 million or 28.0%. Selling expenses were $0.725 million or 6.3% of total revenues for the three months ended March 31, 2013 and $0.726 million or 5.8% of total revenues for the three months ended April 1, 2012. While selling expenses remained constant for the three months ended March 31, 2013, when compared to the three months ended April 1, 2012, commissions declined as a result of the decline in sales. However these savings were offset by recruiting fees incurred to hire additional sales personnel. Selling expenses for Industrial Services were $0.545 million or 7.7% of Industrial Services revenue for the three months ended March 31, 2013 and $0.569 million or 6.9% of Industrial Services revenues for the three months ended April 1, 2012. Selling expenses for Rail Services were $0.157 million or 3.6% of Rail Services revenues for the three months ended March 31, 2013 and $0.148 million or 3.5% of Rail Services revenues for the three months ended April 1, 2012. General and administrative expenses increased $0.565 million or 43.9% to $1.853 million for the three months ended March 31, 2013 from $1.288 million for the three months ended April 1, 2012. This increase is due to professional fees incurred related to the preparation, processing and filing of MISCOR s Form S-1 registration statement with the Securities and Exchange Commission, and professional fees incurred related to its pending merger with IES. General and administrative expenses were 16.2% and 10.3% of total revenues for three months ended March 31, 2013 and April 1, 2012, respectively. General and administrative expenses for Industrial Services were 15.7% of Industrial Service revenues for the three months ended March 31, 2013 and 11.8% of Industrial Services revenues for the three months ended April 1, 2012. General and administrative expenses for Rail Services were 8.5% of Rail Services revenues for the three months ended March 31, 2013 and 7.5% of Rail Service revenues for the three months ended April 1, 2012.

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Income (Loss) from Operations. Income from operations declined $1.068 million from $1.014 million for the three months ended April 1, 2012 to a loss of $0.054 million for the three months ended March 31, 2013. The decline is directly attributable to decreased sales and gross profit and increased general and administrative expenses, as explained above, for the three months ended March 31, 2013. Industrial Services generated a loss from operations of $0.323 million for the three months ended March 31, 2013. This is a decline of $0.567 million from income from operations of $0.244 million for the three months ended April 1, 2012. Rail Services generated income from operations of $0.647 million for the three months ended March 31, 2013 or a decline of $0.093 million from income from operations of $0.740 million for the three months ended April 1, 2012.

Interest Expense and Other Expense (Income). Interest expense decreased for the three months ended March 31, 2013 to $0.071 million from $0.193 million for the three months April 1, 2012. This reduction is the result of MISCOR entering into a new credit facility with PNC in December 2012 and no longer maintaining any high-cost subordinated debt. Other Income decreased $0.003 million to $0.006 million for the three months ended March 31, 2013 from $0.009 million of income for the three months ended April 1, 2012.

Provision for Income Taxes. Prior to the fourth quarter of fiscal 2012, the amount of objectively-measured negative evidence related to cumulative losses in the most recent three-year period outweighed the available positive evidence regarding the realization of MISCOR s deferred tax assets. By the end of 2012, cumulative taxable losses were offset by recent operating performance, which included positive results for both 2011 and 2012. The improvement in profitability has been driven by the complete refinancing of MISCOR s debt with significant reductions in borrowing costs and improved operational performance through restructuring and cost controls. The historical factors that drive the minimal cumulative loss have reduced significantly because of the significant reduction in finance costs through the refinancing, and MISCOR s aligned cost structure results in the more likely than not realization of certain of the deferred future tax benefits. Hence, MISCOR recorded a $1.942 million income tax benefit in fourth quarter 2012 for the reversal of valuation allowances previously established against the deferred tax assets. Due to economic uncertainty beyond the immediate future, MISCOR has reversed $1.942 million of the valuation allowance, which it reasonably estimates to be realized in 2013. At March 31, 2013, MISCOR believed that the income tax benefit recognized in 2012 was appropriate.

Net Income (Loss). Net loss was $0.124 million for the three months ended March 31, 2013 compared to net income of $0.815 million for the three months ended April 1, 2012. This is a decrease of $0.939 million or 115.2%. As indicated above, the decline year over year is due to reduced level of sales, reduced gross margins, and increased expenditures related to general and administrative expenses.

Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization (EBITDA)

EBITDA decreased by $1.084 million from $1.433 million for the three months ended April 1, 2012 to $0.349 million for the three months ended March 31, 2013. The primary decrease in EBITDA is a result of decreased profitability during the three months ended March 31, 2013 versus the three months ended April 1, 2012.

	Three months ended	
	March 31, 2013	April 1, 2012
	(Amounts in 000s)	
EBITDA Consolidated		
Net income (loss)	$ (124)	$ 815
Add back:		
Interest Expense	71	193
Depreciation and amortization	397	410
Income Taxes	5	15
EBITDA (1)	$ 349	$ 1,433

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(1) EBITDA represents earnings before interest expense, income taxes, depreciation and amortization. MISCOR s management believes EBITDA is useful in evaluating MISCOR s operating performance compared to that of other companies in MISCOR s industry because the calculation of EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions. MISCOR believes EBITDA is useful to investors to assist them in getting a more accurate picture of MISCOR s results from operations.

However, EBITDA is not a recognized measurement under GAAP and when analyzing MISCOR s operating performance, readers should use EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, MISCOR s presentation of EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, EBITDA is not intended to be a measure of free cash flow for MISCOR s management s discretionary use, as it does not consider certain cash requirements such as tax and debt service payments. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in MISCOR s debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and MISCOR s ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

Liquidity and Capital Resources

Years Ended December 31, 2012 and 2011

Working capital increased by $636,000, or 23.1%, from $2.750 million at December 31, 2011 to $3.386 million at December 31, 2012. Affecting working capital was a $791,000 increase in accounts receivable. Although MISCOR s collection efforts improved during 2012, accounts receivable increased due to higher customer sales during the fiscal year ended December 31, 2012 as compared to the fiscal year ended December 31, 2011. Accounts payable decreased by $715,000 due to decreased volume of inventory purchases. This decrease in inventory is a result of using inventory on hand, and a concerted effort to reduce the levels of inventory MISCOR carries. During the year ended December 31, 2012, MISCOR made payments of $3.982 million to subordinated debt holders.

There are no capital commitments as of December 31, 2012.

The 2012 operating income reflects increased gross profits due to improved selling prices, efficiencies, and various cost elimination measures. MISCOR is continually looking at measures to improve the production efficiencies of its services and products, as well as identifying more cost effective vendors and developing long-term relationships with vendors. Selling, general, and administrative costs increased, primarily attributed to an increase in the number of salesmen in the Industrial Services segment, increased commissions paid in Rail Services segment and various one-time consulting projects incurred during the current year.

MISCOR s net income for the year ended December 31, 2012 of $4.176 million included $1.665 million of depreciation and amortization, as compared to its net income for the year ended December 31, 2011 of $0.654 million, which included $2.021 million of depreciation and amortization.

Net cash provided by operating activities was $2.051 million for the year ended December 31, 2012 compared to net cash provided by operating activities of $2.643 million in 2011. The decrease, year-over-year, in net cash provided by operating activities is primarily due to an increase in accounts receivable and a decrease in accounts payable.

During 2012, although, accounts receivable increased when comparing balances at December 31, 2012 to December 31, 2011, MISCOR was able to continue to reduce past due accounts receivable. MISCOR also reduced its accounts payable as it continued to pay its vendors within agreed upon terms, thus eliminating delays in receipt of necessary materials and parts, which MISCOR has experienced in the past. This improvement has allowed MISOCR to eliminate manufacturing inefficiencies and has allowed MISCOR to deliver services and products to customers on a timely basis.

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During the years ended December 31, 2012 and 2011, net cash utilized by investing activities was $734,000 and $261,000, respectively. In 2012, net cash utilized consisted of $749,000 for capital expenditures, which included new equipment and leasehold improvements for the new leased facility in Huntington, West Virginia. In 2011, net cash utilized by investing activities included $279,000 for capital expenditures. Prior to the PNC Credit Facility, Wells Fargo specifically restricted MISCOR s levels of capital spending. Under the PNC Credit Facility, there are no such specific restrictions.

During the year ended December 31, 2012, MISCOR utilized $1.317 million in financing activities, which primarily reflected $3.982 million of repayments to MISCOR s subordinated debt holders. Additionally, MISCOR made $972,000 of repayments to Wells Fargo for the machinery and equipment term loan. Offsetting this was a new $2.500 million term loan with PNC Bank and net borrowings of $1.283 million under revolving lines of credit. During the year ended December 31, 2011, MISOCR utilized $2.382 million in financing activities, which primarily reflected $2.548 million of repayments to MISCOR s subordinated debt holders.

As of December 31, 2012, MISCOR had $2.379 million of availability on its revolving credit facility with PNC Bank.

Years Ended December 31, 2011 and 2010

Working capital increased by $3.875 million or 344% from ($1.125 million) at December 31, 2010, to $2.750 million at December 31, 2011. Affecting working capital was a reduction in accounts receivable. MISCOR achieved this reduction, as it became more focused on collecting accounts receivable from its customers. Additionally contributing to its increase in working capital, was MISCOR s ability to renegotiate and extend its subordinated debt agreements, pay down outstanding vendor invoices, and generate positive cash flows from operating activities. During the year ended December 31, 2011, MISCOR made payments of $1.671 million to subordinated debt holders.

The 2011 operating income reflects increased gross profits due to improved efficiencies and various cost elimination measures. MISCOR is continually looking at measures to improve the production efficiencies of its services and products, as well as identifying more cost effective vendors and developing long-term relationships with vendors. Selling, general and administrative costs declined at a significant rate due to staffing cuts, elimination of consultants, and the elimination of MISCOR s South Bend, Indiana, corporate office.

MISCOR s net income for the year ended December 31, 2011, of $0.654 million included $2.021 million of depreciation and amortization. During the year ended December 31, 2010, net loss included $7.831 million of goodwill write-off, $1.881 million of depreciation and amortization, $0.379 million note receivable write-off, and $0.314 million related to the gain on the disposal of discontinued operations.

Net cash provided by operating activities was $2.643 million for the year ended December 31, 2011, compared to net cash provided by operating activities of $0.347 million for the same period in 2010. This increase is primarily due to MISCOR generating income and collecting its receivables faster, offset by paying its vendors faster.

During 2011, MISCOR was able to continue to reduce past due, as well as its total accounts payable balance. Unlike previous years, with the ability to consistently pay vendors in a timely manner, MISCOR was able to obtain credit from many vendors which in the past were reluctant to provide credit. This helped eliminate delays in receipt of necessary materials and parts. This improvement has allowed MISCOR to eliminate manufacturing inefficiencies, and has allowed MISCOR the ability to deliver services and products to customers on a timely basis.

During the years ended December 31, 2011, and December 31, 2010, net cash (utilized) provided by investing activities was ($0.261 million) and $0.777 million, respectively. In 2011, net cash utilized consisted of $0.279 million for capital expenditures. In 2010, net cash provided consisted of $0.735 million realized from the divestiture of MISCOR s CES segment, which was formerly comprised of Martell Electric and Ideal, and $0.176 million realized from the proceeds from asset sales. This was offset, partially, by capital expenditures of $0.134 million.

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During the year ended December 31, 2011, MISCOR utilized $2.382 million in financing activities which primarily reflected repayment of short-term debt in the amount of $0.824 million and long-term debt of $2.548 million. The repayment of short-term and long-term debt includes $1.718 million of repayments to MISCOR s subordinated debt holders. These repayments were offset by an increase in new borrowings in the amount of $1.072 million, through a new term loan with Wells Fargo. In 2010, MISCOR utilized $1.124 million in financing activities which primarily reflected repayment of long-term debt.

As of December 31, 2011, MISCOR had $2.439 million of outstanding borrowings and $2.100 million of availability under its revolving credit facility with Wells Fargo. Based upon current expectations, MISCOR believes MISCOR has adequate liquidity to meet its needs for the next twelve months.

As of December 31, 2011, MISCOR s total outstanding subordinated debt was $3.983 million.

Three Months Ended March 31, 2013 and April 1, 2012

At March 31, 2013, MISCOR had $3.342 million of working capital, a decline of $0.044 million as compared to December 31, 2012. The decrease in working capital is primarily due to reduced accounts receivable, and an increase in accounts payable, offset by an increase in inventory. The increase in accounts payable at March 31, 2013 is a direct result of increased purchasing activity during March 2013, to support second quarter sales efforts.

Net cash provided by operating activities was $1.085 million for the three months ended March 31, 2013 compared to $0.115 million for the three months ended April 1, 2012. This increase is primarily due to increased accounts payable and a reduction in accounts receivable, as a result of increased efforts to collect accounts receivable combined with lower sales volume.

For the three months ended March 31, 2013, net cash flows utilized by investing activities increased by $0.054 million to $0.188 million compared to $0.134 million for the three months ended April 1, 2012. The increase in capital spending is due to MISCOR s need to put a new roof on its Weston, West Virginia facility.

Net cash provided (utilized) by financing activities decreased by $0.916 million to a utilization of $0.897 million as of March 31, 2013 as compared to cash provided of $0.019 million as of April 1, 2012. This decrease is directly attributed to paying off a $0.917 million capital lease, in February 2013, related to MISCOR s Visalia, California facility.

During 2013, MISCOR will continue to focus its efforts to maintain the generation of positive operating cash flows and to increase the overall level of profitable sales. MISCOR continues to make significant investments to the Industrial Services sales team, adding more sales personnel and implementing a customer relationship management tool.

As of March 31, 2013, MISCOR did not have any material commitments for capital expenditures.

Off-Balance Sheet Transactions

As of March 31, 2013 and December 31, 2012 and 2011, MISCOR did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

MISCOR believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

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Principles of consolidation The consolidated financial statements include the accounts of MISCOR and its wholly-owned subsidiaries, Magnetech Industrial Services, Inc. (MIS) and HKEC. All significant intercompany balances and transactions have been eliminated.

Use of estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires MISCOR management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates are required in accounting for inventory costing, asset valuations, costs to complete, and depreciation. Actual results could differ from those estimates.

Accounts receivable and allowance for doubtful accounts MISCOR carries accounts receivable at sales value less an allowance for doubtful accounts. MISCOR periodically evaluates accounts receivable and establishes an allowance for doubtful accounts based on a combination of specific customer circumstances, credit conditions, and the history of write-offs and collections. MISCOR evaluates items on an individual basis when determining accounts receivable write-offs. MISCOR s policy is to not charge interest on trade receivables after the invoice becomes past due. A receivable is considered past due if payment has not been received within agreed upon invoice terms.

Inventory MISCOR values inventory at the lower of cost or market. Cost is determined by the first-in, first-out method. MISCOR periodically reviews its inventories and makes provisions as necessary for estimated obsolescence and slow-moving goods. The amount of such markdown is equal to the difference between cost of inventory and the estimated market value based upon assumptions about future demands, selling prices, and market conditions.

Other intangible assets Other intangible assets consisting mainly of customer relationships and a technical library, were all determined to have a definite life and are amortized over the shorter of the estimated useful life or contractual life of the these assets, which range from 15 to 20 years. These intangible assets are being amortized under the straight-line method. Amortization expense for the other intangible assets was $419,000 and $430,000 for the years ended December 31, 2012 and 2011, respectively. Intangible assets with definite useful lives are periodically reviewed to determine if facts and circumstances indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances do exist, the recoverability of intangible assets is assessed by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets.

Long-lived assets MISCOR performs reviews for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. When impairment is identified, the carrying amount of the asset is reduced to its estimated fair value. Assets to be disposed of are recorded at the lower of net book value or fair market value less cost to sell at the date management commits to a plan of disposal.

Revenue recognition Revenue consists primarily of sales and service of industrial magnets, electric motors, electrical power distribution systems, and diesel power assemblies. Product sales revenue is recognized when products are shipped and both title and risk of loss transfer to the customer. Service revenue is recognized when all work is completed and the customer s property is returned. For services to a customer s property provided at MISCOR s site, property is considered returned when the customer s property is shipped back to the customer and risk of loss transfers to the customer. For service to a customer s property provided at the customer s site, property is considered returned upon completion of work. However, for service sales in which the contract price exceeds $75,000 and takes longer than 13 weeks to complete, MISCOR utilizes the percentage of completion methodology for revenue recognition.

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Warranty costs MISCOR warrants workmanship after the sale of its products and services, generally for a period of one year. An accrual for warranty costs is recorded based upon the historical level of warranty claims and MISCOR management s estimates of future costs. Warranty expense (recovery) was $171,000 and $(69,000) for the years ended December 31, 2012 and 2011, respectively.

Income taxes MISCOR accounts for income taxes using the asset and liabilities method. MISCOR classifies interest and penalties, if any, associated with its uncertain tax positions as a component of income tax expense. There were no interest or penalties recorded for the years ended December 31, 2012 and 2011.

In recording deferred income tax assets, MISCOR considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those deferred income tax assets would be realizable. As of December 31, 2011, MISCOR had a full valuation allowance against its net deferred tax assets. MISCOR considers the scheduled reversal of deferred income tax liabilities and projected future taxable income for this determination. For the year ended December 31, 2012, MISCOR reversed $1.942 million of the valuation allowance, reflecting the portion of the deferred tax assets that it reasonably estimates to be realized in 2013. Due to economic uncertainty beyond the immediate future, MISCOR has not reversed the valuation allowance in excess of $1.942 million. MISCOR will continue to assess the valuation allowance against deferred income tax assets considering all available information obtained in future reporting periods. If MISCOR continues to achieve profitable operations in the future, it may reverse an additional portion of the valuation allowance in an amount at least sufficient to eliminate any tax provision in that period. The valuation allowance has no impact on MISOCR s net operating loss (NOL) position for tax purposes, and if MISCOR generates taxable income in future periods prior to expiration of such NOLs, it will be able to use its NOLs to offset taxes due at that time.

MISCOR is subject to audits by various taxing authorities, and those audits may result in proposed assessments where the ultimate resolution results in MISCOR owing additional taxes. MISCOR is required to establish reserves when it believes there is uncertainty with respect to certain positions and it may not succeed in realizing the tax benefit. MISCOR believes that its tax return positions are appropriate and supportable under relevant tax law. MISCOR has evaluated its tax positions for items of uncertainty and have determined that its tax positions are highly certain. MISCOR believes the estimates and assumptions used to support its evaluation of tax benefit realization are reasonable. Accordingly, no adjustments have been made to the consolidated financial statements for the years ended December 31, 2012 and 2011.

Stock based compensation MISCOR accounts for stock based compensation in accordance with *Accounting Standards Codification 718, Compensation Stock Compensation* (ASC 718). ASC 718 requires the cost of all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based upon their fair values at grant date, or the date of later modification, over the requisite service period. In addition, ASC 718 requires unrecognized cost related to options vesting after the initial adoption to be recognized in the financial statements over the remaining requisite service period.

New Accounting Standards.

MISCOR does not expect the adoption of recently issued accounting pronouncements to have a significant impact on its results of operations, financial position, or cash flow.

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CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS OF MISCOR

Transactions and relationships that involve directors, officers, or other related persons and that constitute a conflict with MISCOR s interests are prohibited. The MISCOR board of directors must approve any exceptions to this policy. Any transaction between MISCOR and a related person must be made or entered into on terms that are no less favorable to MISCOR than those that MISCOR can obtain from unaffiliated third parties. In addition, all material affiliated transactions and loans and any forgiveness of loans must be approved by a majority of those MISCOR directors who do not have an interest in the transactions and who had access, at MISCOR s expense, to MISCOR s legal counsel or to independent legal counsel.

In connection with related party transactions, the MISCOR board of directors or a committee of the MISCOR board of directors may engage independent consultants to provide opinions regarding fair market value or fairness of the transaction to MISCOR.

It is anticipated that Michael Moore and Marc Valentin, each of whom currently serves as an executive officer of MISCOR, will also serve as executive officers of Merger Sub, which we refer to as the surviving corporation, following completion of the merger. Neither Mr. Moore nor Mr. Valentin is party to any related person transaction with MISCOR.

MISCOR EXECUTIVE COMPENSATION

Executive Compensation

The following table presents information for compensation awarded to, earned by, or paid to the named executive officers for MISCOR s fiscal years ended December 31, 2012 and 2011.

Summary Compensation Table for 2012 and 2011

Name and Principal Position	Year	Salary ($)	Stock Awards ($) [1]	Option Awards ($) [1]	Non-Equity Incentive Plan Compensation ($) [2]	Other Compensation ($)	Total ($)
Michael P. Moore	2012	$ 185,156	$ 30	$ 1,113	$ 18,000	$ 9,783 [3]	$ 214,082
President and Chief Executive Officer	2011	$ 180,000				$ 9,556 [3]	$ 189,556
Marc Valentin, CPA, CGMA	2012	$ 105,000	$ 30	$ 779	$ 10,000		$ 115,809
Chief Accounting Officer	2011	$ 105,000					$ 105,000

(1) Represents the aggregate grant date fair value computed in accordance with *Financial Accounting Standards Board Accounting Standards Codification 718, Compensation - Stock Compensation (FASB ASC Topic 718)*. Because the stock and option awards are subject to vesting conditions, the values shown are based on the probable outcome of these conditions. MISCOR has made certain assumptions in determining the fair value of the stock and option awards. MISCOR discusses these assumptions under the captions 2005 Stock Option Plan and 2005 Restricted Stock Purchase Plan in Note I to MISCOR s financial statements, which are included in MISCOR s Annual Report on Form 10-K for this fiscal year ended December 31, 2012.

(2) Represents awards made by the MISCOR board of directors to each individual, based on the individuals employment agreements.

(3) Includes automobile allowance of $9,783 in 2012 and $9,556 in 2011.

Option Grants

On February 29, 2012, Mr. Moore received options to purchase 10,000 shares of MISCOR common stock granted under MISCOR s 2005 Stock Option Plan. On February 29, 2012, Mr. Valentin received options to purchase 7,000 shares of MISCOR common stock granted under MISCOR s 2005 Stock Option Plan.

There were no option grants awarded during 2011.

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Restricted Stock Grants

On December 18, 2012, Messrs. Moore and Valentin each received rights to purchase 3,000 shares of restricted stock for $0.01 per share granted under MISCOR s 2005 Restricted Stock Purchase Plan. Both Mr. Moore and Mr. Valentin exercised these rights on December 21, 2012.

There were no restricted stock grants awarded during 2011.

Equity Compensation Plans

2005 Stock Option Plan. MISCOR board of directors adopted the 2005 Stock Option Plan in August 2005, and it was later approved by MISCOR s shareholders. The Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code, and non-statutory stock options to MISCOR s executive employees who are materially responsible for the management and operation of MISCOR s business and to MISCOR s directors.

A total of 200,000 shares of common stock (post-Reverse Stock Split) are reserved for issuance under the Plan. This number is subject to adjustment as a result of a stock split, combination of shares, recapitalization, merger, or other transaction resulting in a change in MISCOR s shares. If any option expires or is otherwise terminated, unexercised shares subject to the option become available for future option grants under the Plan. Dividends on shares purchased under the Plan are payable when, and if, declared by the MISCOR board of directors.

The Plan is administered by MISCOR s board of directors or a committee of the board designated for that purpose. The grants described above were approved by MISCOR s board of directors, which has since designated the Compensation Committee of the Board to act as administrator of the Plan. The administrator has the power to determine the persons eligible to participate in the Plan and the terms of each option, including the exercise price, the number of shares subject to the option, whether the option is an incentive stock option, or a non-statutory option, and the duration of the option.

The Plan provides that no option may have duration longer than five years and that an outstanding option may be deemed cancelled upon, or within certain prescribed periods after, termination of employment or removal as a director, as applicable, depending on the reason for such termination or removal. In addition, after a change in control of MISCOR, options granted under the Plan will be immediately exercisable in full, and any option holder employed as of the date of the change of control will have 30 days after such date to exercise his or her option. The Plan defines a change of control as any merger or consolidation of MISCOR the result of which is that holders of MISCOR voting capital stock hold less than 50% of the voting capital stock of the surviving entity, the sale, lease or, transfer of all or substantially all of MISCOR s assets, or approval by MISCOR s shareholders of a plan of liquidation or dissolution of MISCOR.

As of December 31, 2012, options to acquire a total of 220,000 shares have been granted to participants, of which 138,000 have been forfeited, leaving 118,000 shares available for future option grants under the Plan. During 2011, no options were granted under the Plan.

Restricted Stock Purchase Plan. MISCOR s board of directors adopted the 2005 Restricted Stock Purchase Plan in August 2005, and it became effective as of September 30, 2005. The purpose of the Plan is to attract and retain directors, officers, and key employees of MISCOR and instill in them a personal financial interest in causing the equity of MISCOR to grow throughout their careers. MISCOR intends on accomplishing these goals by giving eligible directors, officers, and key employees the opportunity to purchase shares of MISCOR s common stock under the Plan. MISCOR believes this provides participants in the plan with an increased incentive to work for the success of MISCOR and promotes MISCOR s long term interests and those of the participants. The Compensation Committee of MISCOR s Board administers the Plan.

The Board has reserved 100,000 shares of MISCOR common stock for issuance under the Plan. If the shares of MISCOR common stock are increased, decreased, or changed into or exchanged for a different number or kind of shares of stock or other securities of MISCOR or another corporation as a result of a stock split, stock dividend,

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combination of shares, or any other change or exchange for other securities by reclassification, reorganization, redesignation, merger, consolidation, recapitalization, or otherwise, then the number of shares reserved under the Plan will be adjusted to reflect such action. If MISCOR repurchases shares issued under the Plan pursuant to restrictions imposed on the shares, the repurchased shares will become available for future issuance under the Plan.

The Plan will continue indefinitely, provided that the MISCOR board of directors may terminate the Plan at any time as it deems advisable. However, the Plan may not be terminated to affect any right or obligation created under the Plan prior to such termination, unless the affected person consents.

Those directors, officers, and key employees of MISCOR and of each of MISCOR s subsidiaries who are designated by the Compensation Committee for participation in the Plan are eligible to be issued shares of restricted stock under the Plan. If a participant s employment is terminated within three years after the shares are purchased for any reason other than death or disability, the participant must sell the restricted shares back to the company for the original price, which may be zero. If a participant s employment is terminated during the three-year restriction period as a result of death or disability or after the expiration of the restriction period for any reason, the participant must sell the restricted shares back to MISCOR at their fair market value (which generally will be equal to an average of the closing bid and asked prices of MISCOR s common stock as quoted on the OTCQB for the five days immediately preceding the date of termination of employment). In the event of a sale of MISCOR or MISCOR s liquidation, the foregoing restrictions will lapse. Any other transfer or attempted transfer of a participant s shares except as described above will be null and void. The Plan defines a sale of MISCOR as the sale of all of MISCOR s capital stock (whether by direct sale or through a merger, share exchange, or other business combination) or the sale of substantially all of MISCOR s assets.

As of December 31, 2012, 58,700 shares of restricted stock were granted to participants under the Plan, of which 30,700 were forfeited and 6,000 shares were repurchased, leaving 78,000 shares available for future offers and issuance under the Plan. During 2011, no shares of restricted stock were granted to participants under the Plan. During 2011 no shares of restricted stock were granted under the Plan.

Outstanding Equity Awards at Fiscal Year End 2012

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable [1]	Number of Securities Underlying Unexercised Options (#) Unexercisable [1]	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) [2]	Market Value of Shares or Units of Stock That Have Not Vested ($) [5]
Michael P. Moore	25,000	60,000	$ 0.35	6/18/15 [6]	13,000 [3]	$ 13,390
Marc Valentin, CPA, CGMA		7,000	$ 0.35	2/28/16	3,000 [4]	$ 3,090

(1) Represents options awarded under the 2005 Stock Option Plan by the Compensation Committee of the MISCOR board of directors. The options may be deemed cancelled upon, or within certain prescribed periods after, termination of employment, depending on the reason for such termination. In the event of any change in control of MISCOR, options granted under the plan become immediately exercisable in full, and any option holder employed as of the date of the change of control will have 30 days after such date to exercise his or her option. The options are exercisable in 25% cumulative increments on and after the first four anniversaries of their grant date.

(2) Under the 2005 Restricted Stock Purchase Plan, shares of restricted stock may be forfeited during the three-year period after purchase upon a termination of employment for any reason other than death or disability.

(3) Represents 10,000 and 3,000 shares issued pursuant to an accepted offer to purchase such shares at a nominal price equal to $0.025 per share and $0.01 per share, respectively, under the 2005 Restricted Stock Purchase Plan. Dividends are payable on these shares when, and if, declared by the MISCOR board of directors. The transfer and forfeiture restrictions applicable to these shares lapse on the third anniversary of the date the restricted shares were initially purchased.

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(4) Represents shares issued pursuant to an accepted offer to purchase such shares at a nominal price equal to $0.01 per share under the 2005 Restricted Stock Purchase Plan. Dividends are payable on these shares when, and if, declared by the MISCOR board of directors. The transfer and forfeiture restrictions applicable to these shares lapse on the third anniversary of the date the restricted shares were initially purchased.
(5) Based on the $1.03 closing price of MISCOR common stock on December 31, 2012.
(6) In addition to the 50,000 options expiring on June 18, 2015, Mr. Moore also holds 10,000 options expiring February 28, 2016.

Employee Stock Purchase Plan

MISCOR s board of directors adopted the Employee Stock Purchase Plan as of January 1, 2007, and it became effective on March 23, 2007. The Plan, which is tax qualified, was approved by MISCOR s shareholders, and is administered by the Compensation Committee of MISCOR s board of directors. The purpose of the Plan is to provide a benefit and retention incentive to eligible employees by providing them with the opportunity to purchase shares of MISCOR common stock at a discounted price. All of MISCOR and MISCOR subsidiaries employees are eligible to participate in the Plan, other than any employee who is employed for less than six months, works less than 20 hours per week, or is an officer who is also a highly compensated employee within the meaning of the Internal Revenue Code.

MISCOR s board of directors reserved 640,000 shares of MISCOR common stock for issuance under the Plan, subject to adjustment if the number of outstanding shares of common stock changes due to any reorganization, recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation, or similar transaction. MISCOR may issue up to 64,000 shares under the Plan during any calendar year. The Plan will terminate on December 31, 2016 or, if earlier, when participants have purchased all of the shares reserved for issuance under the Plan.

Eligible employees elect to participate in the Plan through regular payroll deductions, on an after-tax basis, of between 2% and 8% of total compensation. The annual maximum deduction per employee is $5,000. Each quarter, MISCOR offers shares to eligible employees under the Plan. At the end of each offering period, MISCOR uses all the contributions in the participating employees respective accounts to purchase common stock at a price equal to 90% of the fair market value of the stock on the first day of the offering period or last day of the offering period, whichever is less. After each offering period the purchased shares are issued to the respective participating employees, who have all the rights and privileges of a shareholder with respect to such shares.

MISCOR issued zero (0) shares of MISCOR common stock to participating employees for payroll deductions withheld during 2011 and 2012. While 558,867 shares remain available for issuance under the Plan, MISCOR suspended indefinitely the operation of, and employee participation in, the Plan on September 30, 2009.

401(k) Plan

In 2002, the MISCOR board of directors adopted the Magnetech 401(k) Plan for non-union employees, which is intended to be a tax-qualified defined contribution plan under Sections 401(a) and 401(k) of the Internal Revenue Code. Under the terms of the Plan, eligible employees may elect to contribute up to 75% of their eligible compensation as salary deferral contributions to the Plan, subject to certain statutorily prescribed limits. In addition, eligible employees may elect to contribute an additional amount of their eligible compensation as a catch-up contribution to the Plan, provided that such eligible employees are anticipated to reach age 50 before the end of the applicable year and subject to certain statutorily prescribed limits.

The Plan also permits, but does not require, that MISCOR makes discretionary matching contributions. MISCOR made discretionary matching contributions to the Plan in 2008. Because the Plan is a tax-qualified plan, MISCOR can generally deduct contributions to the Plan when made, and such contributions are not taxable to participants until distributed from the Plan. Pursuant to the terms of the Plan, participants may direct the trustees to invest their accounts in selected investment options.

MISCOR also has adopted a 401(k) plan for union employees.

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PROPOSALS BEING SUBMITTED TO A VOTE AT THE IES MEETING

Each share of IES common stock outstanding as of the record date for the IES Meeting of August 5, 2013, is entitled to one vote on each of the following proposals:

Proposal No. 1: APPROVAL OF THE ISSUANCE OF SHARES OF IES COMMON STOCK IN THE MERGER

At the IES Meeting, as previously described in this joint proxy statement/prospectus, IES stockholders will be asked to approve the issuance of shares of IES common stock to the shareholders of MISCOR Group, Ltd. in connection with the merger of MISCOR Group, Ltd with and into IES Subsidiary Holdings, Inc., a wholly-owned subsidiary of IES, as set forth in the Agreement and Plan of Merger, dated March 13, 2013, by and among IES, MISCOR Group, Ltd. and IES Subsidiary Holdings, Inc., a copy of which is attached as Annex A to the joint proxy statement/prospectus.

Vote Required

The affirmative vote of the holders of a majority of votes cast at the IES Meeting at which a majority of the outstanding shares of IES common stock are present in person or represented by proxy will be required for approval of IES Proposal No. 1. Abstentions and broker non-votes will not be counted either in favor of or against approval of IES Proposal No. 1.

Board Recommendation

The IES board of directors recommends that the IES stockholders vote FOR IES Proposal No. 1 to approve the issuance of shares of IES common stock in the merger. In considering the recommendation of the IES board of directors, you should be aware that certain directors of IES have personal interests that may motivate them to support the merger.

Proposal No. 2: APPROVAL OF THE ADJOURNMENT OR POSTPONEMENT OF THE IES MEETING

IES is asking its stockholders to vote on a proposal to adjourn or postpone the IES Meeting, if necessary or appropriate, in order to allow for the solicitation of additional proxies.

Vote Required

The affirmative vote of a majority of the votes cast on this matter is required to adjourn or postpone the IES Meeting, if necessary or appropriate, in order to allow for the solicitation of additional proxies. Abstentions and broker non-votes will not be counted either in favor of or against approval of IES Proposal No. 2.

Board Recommendation

The IES board of directors recommends a vote FOR IES Proposal No. 2 to approve the adjournment or postponement of the IES Meeting, if necessary or appropriate, to solicit additional proxies. Proxies will be voted FOR adjournment or postponement unless a stockholder gives other instructions on the proxy card.

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PROPOSALS BEING SUBMITTED TO A VOTE AT THE MISCOR MEETING

Each share of MISCOR common stock outstanding as of the record date for the MISCOR Meeting of August 5, 2013, is entitled to one vote on each of the following proposals:

Proposal No. 1: ADOPTION OF THE MERGER AGREEMENT

At the MISCOR Meeting, as previously described in this joint proxy statement/prospectus, MISCOR shareholders will be asked to adopt the Agreement and Plan of Merger, dated as of March 13, 2013, by and among Integrated Electrical Services, Inc., MISCOR Group, Ltd. and IES Subsidiary Holdings, Inc. a copy of which is attached as Annex A to the joint proxy statement/prospectus, pursuant to which MISCOR Group, Ltd. will merge with and into IES Subsidiary Holdings, Inc., a wholly-owned subsidiary of IES.

Vote Required

A majority of the outstanding MISCOR common stock entitled to vote must be cast in favor of MISCOR Proposal No. 1 for it to be approved. Abstentions and broker non-votes will have the same effect as a vote against the MISCOR Proposal No. 1.

Board Recommendation

The MISCOR board of directors unanimously recommends that the MISCOR shareholders vote FOR MISCOR Proposal No. 1 to adopt the merger agreement. In considering the recommendation of the MISCOR board of directors, you should be aware that certain directors and executive officers of MISCOR have interests in the transactions contemplated by the merger agreement that may be different from, or in addition to, the interests of MISCOR shareholders generally.

Proposal No. 2:

APPROVAL, BY NON-BINDING ADVISORY VOTE, OF MERGER-RELATED

NAMED EXECUTIVE OFFICER COMPENSATION

At the MISCOR Meeting, as previously described in this joint proxy statement/prospectus, MISCOR shareholders will be asked to approve on an advisory (non-binding) basis the golden parachute compensation to be paid to MISCOR s executive officers in connection with the merger (which is referred to as the merger-related named executive officer compensation proposal).

The following sets forth the information required by Item 402(t) of Regulation S-K regarding the compensation for each named executive officer of MISCOR that is based on or otherwise relates to the merger and related transactions. This compensation is referred to as golden parachute compensation by the applicable Securities and Exchange Commission rules, and in this section such term is used to describe the merger-related named executive compensation payable. The golden parachute compensation payable to these individuals is subject to a non-binding advisory vote of MISCOR s shareholders, as described in this section below.

Golden Parachute Compensation

Under Michael Moore s employment agreement, in the event of a Change of Control (as defined therein), MISCOR is not required to compensate Mr. Moore. Accordingly, the merger does not trigger any compensation or benefits for Mr. Moore under his employment agreement with MISCOR. Mr. Valentin does not have an employment agreement with MISCOR. Thus, none of the MISCOR named executive officers is expected to receive any severance payment or benefits in connection with the consummation of the merger. The only consideration that they are expected to receive relates to their shares of restricted stock or stock options, which are either already vested and owned or will vest as a result of the merger.

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The following table sets forth the amount of payments and benefits in connection with the merger that each MISCOR named executive officer may receive based on, or otherwise related to, the merger, assuming the effective time of the merger was July 24, 2013 (the latest practicable date) and each named executive officer elected to receive fifty percent (50%) of his merger consideration as Cash Consideration and fifty percent (50%) as Stock Consideration (which is MISCOR s best estimate based upon the expectation that each named executive officer will elect to receive an as of yet undetermined combination of Cash Consideration and Stock Consideration in the merger). Because of these assumptions, which may or may not occur, the actual amount of payments and benefits that a named executive officer may receive may differ materially from the amounts set forth in the table and footnotes below. For additional details regarding the terms of the amounts quantified below, see Interests of Directors and Executive Officers of MISCOR in the Merger.

Golden Parachute Compensation

Name	Cash ($)	Equity(1) ($)	Pension/ NQDC ($)	Perquisites/ benefits ($)	Tax reimbursement ($)	Other ($)	Total ($)
Michael P. Moore		$ 107,785[(2)]					$ 107,785
Marc Valentin		$ 14,765[(3)]					$ 14,765

(1) At the effective time of the merger, each outstanding share of MISCOR common stock (other than Dissenting Shares and shares to be canceled pursuant to the terms of the merger agreement) will be converted into the right to receive merger consideration comprised of, at the election of the holder, either: (1) a per share dollar amount (the Cash Consideration), which amount shall not be less than $1.415, equal to the quotient obtained by dividing (x) the difference between $24.0 million and the amount of MISCOR s Net Debt (as defined in the merger agreement) and (y) the number of shares of MISCOR common stock outstanding as of the fifteenth business day prior to the closing date; and/or (2) a number of shares of IES common stock (the Stock Consideration) equal to a fraction, the numerator of which is the Cash Consideration and the denominator of which is the 60-day VWAP of IES common stock ending with the fifteenth business day prior to the closing date (the IES Common Stock Value); provided, however, that the if the IES Common Stock Value is less than $4.024 per share or greater than $6.036 per share, then the IES Common Stock Value will be $4.024 per share or $6.036 per share, respectively. Under the assumptions described in Note 3 to the Unaudited Pro Forma Condensed Combined Financial Statements beginning on page F-2, for the purpose of calculating the merger consideration as of July 24, 2013: (1) Net Debt is equal to $6.614 million; (2) 11,684,987 shares of MISCOR common stock are outstanding; and (3) the IES Common Stock Value is $4.75. Accordingly, the Cash Consideration would have been approximately $1.48 per share of MISCOR common stock, and the Stock Consideration would have had a value of approximately $1.48 per share of MISCOR common stock. The actual value of the consideration and the number of shares of IES common stock to be issued may differ from this example, given that these amounts will not be determined until the Merger Consideration Determination Date has passed and MISCOR shareholders have made their elections.

(2) This amount includes Cash Consideration of approximately $9,597 and Stock Consideration with a value of approximately $9,597 resulting from the accelerated vesting of 13,000 shares of restricted stock under MISCOR s Restricted Stock Purchase Plan as well as Cash Consideration of approximately $44,295 and Stock Consideration with a value of approximately $44,295 resulting from the accelerated vesting and exercise of options to purchase 60,000 shares of MISCOR common stock under MISCOR s 2005 Stock Option Plan. The accelerated vesting of Mr. Moore s restricted stock and stock option awards are single-trigger benefits tied to the consummation of the merger.

(3) This amount includes Cash Consideration of approximately $2,215 and Stock Consideration with a value of approximately $2,215 resulting from the accelerated vesting of 3,000 shares of restricted stock under MISCOR s Restricted Stock Purchase Plan as well as Cash Consideration of approximately $5,168 and Stock Consideration with a value of approximately $5,168 resulting from the accelerated vesting and exercise of options to purchase 7,000 shares of MISCOR common stock under MISCOR s 2005 Stock Option Plan. The accelerated vesting of Mr. Valentin s restricted stock and stock option awards are single-trigger benefits tied to the consummation of the merger.

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For additional information about agreements and understandings of MISCOR and its named executed officers concerning compensation that is based on or otherwise relates to the merger and related transactions, and the aggregate total of all such compensation that may become payable to or on behalf of such executive officers, see Special Factors Interests of MISCOR Directors and Executive Officers in the Merger beginning on page 92.

Section 951 of the Dodd-Frank Act and Rule 14a-21(c) under the Exchange Act require that MISCOR seek a non-binding advisory vote from its shareholders to approve certain golden parachute compensation that its named executive officers will or may receive from MISCOR in connection with the merger and related transactions. The proposal gives MISCOR shareholders the opportunity to express their views on the compensation that may become payable to or on behalf of MISCOR s named executive officers in connection with the merger agreement. Accordingly, MISCOR is asking its shareholders to approve, by non-binding advisory vote, the payments to its named executive officers as described in this section.

The advisory vote on the merger-related payments proposal is a vote separate and apart from the vote on the adoption of the merger agreement. Accordingly, you may vote to approve the adoption of the merger agreement and vote not to approve the merger-related named executive compensation proposal and vice versa. Because the vote on the merger-related named executive compensations proposal is advisory only, it will not be binding on either MISCOR or IES. Accordingly, if the merger agreement is adopted and the merger and related transactions are completed, the merger-related named executive compensation that is contractually required to be paid by MISCOR to its named executive officers may become payable, subject only to the conditions applicable thereto, regardless of the outcome of the non-binding advisory vote of MISCOR shareholders.

Vote Required

A majority of the votes cast at the MISCOR Meeting by MISCOR shareholders entitled to vote thereon must be cast in favor of MISCOR Proposal No. 2 for it to be approved. Because the vote on Proposal No. 2 is advisory, it will not be binding on MISCOR, and failure to receive the vote required for approval will not in itself change MISCOR s obligations to make the merger-related named executive compensation. Abstentions and broker non-votes will not be counted either in favor of or against Proposal No. 2.

Board Recommendation

The MISCOR board of directors unanimously recommends that the MISCOR shareholders vote FOR MISCOR Proposal No. 2 to approve on a non-binding advisory basis the merger-related named executive officer compensation that may be payable to MISCOR s executive officers in connection with the merger.

Proposal No. 3: APPROVAL OF THE ADJOURNMENT OR POSTPONEMENT OF THE MISCOR MEETING

MISCOR is asking its shareholders to vote on a proposal to adjourn or postpone the MISCOR Meeting, if necessary or appropriate, in order to allow for the solicitation of additional proxies.

Vote Required

The affirmative vote of a majority of the votes cast on this matter is required to adjourn or postpone the MISCOR Meeting, if necessary or appropriate, in order to allow for the solicitation of additional proxies. Abstentions and broker non-votes will not be counted either in favor of or against approval of MISCOR Proposal No. 3.

Board Recommendation

The MISCOR board of directors unanimously recommends a vote FOR MISCOR Proposal No. 3 to approve the adjournment or postponement of the MISCOR Meeting, if necessary or appropriate, to solicit additional proxies. Proxies will be voted FOR adjournment or postponement unless a shareholder gives other instructions on the proxy card.

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MERGER FEES AND EXPENSES

Set forth below are the estimated fees and expenses incurred or expected to be incurred by IES, MISCOR and Merger Sub in connection with the merger. With the exception of the filing fees, the amounts set forth below are estimates.

Financial Advisor Fees and Expenses	$ 536,500
Legal Fees	884,000
Accounting Fees	377,000
Solicitation, Printing and Mailing Costs	250,000
Filing Fees	2,281
Exchange Agent Fees	16,000
Miscellaneous	20,000
Total	$ 2,085,781

LEGAL MATTERS

The validity of the shares of IES common stock to be issued in the merger will be passed upon for IES by Andrews Kurth LLP, Houston, Texas. Certain tax matters will be passed upon for IES by Andrews Kurth, LLP, Houston, Texas. Certain tax matters will be passed upon for MISCOR by Ulmer & Berne LLP.

EXPERTS

The consolidated financial statements of IES at September 30, 2012 and 2011, and for each of the three years in the period ended September 30, 2012, included in this joint proxy statement/prospectus, which is referred to and made a part of this registration statement, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements of MISCOR Group, Ltd. and its subsidiaries as of December 31, 2012 and 2011 and for the years then ended included in this joint proxy statement/prospectus have been so included in reliance on the report of BDO USA, LLP, an independent registered public accounting firm, appearing elsewhere herein, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

IES and MISCOR each file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other information with the SEC. IES and MISCOR shareholders may read and copy these reports, statements or other information filed by either IES or MISCOR at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC filings of IES and MISCOR are also available to the public from commercial document retrieval services and at the website maintained by the SEC at *http://www.sec.gov*. IES stockholders and MISCOR shareholders also may obtain certain of these documents at IES website, *www.ies-corporate.com* and at MISCOR s website, *www.miscor.com*. Information contained on the IES and MISCOR websites is expressly not incorporated by reference into this joint proxy statement/prospectus.

IES has filed a registration statement on Form S-4 to register with the SEC the shares of IES common stock to be issued to MISCOR shareholders in the merger. This joint proxy statement/prospectus forms a part of that

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registration statement and constitutes a prospectus of IES, as well as a proxy statement of IES and MISCOR for their respective meetings. As allowed by SEC rules, this joint proxy statement/prospectus, which is part of the registration statement, does not contain all the information IES and MISCOR shareholders can find in the registration statement or the exhibits to the registration statement. For further information about IES or MISCOR, please refer to the registration statement including the exhibits.

IES and MISCOR incorporate by reference the following Annexes attached to this joint proxy statement/prospectus:

the merger agreement attached as Annex A;

the opinion of Stifel attached as Annex B;

the opinion of Western Reserve attached hereto as Annex C; and

Section 23-1-44 et seq. of the Indiana Business Corporation Law attached hereto as Annex D.

IES has supplied all information contained in this joint proxy statement/prospectus relating to IES and Merger Sub, and MISCOR has supplied all information contained in this joint proxy statement/prospectus relating to MISCOR. IES has represented to MISCOR, and MISCOR has represented to IES, that the information furnished by and concerning it is true and complete in all material respects.

IES stockholders and MISCOR shareholders can obtain any of the documents filed by IES and MISCOR with the SEC free of charge by requesting them in writing or by telephone from the appropriate company at:

Integrated Electrical Services, Inc.	MISCOR Group, Ltd.
5433 Westheimer Road, Suite 500	800 Nave Road, SE
Houston, Texas 77056	Massillon, Ohio 44646
Attention: Investor Relations	Attention: Investor Relations
Telephone number: (713) 860-1500	Telephone number: (330) 830-3500
http://www.ies-corporate.com	***http://www.miscor.com***

In order for IES stockholders and MISCOR shareholders to receive timely delivery of the documents in advance of the applicable special meeting, requests for documents should be received by IES or MISCOR, as applicable, no later than August 28, 2013.

IES and MISCOR have not authorized anyone to give any information or make any representation about the merger or their companies that is different from, or in addition to, that contained in this joint proxy statement/prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this joint proxy statement/prospectus or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this joint proxy statement/prospectus does not extend to you. The information contained in this joint proxy statement/prospectus is accurate only as of the date of this joint proxy statement/prospectus unless the information specifically indicates that another date applies.

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MISCOR SHAREHOLDER PROPOSALS

MISCOR s annual meeting of shareholders is typically held in the spring of each year. If the merger is completed, MISCOR will not hold the 2013 annual meeting of shareholders. In MISCOR s proxy statement for its 2012 annual meeting of shareholders, held on May 9, 2012, MISCOR disclosed that any MISCOR shareholder who desires to include a proposal in the proxy statement for the 2013 annual meeting was required to deliver it so that it was received by MISCOR no later than December 20, 2012, which is 120 calendar days prior to April 18, 2013, the expected date of the 2013 annual meeting.

In MISCOR s proxy statement for its 2012 annual meeting of shareholders, MISCOR also disclosed that any MISCOR shareholder who wishes to present a proposal at the 2013 annual meeting of shareholders or to nominate one or more persons for the election as directors and the proposal is not intended to be included in the related proxy statement and form of proxy, the shareholder must submit the proposal in writing at least 120 days before the meeting date in accordance with MISCOR s by-laws. In general, MISCOR s by-laws provide that notice should be sent to the attention of MISCOR s Secretary at MISCOR s executive offices. If MISCOR gives notice of or publicly discloses the meeting date less than 130 days before the meeting, a shareholder proposal or director nomination will be considered timely if we receive written notice of the proposal or director nomination no later than 10 days after we mailed notice of or publicly disclosed the meeting date.

Any proposal to conduct other business submitted for the proxy materials will be subject to the rules and regulations of the SEC concerning shareholder proposals. Pursuant to MISCOR s by-laws and the rules and regulations of the SEC, the notice stating a desire to nominate any person for election as a director of MISCOR must contain the following items:

- the shareholder s name, record address, and beneficial ownership of shares of our common stock;
- the name of each person to be nominated;
- the name, age, business address, residential address, and principal occupation or employment of each nominee;
- each nominee s signed consent to serve as a director of MISCOR, if elected;
- the number of shares of our common stock beneficially owned by each nominee;
- a description of all arrangements and understandings between the shareholder and nominee pursuant to which the nomination is to be made; and
- any other information concerning the nominee that would be required in a proxy statement soliciting proxies for the election of the nominee under the rules of the SEC.

The notice of a proposal to conduct other business must contain the shareholder s name, record address, and beneficial ownership of shares of our common stock; a brief description of the proposal and the reasons for presenting the proposal at the meeting; and any material interest of the shareholder in the proposal.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined statements of income for the six months ended March 31, 2013 and for the year ended September 30, 2012 combines the historical consolidated statements of income of Integrated Electrical Services, Inc. (IES), MISCOR Group Ltd. (MISCOR) and Lonestar Renewable Technologies Corp (Acro or Lonestar), giving effect to the Transactions (as defined herein) as if they had occurred on October 1, 2011. The unaudited pro forma condensed combined balance sheet as of March 31, 2013 combines the historical consolidated balance sheets of IES and MISCOR, giving effect to the Transactions (except the February 15, 2013 acquisition of certain Acro assets) as if they had occurred on March 31, 2013. The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give pro forma effect to events that are (1) directly attributable to the Transactions, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements. In addition, the unaudited pro forma condensed combined financial information was based on and should be read in conjunction with the:

Separate historical financial statements of IES for the year ended September 30, 2012, which are included herein;

Separate historical financial statements of MISCOR for the period ended September 30, 2012, which are not included herein;

Separate historical financial statements of IES for the period ended March 31, 2013, which are included herein;

Separate historical financial statements of MISCOR for the year ended December 31, 2012, which are included herein;

Separate historical financial statements of MISCOR for the period ended March 31, 2013, which are included herein; and

Separate historical financial statements of Acro for the year ended December 31, 2012 which are included herein.

IES fiscal year end is September 30, 2012, whereas MISCOR and Acro s fiscal year end is December 31, 2012. In order to calculate the historical results for MISCOR and Acro in the unaudited pro forma condensed combined statement of income for the six months ended March 31, 2013, we have deducted the nine months ended September 30, 2012 from the twelve months ended December 31, 2012 and added this to the three months ended March 31, 2013. For the year ended September 30, 2012, we have added the nine months ended September 30, 2012 to the three months ended December 31, 2011.

The unaudited pro forma condensed combined statements of operations are presented on a standalone and combined basis.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only. The unaudited pro forma condensed combined information is not necessarily indicative of what the combined company s financial position or results of operations actually would have been had the Transactions been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting under U.S. generally accepted accounting principles, and the applicable regulations of the SEC. All material transactions between IES and Acro during the periods presented in the unaudited pro forma

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condensed combined financial statements have been eliminated. There were no transactions between IES and MISCOR for elimination purposes. IES has been treated as the acquirer in the Transactions for accounting purposes. The acquisition accounting is dependent upon certain valuations and other studies that have yet to progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing this unaudited pro forma condensed combined financial information. Differences between these preliminary estimates and the final acquisition accounting will occur, and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the combined company s future results of operations and financial position.

The unaudited pro forma condensed combined financial information does not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the merger, the costs to integrate the operations of IES, MISCOR and the Acro assets, or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of March 31, 2013

(In thousands)

	IES	MISCOR	Pro Forma Adjustments (Note 5)	Pro Forma Combined
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 13,458	$	$ 10,000[(e)]	$ 12,497
			(10,961)[(Note 3)]	
Restricted cash	7,052			7,052
Accounts receivable:				
Trade	72,745	6,223		78,968
Retainage	15,205			15,205
Inventories	12,109	5,902		18,011
Costs and estimated earnings in excess of billings on uncompleted contracts	6,647			6,647
Assets held for sale	1,110			1,110
Prepaid expenses and other current assets	4,257	1,157		5,414
Total current assets	132,583	13,282	(961)	144,904
LONG-TERM RECEIVABLE, net	213			213
PROPERTY AND EQUIPMENT, net	5,720	4,824	1,840[(d)]	12,384
GOODWILL	8,574		6,528[(Note 4)]	15,102
INTANGIBLE ASSETS, net	808	6,181	(2,081)[(c)]	4,908
OTHER NON-CURRENT ASSETS, net	5,355	2,011	(149)[(Note 4)]	7,317
			100[(e)]	
Total assets	$ 153,253	$ 26,298	$ 5,277	$ 184,828
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES:				
Current maturities of long-term debt	$ 4,163	$ 4,437	$ (4,437)[(a)]	$ 6,663
			2,500[(e)]	
Accounts payable and accrued expenses	66,667	5,503	660[(c)]	73,737
			100[(e)]	
			807[(g)]	
Billings in excess of costs and estimated earnings on uncompleted contracts	20,220			20,220
Total current liabilities	91,050	9,940	(370)	100,620
LONG-TERM DEBT	2,292	1,895	7,500[(e)]	9,792
			(1,895)[(a)]	
LONG-TERM DEFERRED TAX LIABILITY	285		2,273[(Note 4)]	2,558
OTHER NON-CURRENT LIABILITIES	6,606			6,606
Total liabilities	100,233	11,835	7,508	119,576
STOCKHOLDERS EQUITY:				
Preferred stock				

Common stock	154	59,346	(59,346)[a]	181
			27[Note 3]	
Treasury stock, at cost	(2,839)	(74)	74[a]	(2,839)
Additional paid-in capital	162,590		13,012[Note 3]	175,602
Accumulated other comprehensive income	27			27
Retained deficit	(106,912)	(44,809)	(807)[g]	(107,719)
			44,809[a]	
Total stockholders equity	53,020	14,463	(2,231)	65,252
Total liabilities and stockholders equity	$ 153,253	$ 26,298	$ 5,277	$ 184,828

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

MISCOR Acquisition

For the six months ended March 31, 2013

(In thousands, except share and per share amounts)

	IES	MISCOR	Pro Forma Adjustments (Note 5)	Pro Forma Combined
Revenues	$ 249,259	$ 23,581	$	$ 272,840
Cost of services	215,283	18,703	(552)[d]	233,844
			410[d]	
Gross profit	33,976	4,878	142	38,996
Selling, general and administrative expenses	31,528	4,745	(253)[c]	35,095
			130[c]	
			(69)[d]	
			44[d]	
			(1,030)[g]	
Gain on sale of assets	(40)			(40)
Income from operations	2,488	133	1,320	3,941
Interest and other (income) expense				
Interest expense	1,055	252	(252)[e]	1,319
			264[e]	
Interest income	(125)			(125)
Other (income) expense, net	1,696	6		1,702
Interest and other expense, net	2,626	258	12	2,896
(Loss) income from operations before income taxes	(138)	(125)	1,308	1,045
Provision (benefit) for income taxes	168	(1,858)	1,886[f]	196
Net (loss) income from continuing operations	$ (306)	$ 1,733	$ (578)	$ 849
Earnings (loss) per share from continuing operations				
Basic	$ (0.02)			$ 0.05
Diluted	$ (0.02)			$ 0.05
Shares used in the computation of earnings (loss) per share				
Basic	14,855,313		2,745,158[Note 3]	17,600,471
Diluted	14,855,313		2,745,158[Note 3]	17,703,817[h]

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the six months ended March 31, 2013

Acro Acquisition

(In thousands, except share and per share amounts)

	IES	Acro	Pro Forma Adjustments (Note 5)	Pro Forma Combined
Revenues	$ 249,259	$ 4,186	$ (878)[(b)]	$ 252,567
Cost of services	215,283	2,734	(878)[(b)]	217,139
Gross profit	33,976	1,452		35,428
Selling, general and administrative expenses	31,528	2,885	62[(c)]	34,192
			(283)[(g)]	
Gain on sale of assets	(40)			(40)
Income (loss) from operations	2,488	(1,433)	221	1,276
Interest and other (income) expense				
Interest expense	1,055	696	(696)[(e)]	1,055
Interest income	(125)			(125)
Other (income) expense, net	1,696	1,126		2,822
Interest and other expense, net	2,626	1,822	(696)	3,752
(Loss) income from operations before income taxes	(138)	(3,255)	917	(2,476)
Provision (benefit) for income taxes	168		(26)[(f)]	142
Net (loss) income from continuing operations	$ (306)	$ (3,255)	$ 943	$ (2,618)
Earnings (loss) per share from continuing operations				
Basic	$ (0.02)			$ (0.18)
Diluted	$ (0.02)			$ (0.18)
Shares used in the computation of earnings (loss) per share				
Basic	14,855,313			14,855,313
Diluted	14,855,313			14,855,313

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the six months ended March 31, 2013

Combined

(In thousands, except share and per share amounts)

	IES	MISCOR	Acro	Pro Forma Adjustments (Note 5)	Pro Forma Combined
Revenues	$ 249,259	$ 25,581	$ 4,186	$ (878)(b)	$ 276,148
Cost of services	215,283	18,703	2,734	(878)(b)	235,700
				(552)(d)	
				410(d)	
Gross profit	33,976	4,878	1,452	142	40,448
Selling, general and administrative expenses	31,528	4,745	2,885	(253)(c)	37,759
				192(c)	
				(69)(d)	
				44(d)	
				(1,313)(g)	
Gain on sale of assets	(40)				(40)
Income (loss) from operations	2,488	133	(1,433)	1,541	2,727
Interest and other (income) expense					
Interest expense	1,055	252	696	(948)(e)	1,319
				264(e)	
Interest income	(125)				(125)
Other (income) expense, net	1,696	6	1,126		2,828
Interest and other expense, net	2,626	258	1,822	(684)	4,022
(Loss) income from operations before income taxes	(138)	(125)	(3,255)	2,225	(1,293)
Provision (benefit) for income taxes	168	(1,858)		1,860(f)	170
Net (loss) income from continuing operations	$ (306)	$ 1,733	$ (3,255)	$ 365	$ (1,463)
Earnings (loss) per share from continuing operations					
Basic	$ (0.02)				$ (0.08)
Diluted	$ (0.02)				$ (0.08)
Shares used in the computation of earnings (loss) per share					
Basic	14,855,313			2,745,158(Note3)	17,600,471
Diluted	14,855,313			2,745,158(Note3)	17,600,471

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the year ended September 30, 2012

MISCOR Acquisition

(In thousands, except share and per share amounts)

	IES	MISCOR	Pro Forma Adjustments (Note 5)	Pro Forma Combined
Revenues	$ 456,115	$ 48,983	$	$ 505,098
Cost of services	398,063	37,495	(1,449)[d]	434,930
			821[d]	
Gross profit	58,052	11,488	628	70,168
Selling, general and administrative expenses	58,609	8,963	(422)[c]	67,347
			260[c]	
			(150)[d]	
			87[d]	
Gain on sale of assets	(168)			(168)
Income (loss) from operations	(389)	2,525	853	2,989
Interest and other (income) expense				
Interest expense	2,324	787	(787)[e]	2,852
			528[e]	
Interest (income)	(34)			(34)
Other (income), net	(62)	(162)		(224)
Interest and other expense (income), net	2,228	625	(259)	2,594
Income (loss) from operations before income taxes	(2,617)	1,900	1,112	395
Provision (benefit) for income taxes	38		[f]	38
Net (loss) income from continuing operations	$ (2,655)	$ 1,900	$ 1,112	$ 357
Earnings (loss) per share from continuing operations				
Basic	$ (0.18)			$ 0.02
Diluted	$ (0.18)			$ 0.02
Shares used in the computation of earnings (loss) per share				
Basic	14,625,776		2,745,158[Note3]	17,370,934
Diluted	14,625,776		2,745,158[Note3]	17,492,809[h]

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the year ended September 30, 2012

Acro Acquisition

(In thousands, except share and per share amounts)

	IES	Acro	Pro Forma Adjustments (Note 5)	Pro Forma Combined
Revenues	$ 456,115	$ 14,824	$(8,596)[(b)]	$ 462,343
Cost of services	398,063	10,019	(8,596)[(b)]	399,486
Gross profit	58,052	4,805		62,857
Selling, general and administrative expenses	58,609	8,462	147[(c)]	67,218
Gain on sale of assets	(168)	1,297		1,129
Income (loss) from operations	(389)	(4,954)	(147)	(5,490)
Interest and other (income) expense				
Interest expense	2,324	400	(400)[(e)]	2,324
Interest (income)	(34)	(126)		(160)
Other (income), net	(62)	(524)		(586)
Interest and other expense (income), net	2,228	(250)	(400)	1,578
Income (loss) from operations before income taxes	(2,617)	(4,704)	253	(7,068)
Provision (benefit) for income taxes	38	1	[(f)]	39
Net (loss) income from continuing operations	$ (2,655)	$ (4,705)	$ 253	$ (7,107)
Earnings (loss) per share from continuing operations				
Basic	$ (0.18)			$ (0.49)
Diluted	$ (0.18)			$ (0.49)
Shares used in the computation of earnings (loss) per share				
Basic	14,625,776			14,625,776
Diluted	14,625,776			14,625,776

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the year ended September 30, 2012

Combined

(In thousands, except share and per share amounts)

	IES	MISCOR	Acro	Pro Forma Adjustments (Note 5)	Pro Forma Combined
Revenues	$ 456,115	$ 48,983	$ 14,824	$ (8,596)(b)	$ 511,326
Cost of services	398,063	37,495	10,019	(8,596)(b)	436,353
				(1,449)(d)	
				821(d)	
Gross profit	58,052	11,488	4,805	628	74,973
Selling, general and administrative expenses	58,609	8,963	8,462	(422)(c)	75,956
				407(c)	
				(150)(d)	
				87(d)	
Gain on sale of assets	(168)		1,297		1,129
Income (loss) from operations	(389)	2,525	(4,954)	706	(2,112)
Interest and other (income) expense					
Interest expense	2,324	787	400	(1,187)(e)	2,852
				528(e)	
Interest (income)	(34)		(126)		(160)
Other (income), net	(62)	(162)	(524)		(748)
Interest and other expense (income), net	2,228	625	(250)	(659)	1,944
Income (loss) from operations before income taxes	(2,617)	1,900	(4,704)	1,365	(4,056)
Provision (benefit) for income taxes	38		1	(f)	39
Net (loss) income from continuing operations	$ (2,655)	$ 1,900	$ (4,705)	$ 1,365	$ (4,095)
Earnings (loss) per share from continuing operations					
Basic	$ (0.18)				$ (0.24)
Diluted	$ (0.18)				$ (0.24)
Shares used in the computation of earnings (loss) per share					
Basic	14,625,776			2,745,158(Note3)	17,370,934
Diluted	14,625,776			2,745,158(Note3)	17,370,934

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

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INTEGRATED ELECTRICAL SERVICES, INC.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

(All Dollar Amounts in Thousands Except Per Share Amounts)

Note 1: Description of Transactions

MISCOR

On March 13, 2013, IES and MISCOR entered into a definitive merger agreement pursuant to which, subject to the terms and conditions set forth in the agreement and discussed below, MISCOR will merge with and into IES Subsidiary Holdings, Inc., a wholly-owned subsidiary of IES (Merger Sub), with Merger Sub surviving the merger as the surviving corporation, a wholly-owned subsidiary of IES. At the effective time of the merger, all outstanding MISCOR options, warrants and restricted stock will immediately vest into MISCOR common stock, and IES will issue, subject to the terms of the merger agreement, at the election of each MISCOR shareholder, shares of IES common stock or cash for each share of MISCOR common stock issued and outstanding, subject to the Maximum Cash Amount (as described in Note 3 to these unaudited pro forma condensed combined financial statements). At the time of this filing, it is expected by IES management that MISCOR shareholders holding approximately 75% of MISCOR s issued and outstanding common stock (as of the Merger Consideration Determination Date, as defined below) will elect to receive shares of IES common stock in the merger and that MISCOR shareholders holding approximately 25% of MISCOR s issued and outstanding common stock (as of such date) will elect to receive cash consideration. See Note 3 to these unaudited pro forma condensed combined financial statements for a discussion of the facts underlying this assumption.

Based on the assumptions described in Note 3 to these unaudited pro forma condensed combined financial statements, which assumptions will not be definitively determined until the fifteenth business day prior to the closing date of the merger (the Merger Consideration Determination Date), each MISCOR shareholder will have the right to receive, subject to the terms of the merger agreement, at his or her election, either $1.48 in cash or 0.311 shares of IES common stock for each share of MISCOR common stock issued and outstanding, subject to the sensitivity assumptions set forth herein. See Note 3 to these unaudited pro forma condensed combined financial statements for further discussion of these assumptions and a sensitivity analysis related to the potential consideration that may be received by MISCOR shareholders.

Acro

On February 8, 2013, IES Renewable Energy, LLC (IES Renewable), an indirect wholly-owned subsidiary of IES, entered into an asset purchase agreement with a group of entities operating under the name of the Acro Group: Residential Renewable Technologies, Inc., Energy Efficiency Solar, Inc. and Lonestar Renewable Technologies Acquisition Corp. (collectively, the Acro Group). Pursuant to the terms of the asset purchase agreement, IES agreed to acquire certain assets in connection with the Acro Group s turn-key residential solar integration business (the Acquired Assets). The Acquired Assets include, but are not limited to, assets relating to the Acro Group s solar installation sales and marketing platform and the backlog of contracts entered into by the Acro Group with residential solar customers, which provide for the payment of sales and marketing fees in connection with the sale, installation and third-party financing of residential solar equipment. The transaction closed on February 15, 2013 (the Closing Date).

Following consummation of the transaction, IES Residential, Inc. (IES Residential), a wholly-owned subsidiary of IES, began offering full-service residential solar integration services, including design, procurement, permitting, installation, financing services through third parties and warranty services for residential customers. IES Residential had previously provided solar installation subcontracting services to the Acro Group, and as of February 8, 2013, was owed $3,800 for subcontracting services provided up to that date (such balance, as of the day prior to the Closing Date, the Accounts Receivable Balance).

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Total consideration received by the Acro Group for the Acquired Assets consists of (i) IES Residential s release of the Accounts Receivable Balance, (ii) payment by IES Renewable to the Acro Group of a percentage of future gross revenue generated from the Acquired Assets in an amount not to exceed $2,000 over the 12-month period beginning the first full month following the Closing Date, subject to certain reductions as described in the asset purchase agreement, and (iii) $828 representing amounts paid by IES Residential, to the Acro Group to fund certain of its operating expenses between January 4, 2013 and the Closing Date.

On February 21, 2013, an affiliate of the Acro Group, Acro Energy Technologies, Inc. (the Debtor) filed a petition under Chapter 7 of the United States Code with the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the bankruptcy case). The Debtor was not party to the asset purchase agreement or otherwise involved in the Acro asset transaction. As such, the bankruptcy case is not anticipated to have an impact on the asset purchase agreement, the transactions contemplated thereunder or the Acquired Assets.

According to Note 5 to the Consolidated Financial Statements of Lonestar Renewable Technologies Corp. (referred to herein as Acro or Lonestar) for the years ended December 31, 2012 and 2011, on May 13, 2011, Lonestar granted collateral security on all of its assets and the assets of two of its subsidiaries to four individuals (the Secured Parties) who had advanced sums and other financial accommodations to Lonestar. Thereafter, on June 19, 2012, the Secured Parties assigned their collateral security rights to Residential Renewable Technologies, Inc. (Residential), and Lonestar assigned all of its assets to Residential, which agreed to lease the assets to Energy Efficiency Solar, Inc., a subsidiary of Lonestar, for a monthly lease payment of $1.00.

The financial statements of Lonestar for the year ending December 31, 2012 do not appear to reflect the transfer of assets to Residential. The assets and operations acquired by IES are fully included in the financial statements of Lonestar, thus precluding the necessity to include the financial statements of Residential. Residential is a party to the asset purchase agreement because it owned certain assets acquired by IES.

Both the MISCOR transaction and the Acro asset acquisition are significant and, as such, are presented separately in the unaudited pro forma condensed combined financial statements. The combination of the MISCOR transaction and the Acro asset acquisition is referred to as the Transactions in the notes to these unaudited pro forma condensed combined financial statements.

Note 2: Basis of Presentation

The Transactions are reflected in the unaudited pro forma condensed combined financial statements as being accounted for under the acquisition method of accounting. Under the acquisition method, the total estimated purchase price for the MISCOR transaction as described in Note 3 will be measured at the closing date of the MISCOR transaction using the quoted market price of IES common stock at that time which may be different than the VWAP as defined and discussed further in Note 3. Therefore, this may result in a per-share equity value that is different from that assumed for purposes of preparing these unaudited pro forma condensed combined financial statements. The assets and liabilities of MISCOR and Acro have been measured at fair value based on various preliminary estimates using assumptions that IES management believes are reasonable utilizing information currently available. Use of different estimates and judgments could yield materially different results. There are limitations on the type of information that can be exchanged between MISCOR and IES at this time. Until the MISCOR acquisition is complete, IES will not have complete access to all relevant information.

The process for estimating the fair values of identifiable intangible assets and certain tangible assets requires the use of significant estimates and assumptions, including estimating future cash flows. The excess of the estimated purchase consideration over the estimated amounts of identifiable assets and liabilities of MISCOR and Acro as of the effective date of the acquisitions have been allocated to Goodwill. The purchase price allocation is subject to finalization of IES analysis of the fair value of the assets and liabilities of MISCOR and Acro as of the

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effective dates of the Transactions. Accordingly, the purchase price allocation in the unaudited pro forma condensed combined financial statements is preliminary and will be adjusted upon completion of the final valuations. Such adjustments could be material.

In accordance with the SEC s rules and regulations, the unaudited pro forma condensed combined financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the Transactions or the costs to integrate the operations of IES, MISCOR and Acro or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

IES is performing a detailed review of MISCOR s accounting policies. As a result of this review, IES may identify differences between the accounting policies that, when conformed, could have a material impact on the consolidated financial statements of the combined company.

Certain reclassifications have been made to the historical presentation of MISCOR and Acro to conform to the presentation used in the unaudited pro forma condensed combined financial statements. Upon consummation of the MISCOR transaction, further review of MISCOR s financial statements may result in additional revisions to MISCOR s classifications to conform to IES presentation.

Note 3: Estimate of Consideration Expected to be Transferred

MISCOR

The following is a preliminary estimate of the consideration expected to be transferred to effect the acquisition of MISCOR. Pursuant to the merger agreement, the aggregate cash consideration to be paid in connection with the merger shall not exceed a threshold (the Maximum Cash Amount) equal to the product obtained by multiplying (x) the per share cash consideration by (y) 50% of the number of shares of MISCOR common stock outstanding immediately prior to the effective time of the merger. The Maximum Cash Amount will be equal to approximately 50% of the total consideration received by MISCOR shareholders in the merger.

One of the variables incorporated in the unaudited pro forma financial statements for the MISCOR transaction is the assumption of IES management that MISCOR shareholders holding approximately 75% of MISCOR s issued and outstanding common stock (as of the Merger Consideration Determination Date) will elect to receive shares of IES common stock in the merger and that MISCOR shareholders holding approximately 25% of MISCOR s issued and outstanding common stock (as of such date) will elect to receive cash consideration. This is IES management s best estimate at this time, which is based, in part, on the expectation that Tontine will elect to receive stock consideration for 100% of its MISCOR common stock (or 49.9% of MISCOR s outstanding common stock as of July 24, 2013) and John Martell will elect to receive stock consideration for between 18.3% and 54.8% of his MISCOR common stock (or between 4.2% and 12.7% of MISCOR s outstanding common stock as of July 24, 2013).

Mr. Martell and representatives of Tontine have each engaged in non-binding discussions with representatives of MISCOR and IES regarding their intentions to elect to receive sufficient stock consideration in the merger to avoid triggering the Maximum Cash Amount and, thereby, limiting the cash consideration available to unaffiliated MISCOR shareholders in the merger.

Tontine has indicated that it intends to take stock consideration for 100% of its MISCOR common stock, subject to the exercise of fiduciary duties in the management of its funds and other factors. Similarly, Mr. Martell has indicated that he intends to exchange at least 500,000 shares and up to 1,500,000 shares of MISCOR common stock for IES common stock (or between 18.3% and 54.8% of his shares of MISCOR common stock as of July 24, 2013), depending on certain factors and considerations. Based on these non-binding indications, IES management anticipates (as described above) that, at a minimum, 54% of the MISCOR common stock outstanding as of July 24, 2013 will elect to receive stock consideration in the merger.

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The table below shows the sensitivity of using the floor, which assumes a 50% split between cash consideration and stock consideration, and the ceiling, which assumes 100% stock consideration.

	Sensitivity Assumptions:		
	50% Stock 50% Cash	75% Stock 25% Cash	100% Stock
Total estimate of consideration expected to be transferred[b][e]	$ 24,000	$ 24,000	$ 24,000
Less: MISCOR debt balance at July 24, 2013[b][g]	$ 6,614	$ 6,614[f]	$ 6,614
Equals: Estimate of consideration after MISCOR debt balance	$ 17,386	$ $17,386	$ $17,386
Allocation to: Estimated cash consideration[b]	$ 8,693	$ 4,347[f]	$
Allocation to: IES common stock equity consideration[b][e]	$ 8,693	$ 13,039[h]	$ 17,386
Number of shares of MISCOR common stock (including shares of restricted stock) outstanding as of July 24, 2013	11,684,987	11,684,987	11,684,987
Plus: Number of MISCOR stock options outstanding as of July 24, 2013	82,000	82,000	82,000
Plus: Number of MISCOR warrants outstanding as of July 24, 2013	8,079	8,079	8,079
Equals: Total MISCOR equity units as of July 24, 2013[a]	11,775,066	11,775,066	11,775,066
MISCOR equity units electing to receive stock consideration[b]	5,887,533	8,831,300	11,775,066
Estimated cash consideration per share[i]	$ 1.48	$ 1.48	$ 1.48
IES common stock share price on July 24, 2013[b][d]	$ 4.75	$ 4.75	$ 4.75
IES shares expected to be issued as stock consideration[b]	1,830,105	2,745,158	3,660,211
Estimated exchange ratio[b][c]	0.311	0.311	0.311
Pro forma earnings per share for the year ended September 30, 2012 MISCOR only	$ 0.02	$ 0.02	$ 0.02
Pro forma earnings per share for the period ended March 31, 2013 MISCOR only	$ 0.05	$ 0.05	$ 0.05

(a) Assumes for purposes of these unaudited pro forma condensed combined financial statements that the total number of MISCOR equity units outstanding as of July 24, 2013 is reflective of the total number of MISCOR equity units that will be outstanding as of the Merger Consideration Determination Date.

(b) Actual amounts may vary from these estimates based on, among other factors, (i) the number of MISCOR equity units for which cash consideration is elected and the number of MISCOR equity units for which stock consideration is elected, (ii) the volume-weighted average of the sale prices per share of IES common stock for the 60 consecutive trading days ending on the Merger Consideration Determination Date (the IES Common Stock Value), (iii) if the IES Common Stock Value is greater than $6.036 per share or less than $4.024 per share (the VWAP Collar) on the Consideration Determination Date, (iv) the market price of IES common stock on the closing date, (v) fluctuations in MISCOR s Net Debt prior to the Merger Consideration Determination Date, and (vi) the number of MISCOR stock options and warrants actually exercised. See sensitivity disclosures below.

(c) Estimated exchange ratio equal to (x) the estimated cash consideration of $1.48 per share (see footnote (i) below), divided by (y) the closing price of IES common stock, as reported on the NASDAQ Global Market System on July 24, 2013 (see footnote (d) below).

(d) Assumes for purposes of these unaudited pro forma condensed combined financial statements that the closing price of IES common stock, as reported on the NASDAQ Global Market System on July 24, 2013, of $4.75 per share may better reflect the anticipated VWAP of IES common stock for the 60-day period ending on the Merger Consideration Determination Date than the VWAP of IES common stock for the 60- day period ending on July 24, 2013 of $5.1616. Keeping all other factors unchanged, using the VWAP of IES common stock for the 60-day period ended on July 24, 2013, in lieu of the market price of IES common stock at July 24, 2013, in the calculation of estimated consideration set forth in the table above would result

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in a decrease in consideration of approximately $1,040, which would be recorded as a decrease to Goodwill in the unaudited pro forma condensed combined balance sheet.

(e) The estimated consideration expected to be transferred related to the MISCOR acquisition reflected in these unaudited pro forma condensed combined financial statements does not purport to represent what the actual consideration transferred will be when the transaction is completed. The fair value of the shares of IES common stock to be issued as part of the consideration transferred is required to be measured on the closing date of the transaction at the then-current market price of IES common stock. This requirement will likely result in a per-share equity component different from what has been assumed in these unaudited pro forma condensed combined financial statements and that difference may be material.

A $1.00 increase in the closing price per share for IES common stock, as reported on the NASDAQ Global Market system on July 24, 2013 (see footnote (d) above) would not have a material impact on the overall consideration because a market price of $5.75 per share would be within the VWAP Collar. A $1.00 decrease in the closing price per share for IES common stock, as reported on the NASDAQ Global Market system on July 24, 2013 would be below the VWAP floor of $4.024. This would result in approximately $900 in lower overall consideration which would be recorded against Goodwill. The total consideration for the MISCOR acquisition may be higher or lower than $24,000 as a result of the fluctuations in the factors described in footnote (b) above, including, specifically, if the IES Common Stock Value is outside of the VWAP Collar. Given that this information is not yet available to IES, these unaudited pro forma condensed combined financial statements assume that total consideration will be $24,000.

(f) Cash adjustment in unaudited pro forma condensed combined balance sheet is $10,961.

(g) Assumes for purposes of these unaudited pro forma condensed combined financial statements that MISCOR s total debt outstanding at July 24, 2013 of $6,614 may better reflect MISCOR s anticipated Net Debt as of the Merger Consideration Determination Date than MISCOR s Net Debt for the 30-day period ended as of July 24, 2013 of $5,994. Net Debt, as defined in the merger agreement, is a 30-day average of the sum of MISCOR s funded debt and other debt, not including ordinary trade payables. Keeping all other factors unchanged, using MISCOR s Net Debt for the 30-day period ended July 24, 2013, in lieu of MISCOR s total debt outstanding as of July 24, 2013, in the calculation of estimated consideration set forth in the table above would result in an increase in consideration after the MISCOR debt balance of approximately $620, which would be recorded as an increase to Goodwill in the unaudited pro forma condensed combined balance sheet.

(h) Allocation on the unaudited pro forma condensed combined balance sheet between Common Stock and APIC is $27 and $13,012, respectively, based on par value of $0.01.

(i) Estimated cash consideration per share equal to (x) the difference between $24,000 and MISCOR s debt balance as of July 24, 2013 (see footnote (g) above) divided by (y) the number of MISCOR equity units outstanding as of July 24, 2013 (see footnote (a) above).

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Note 4: Preliminary Purchase Price Allocation

The following is a preliminary estimate of the assets acquired and liabilities assumed by IES in the MISCOR acquisition, reconciled to the estimate of consideration expected to be transferred:

	MISCOR
Estimate of consideration expected to be transferred (see Note 3)	$ 24,000
Book value of net assets (liabilities) acquired at March 31, 2013	$ 14,463
Plus: Debt at March 31, 2013 repaid in connection with the transaction	6,332
Equals: Adjusted book value of net assets acquired	20,795
Fair value and deferred tax adjustments to (see Note 5):	
Intangible assets[c]	(2,081)
Fixed assets[d]	1,840
Deferred tax assets[f]	(149)
Deferred tax liabilities[f]	(2,273)
Unfavorable leases[c]	(660)
Goodwill	6,528
Total fair value and deferred tax adjustments	3,205
Fair value of net assets acquired	$ 24,000

Note 5: Adjustments to Unaudited Pro Forma Condensed Combined Financial Statements

(a) Liabilities and Equity Not Acquired: Based on the terms of the MISCOR purchase agreement, MISCOR outstanding debt will be retired commensurate with the merger. The unaudited pro forma condensed combined financial statements have been adjusted to remove such debt as well as historical MISCOR equity at the respective historical carrying values.

(b) Intercompany Eliminations: Reflects the elimination of revenue and cost of services in connection with historical services provided by IES to Acro and related Acro cost for these services as if the entities were combined as of October 1, 2011 for the unaudited pro forma condensed combined statements of operations. There were no related transactions between IES and MISCOR for elimination purposes.

(c) Intangible Assets: The fair value of identifiable intangible assets is determined primarily using the income approach, which requires a forecast of all of the expected future cash flows either through the use of the relief-from-royalty method or the multi-period excess earnings method. Some of the more significant assumptions inherent in the development of intangible asset values include: the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows, and the assessment of the asset s life cycle, as well as other factors. However, for purposes of these unaudited pro forma condensed combined financial statements, using certain high-level assumptions, the fair value of the identifiable intangible assets, the related amortization expense and their weighted-average useful lives have been estimated as follows:

					Amortization Expense	
	Carrying Value	Estimated Fair Value	Step Up (Down)	Weighted Average Estimated Useful Life	Year Ended September 31, 2012	Six Months Ended March 31, 2013
MISCOR						

Trademarks	$	$ 1,200	$ 1,200	Indefinite	$	$
Technical library	513	400	(113)	20 Years	20	10
Customer relationships	5,668	2,500	(3,168)	6.8 Years	369	184
Unfavorable leases		(660)	(660)	5.1 Years	(129)	(64)
Total MISCOR, net[2]	$ 6,181	$ 3,440	$ (2,741)		$ 260	$ 130

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	Carrying Value	Estimated Fair Value	Step Up (Down)	Weighted Average Estimated Useful Life	Amortization Expense Year Ended September 31, 2012	Amortization Expense Period Ended February 14, 2013
Acro						
Backlog	$	$ 350	$ 350	5 Months	$ [1]	$ [1]
Covenant not-to-compete		140	140	3 Years	47	23[3]
Developed technology		400	400	4 Years	100	50[3]
Total Acro, net[2]		890	890		147	73
Total MISCOR and Acro, net	$ 6,181	$ 4,330	$ (1,851)		$ 407	$ 203[3]

(1) Note that subsequent amortization of the new backlog intangible asset recorded at fair value is expected to be less than 12 months. As this does not have a continuing impact, the unaudited pro forma condensed combined statements of operations do not include this amortization expense.

(2) MISCOR fair value adjustments, excluding unfavorable leases, is $(2,081).

(3) Note that amortization expense of $11 was recorded subsequent to the acquisition of Acro. This amount was excluded from the as calculated pro forma interest expense for the period.

Historical MISCOR amortization of $253 and $422 for the six months ended March 31, 2013 and the year ended September 30, 2012, respectively, is derecognized in the unaudited pro forma statements of operations.

These preliminary estimates of fair value and estimated useful life will likely be different from the final acquisition accounting, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial statements. Once IES has full access to the specifics of MISCOR s intangible assets, additional insight will be gained that could impact: (i) the estimated total value assigned to intangible assets and (ii) the estimated weighted average useful life of each category of intangible assets. The estimated intangible asset values and their useful lives could be impacted by a variety of factors that may become known to IES only upon access to the additional information and/or changes in such factors that may occur prior to the effective time of the transaction.

(d) Fixed Assets: For purposes of these unaudited pro forma condensed combined financial statements, IES has estimated the fair values of MISCOR fixed assets set forth below. This estimate of fair value is preliminary and subject to change once IES has sufficient information as to the specific types, nature, age, condition and location of MISCOR fixed assets. The below table calculates the MISCOR step up adjustment and related depreciation expense recorded in the accompanying unaudited pro forma condensed combined financial statements:

	Carrying Value	Estimated Fair Value	Step Up (Down)	Remaining Useful Life (in years)	Depreciation Expense Year Ended September 31, 2012	Depreciation Expense Six Months Ended March 31, 2013
MISCOR						
Land	$ 250	$ 250	$	N/A	$ N/A	$ N/A
Buildings	1,319	1,550	231	20	78	39
Leasehold improvements	231	301	70	3	100	50
Machinery and equipment	1,937	2,778	841	7	397	198
Construction in process[1]	124	308	184	N/A	[1]	[1]
Vehicles		46	46	3	15	8
Office & computer equipment	963	1,431	468	4.5	318	159
Total MISCOR	**$ 4,824**	**$ 6,664**	**$ 1,840**		**$ 908**	**$ 454**

Allocated to cost of services	821	410
Allocated to SG&A	87	44

(1) Carrying value expected to approximate fair value for construction in process and is not depreciated consistent with IES accounting policies.

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Historical MISCOR depreciation of $621 ($552 cost of services and $69 selling, general and administrative) and $1,599 ($1,449 cost of services and $150 selling, general and administrative) for the six months ended March 31, 2013 and the year ended September 30, 2012, respectively, was derecognized in the unaudited pro forma condensed combined statements of operations.

(e) Debt and Interest: Based on the terms of the asset purchase agreement with Acro, none of the historical Acro debt was assumed by IES in the transaction. As such, there is an adjustment in the unaudited pro forma condensed combined statements of operations to remove the interest related to this debt as it will not have a continuing impact.

Based on the terms of the definitive merger agreement, the MISCOR debt will be assumed in the transaction by IES. Simultaneous with the closing of the MISCOR transaction, IES expects to refinance the assumed debt with a new $10,000 fixed rate term loan with Wells Fargo which is expected to bear interest at 5.03% per annum. Approximately $2,500 is due within the first year and $7,500 thereafter. Debt issue costs are estimated at $100, which are expected to be amortized over approximately 4 years. To reflect this refinancing and the related deal terms, there is an adjustment to remove the historical debt and related interest expense in the unaudited pro forma condensed combined financial statements. A summary of the pro forma adjustment to interest expense is as follows:

Year Ended September 30, 2012	**MISCOR**	**Acro**	**Total**
Annual interest expense on new term loan	$ 503	$	$ 503
Annual amortization of debt issue costs	25		25
Total annual pro forma interest expense	528		528
Historical annual interest expense	787	400	1,187
Net pro forma adjustment to interest expense	$ 259	$ 400	$ 659

Six Months Ended March 31, 2013	**MISCOR**	**Acro**	**Total**
Pro forma interest expense on new term loan	$ 251	$	$ 251
Annual amortization of debt issue costs	13		13
Total pro forma interest expense	264		264
Less: Historical interest expense	252	696	948
Net pro forma adjustment to interest expense	$ 12	$ (696)	$ (684)

(f) Deferred taxes:

In assessing the recovery of net operating loss carryforwards, IES considers whether it is more likely than not that some portion or all of net operating loss carryforwards will be realized. The realization of net operating loss carryforwards is dependent upon the generation of taxable income during the periods the net operating loss carryforwards may be utilized. In assessing the likelihood of future taxable income, considerably more weight is placed upon historical results and less weight on future projections when there is negative evidence such as cumulative pretax loss in recent years. IES believes the future benefits of the Transactions are not of sufficient weight to offset the historical cumulative pretax loss generated by IES. Accordingly, IES has provided a valuation allowance for the net operating loss carryforward resulting from the pretax loss for year ended September 30, 2012. The effect of the net operating loss carryfoward results in actual income tax expense from the pro forma adjustment differing from income tax expense computed by applying the statutory corporate tax rate. No income tax expense or benefit was recorded in the unaudited pro forma condensed combined statement of operations for the year ended September 30, 2012 as a result of the pro forma adjustments.

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For the six month period ended March 31, 2013, MISCOR recognized an income tax benefit of $1,942 related to reducing a valuation allowance for the utilization of future net operating loss carryforwards. IES believes on a combined basis it is not more likely than not that this is recoverable and has provided for $1,942 pro forma adjustment to reverse the income tax benefit of the valuation allowance adjustment. Additionally, IES recorded a $82 income tax benefit due to the effect of the pro forma adjustment resulting in a net pro forma income tax provision adjustment of $1,860. A net pro forma income tax provision of $1,886 is applicable to MISCOR and a net pro forma income tax benefit of $26 is applicable to Acro. The net operating loss carryfoward results in actual income tax expense form the pro forma adjustment differing from income tax expense computed by applying the statutory corporate tax rate.

MISCOR

A summary of MISCOR deferred tax assets and deferred tax liabilities is as follows (in thousands):

	Deferred Tax Assets	Valuation Allowance	Deferred Tax Liabilities	Total
Historical MISCOR balances as of March 31, 2013	$ 11,035	$ (9,093)	$	$ 1,942
Pro forma Adjustments:				
To confirm MISCOR presentation to IES	837		(837)	
Revaluation of trademarks			(480)	(480)
Revaluation of customer relationships and technical library	1,350			1,350
Recharacterization of goodwill as non-deductible	(1,949)			(1,949)
Revaluation of property and equipment			(692)	(692)
Unfavorable operating leases			(264)	(264)
Adjust Valuation Allowance		(387)		(387)
Total pro forma adjustments	238[(1)]	(387)[(1)]	(2,273)	(2,422)
Pro forma deferred taxed related to MISCOR	$ 11,273	$ (9,480)	$ (2,273)	$ (480)

(1) Net adjustment is $149 as shown in Note 4.

A valuation allowance of $9,480 is provided for the deferred tax assets. IES believes $1,793 of deferred tax assets will be offset by deferred tax liabilities. The remaining deferred tax liability of $480 is related to an indefinite lived intangible asset. For purposes of these unaudited pro forma condensed combined financial statements, deferred tax assets are provided at the 35% U.S. federal statutory income tax rate and 5% state blended income tax rate.

Acro

Since the Acro transaction was taxable, no deferred taxes were recorded as the tax bases and financial reporting bases are revalued in the same manner.

(g) Reflects an estimate of the future costs of $807 directly attributable to the Transactions, including advisory and legal fees that are recorded as an adjustment to the unaudited pro forma condensed combined balance sheet only. These amounts will be expensed as incurred in the future and are not reflected in the unaudited pro forma condensed combined statement of operations because they have not yet been incurred for accompanying periods presented and they will not have a continuing impact. We incurred expenses of $1,313 in the period ended March 31, 2013, which is the amount of direct, incremental costs for the MISCOR and Acro transactions recorded in these historical financial statements. Of these amounts incurred, $1,030 related to the MISCOR acquisition, while $283 related to the Acro asset acquisition. There were no such expenditures incurred in the year ended September 30, 2012. For pro forma purposes, these expenditures have been removed from the unaudited pro forma condensed combined statements of operations as they will not have a continuing impact.

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(h) For the six months ended March 31, 2013 and the year ended September 30, 2012, for the MISCOR transaction, IES on a pro forma basis has income from continuing operations. Therefore, 14,958,659 and 14,747,651 shares are the diluted number of shares, respectively, before issuing 2,745,158 pro forma shares in connection with the transaction, which in total, equal 17,703,817 and 17,492,809 shares, respectively.

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INTEGRATED ELECTRICAL SERVICES, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of

Integrated Electrical Services, Inc.

We have audited the accompanying consolidated balance sheets of Integrated Electrical Services, Inc. and subsidiaries (the Company) as of September 30, 2012 and 2011, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended September 30, 2012. 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 the standards of the Public Company Accounting Oversight Board (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. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Houston, Texas

December 14, 2012

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In Thousands, Except Share Information)

	Years Ended September 30, 2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 18,729	$ 35,577
Restricted cash	7,155	
Accounts receivable:		
Trade, net of allowance of $1,788 and $2,704, respectively	76,259	85,728
Retainage	17,004	17,944
Inventories	15,141	8,443
Costs and estimated earnings in excess of billings on uncompleted contracts	8,180	9,963
Assets held for sale	1,110	
Prepaid expenses and other current assets	3,807	2,840
Total current assets	147,385	160,495
LONG-TERM RECEIVABLE, net of allowance of $0 and $59, respectively	259	200
PROPERTY AND EQUIPMENT, net	6,480	8,016
GOODWILL	4,446	4,446
OTHER NON-CURRENT ASSETS, net	6,143	7,087
Total assets	$ 164,713	$ 180,244
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 10,456	$ 209
Accounts payable and accrued expenses	68,673	78,980
Billings in excess of costs and estimated earnings on uncompleted contracts	25,255	19,585
Total current liabilities	104,384	98,774
LONG-TERM DEBT, net of current maturities	24	10,289
LONG-TERM DEFERRED TAX LIABILITY	285	284
OTHER NON-CURRENT LIABILITIES	6,863	6,596
Total liabilities	111,556	115,943
STOCKHOLDERS EQUITY:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, none issued and outstanding		
Common stock, $0.01 par value, 100,000,000 shares authorized; 15,407,802 and 15,407,802 shares issued and 14,977,400 and 14,956,473 outstanding, respectively	154	154
Treasury stock, at cost, 430,402 and 451,329 shares, respectively	(4,546)	(5,595)
Additional paid-in capital	163,871	164,262
Retained deficit	(106,322)	(94,520)

Total stockholders equity	53,157	64,301
Total liabilities and stockholders equity	$ 164,713	$ 180,244

The accompanying notes are an integral part of these Consolidated Financial Statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(In Thousands, Except Share Information)

	Years Ended September 30,		
	2012	2011	2010
Revenues	$ 456,115	$ 406,141	$ 382,431
Cost of services	398,063	361,757	326,939
Gross profit	58,052	44,384	55,492
Selling, general and administrative expenses	58,609	63,321	74,251
Gain on sale of assets	(168)	(6,555)	(128)
Asset impairment		4,804	
Restructuring charges			763
Loss from operations	(389)	(17,186)	(19,394)
Interest and other (income) expense:			
Interest expense	2,324	2,278	3,513
Interest income	(34)	(68)	(242)
Other income, net	(62)	(7)	(18)
Interest and other expense, net	2,228	2,203	3,253
Loss from operations before income taxes	(2,617)	(19,389)	(22,647)
Provision (benefit) for income taxes	38	172	(36)
Net loss from continuing operations	$ (2,655)	$ (19,561)	$ (22,611)
Discontinued operations (Note 17)			
Loss from discontinued operations	(9,158)	(18,288)	(8,539)
(Benefit) provision for income taxes	(11)	(26)	5
Net loss from discontinued operations	(9,147)	(18,262)	(8,544)
Net loss	$ (11,802)	$ (37,823)	$ (31,155)
Loss per share:			
Continuing operations	$ (0.18)	$ (1.35)	$ (1.57)
Discontinued operations	$ (0.63)	$ (1.26)	$ (0.59)
Basic	$ (0.81)	$ (2.61)	$ (2.16)
Diluted loss per share:			
Continuing operations	$ (0.18)	$ (1.35)	$ (1.57)
Discontinued operations	$ (0.63)	$ (1.26)	$ (0.59)

Diluted	$ (0.81)	$ (2.61)	$ (2.16)
Shares used in the computation of loss per share			
Basic	14,625,776	14,493,747	14,409,368
Diluted	14,625,776	14,493,747	14,409,368

The accompanying notes are an integral part of these Consolidated Financial Statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity

(In Thousands, Except Share Information)

	Common Stock		Treasury Stock			Accumulated Other Comprehensive Income (Loss)	Retained Deficit	Total Stockholders Equity
	Shares	Amount	Shares	Amount	APIC			
BALANCE, September 30, 2009	15,407,802	$ 154	(790,061)	$ (14,097)	$ 170,732	$ (70)	$ (25,542)	$ 131,177
Restricted stock grant			221,486	807	(807)			
Forfeiture of restricted stock			(38,000)	(217)	217			
Acquisition of treasury stock			(27,323)	(170)	(2)			(172)
Non-cash compensation					1,370			1,370
Unrealized loss on marketable securities, net of tax						(18)		(18)
Net loss							(31,155)	(31,155)
BALANCE, September 30, 2010	15,407,802	$ 154	(633,898)	$ (13,677)	$ 171,510	$ (88)	$ (56,697)	$ 101,202
Restricted stock grant			333,616	4,595	(4,595)			
Forfeiture of restricted stock			(130,258)	(450)	450			
Acquisition of treasury stock			(20,789)	3,937	(4,009)			(72)
Non-cash compensation					907			907
Unrealized loss on marketable securities, net of tax						88		88
Net loss							(37,823)	(37,823)
BALANCE, September 30, 2011	15,407,802	$ 154	(451,329)	$ (5,595)	$ 164,263	$	$ (94,520)	$ 64,302
Restricted stock grant			107,500	1,322	(1,322)			
Forfeiture of restricted stock			(32,277)	(92)	92			
Acquisition of treasury stock			(54,296)	(181)				(181)
Non-cash compensation					838			838
Net loss							(11,802)	(11,802)
BALANCE ,September 30, 2012	15,407,802	$ 154	(430,402)	$ (4,546)	$ 163,871	$	$ (106,322)	$ 53,157

The accompanying notes are an integral part of these Consolidated Financial Statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In Thousands)

	Years Ended September 30,		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (11,802)	$ (37,823)	$ (31,155)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Bad debt expense	(858)	(715)	7,440
Deferred financing cost amortization	209	338	314
Depreciation and amortization	2,146	6,356	5,291
Gain on sale of business units		(6,657)	
Loss (gain) on sale of assets	44	88	(174)
Non-cash compensation expense	838	907	1,370
Impairment	688	4,854	150
Deferred income tax	(39)	(107)	(1,244)
Changes in operating assets and liabilities			
Accounts receivable	11,130	(2,761)	17,768
Inventories	(6,698)	(537)	(2,642)
Costs and estimated earnings in excess of billings	1,782	2,222	(995)
Prepaid expenses and other current assets	(273)	1,206	1,820
Other non-current assets	211	3,092	1,463
Accounts payable and accrued expenses	(10,114)	14,861	(5,708)
Billings in excess of costs and estimated earnings	5,670	2,476	(5,898)
Other non-current liabilities	(305)	348	(966)
Net cash used in operating activities	(7,371)	(11,852)	(13,166)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(1,877)	(2,688)	(924)
Proceeds from sales of property and equipment		1,268	328
Proceeds from sales of facilities		16,763	
Distribution from unconsolidated affiliates			393
Net cash provided by (used in) investing activities	(1,877)	15,343	(203)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings of debt			753
Repayments of debt	(264)	(766)	(18,184)
Purchase of treasury stock	(181)	(72)	(172)
Change in restricted cash	(7,155)		
Payments for debt issuance costs			(278)
Net cash used in financing activities	(7,600)	(838)	(17,881)
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	(16,848)	2,653	(31,250)
CASH AND CASH EQUIVALENTS, beginning of period	35,577	32,924	64,174
CASH AND CASH EQUIVALENTS, end of period	$ 18,729	$ 35,577	$ 32,924

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	2012	2011	2010
Cash paid for interest	$ 1,646	$ 2,293	$ 3,899
Cash paid for income taxes	$ 436	$ 340	$ 263
Assets acquired under capital lease	$	$ 68	$

The accompanying notes are an integral part of these Consolidated Financial Statements.

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INTEGRATED ELECTRICAL SERVICES, INC.

Notes to Consolidated Financial Statements

(All Amounts in Thousands Except Share Amounts)

1. BUSINESS

Description of the Business

Integrated Electrical Services, Inc., a Delaware corporation, was founded in June 1997 to establish a leading national provider of electrical services, focusing primarily on the communications, residential, commercial and industrial service and maintenance markets. We provide services from 61 locations serving the United States. The Company is organized into three business segments; Communications, Residential and Commercial & Industrial. The words IES , the Company , we , our , and us refer to Integrated Electrical Services, Inc. and, except as otherwise specified herein, to our wholly-owned subsidiaries.

Our Communications division is a leading provider of network infrastructure products and services for data centers and other mission critical environments. Services offered include the design, installation and maintenance of network infrastructure for the financial, medical, hospitality, government, hi-tech manufacturing, educational and information technology industries. We also provide the design and installation of audio/visual, telephone, fire, wireless and intrusion alarm systems as well as design/build, service and maintenance of data network systems. We perform services across the United States from our ten offices, which includes our Communications headquarters located in Tempe, Arizona, allowing for dedicated onsite maintenance teams at our customer s sites.

Our Residential division provides electrical installation services for single-family housing and multi-family apartment complexes and CATV cabling installations for residential and light commercial applications. In addition to our core electrical construction work, the Residential segment has expanded its offerings by providing services for the installation of residential solar power, smart meters, electric car charging stations and stand-by generators, both for new construction and existing residences. The Residential division is made up of 32 total locations, which includes our Residential headquarters in Houston. These division locations geographically cover Texas, the Sun-Belt, and the Western and Mid-Atlantic regions of the United States, including Hawaii.

Our Commercial & Industrial division is one of the largest providers of electrical contracting services in the United States. The division offers a broad range of electrical design, construction, renovation, engineering and maintenance services to the commercial and industrial markets. The Commercial & Industrial division consist of 19 total locations, which includes our Commercial & Industrial headquarters in Houston, Texas. These locations geographically cover Texas, Nebraska, Colorado, Oregon and the Mid-Atlantic region. Services include the design of electrical systems within a building or complex, procurement and installation of wiring and connection to power sources, end-use equipment and fixtures, as well as contract maintenance. We focus on projects that require special expertise, such as design-and-build projects that utilize the capabilities of our in-house experts, or projects which require specific market expertise, such as transmission and distribution and power generation facilities. We also focus on service, maintenance and certain renovation and upgrade work, which tends to be either recurring or have lower sensitivity to economic cycles, or both. We provide services for a variety of projects, including: high-rise residential and office buildings, power plants, manufacturing facilities, data centers, chemical plants, refineries, wind farms, solar facilities, municipal infrastructure and health care facilities, and residential developments. 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. Service and maintenance revenues are derived from service calls and routine maintenance contracts, which tend to be recurring and less sensitive to short term economic fluctuations.

Controlling Shareholder

At September 30, 2012, Tontine Capital Partners, L.P. and its affiliates (collectively, Tontine), was the controlling shareholder of the Company s common stock. Accordingly, Tontine has the ability to exercise

INTEGRATED ELECTRICAL SERVICES, INC.

Notes to Consolidated Financial Statements

(All Amounts in Thousands Except Share Amounts)

significant control over our affairs, including the election of directors and any action requiring the approval of shareholders, including the approval of any potential merger or sale of all or substantially all assets or divisions of the Company, or the Company itself. For a more complete discussion on our relationship with Tontine, please refer to Note 3, Controlling Shareholder in the notes to our Consolidated Financial Statements.

Sale of Non-Strategic Manufacturing Facility

On November 30, 2010, a subsidiary of the Company sold substantially all the assets and certain liabilities of a non-strategic manufacturing facility engaged in manufacturing and selling fabricated metal buildings housing electrical equipment, such as switchgears, motor starters and control systems, to Siemens Energy, Inc. As part of this transaction, Siemens Energy, Inc. also acquired the real property upon which the fabrication facilities are located from a subsidiary of the Company. The transaction was completed on December 10, 2010 for a purchase price of $10,086 at which time we recognized a gain of $6,763.

Sale of Non-Core Electrical Distribution Facility

On February 28, 2011, Key Electrical Supply, Inc, a wholly owned subsidiary of the Company, sold substantially all the assets and certain liabilities of a non-core electrical distribution facility engaged in distributing wiring, lighting, electrical distribution, power control and generators for residential and commercial applications to Elliot Electric Supply, Inc. for a purchase price of $6,676. The loss on this transaction was immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of IES and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature.

Asset Impairment

During the fiscal year ended September 30, 2012, the Company recorded a pretax non-cash asset impairment charge of $688 related to real estate held by our Commercial & Industrial segment. The real estate is held within a location selected for closure during 2011. This impairment is to adjust the carrying value of real estate held for sale to the estimated current market value less expected selling expenses, a value at which we expect to sell this real estate within one year. The real estate is classified as assets held for sale within our Consolidated Balance Sheets. The impairment charge is included in our net loss from discontinued operations within our Consolidated Statement of Operations.

During the fiscal year ended September 30, 2011, the Company recorded a pretax non-cash asset impairment charge of $3,551 related to certain internally-developed capitalized software, $968 for our investment in EnerTech Capital Partners II L.P. (EnerTech), $142 for goodwill and $143 related to real estate held by the Company which was impaired further in 2012, as noted above. The Company ceased use of the internally-developed software in 2011. As a result, the software has a fair value of zero. The non-cash impairments related to the investment in EnerTech and the real estate are to adjust the carrying value to their estimated current market values.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires the use of estimates and assumptions by management in

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(All Amounts in Thousands Except Share Amounts)

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 primarily used in our revenue recognition of construction in progress, fair value assumptions in analyzing goodwill, investments, intangible assets and long-lived asset impairments and adjustments, allowance for doubtful accounts receivable, stock-based compensation, reserves for legal matters, assumptions regarding estimated costs to exit certain divisions, realizability of deferred tax assets, unrecognized tax benefits and self-insured claims liabilities and related reserves.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories generally consist of parts and supplies held for use in the ordinary course of business and are valued at the lower of cost or market generally using the historical average cost or first-in, first-out (FIFO) method. Where shipping and handling costs are borne by us, these charges are included in inventory and charged to cost of services upon use in our projects or the providing of services.

Securities and Equity Investments

Our investments are accounted for using either the cost or equity method of accounting, as appropriate. Each period, we evaluate whether an event or change in circumstances has occurred that may indicate an investment has been impaired. If, upon further investigation of such events, we determine the investment has suffered a decline in value that is other than temporary, we write down the investment to its estimated fair value.

Certain securities are classified as available-for-sale. These investments are recorded at fair value and are classified as other non-current assets in the accompanying Consolidated Balance Sheets as of September 30, 2012. The changes in fair values, net of applicable taxes, are recorded as unrealized gains (losses) as a component of accumulated other comprehensive income (loss) in stockholders equity.

Long-Term Receivables

From time to time, we enter into payment plans with certain customers over periods in excess of one year. We classify these receivables as long-term receivables. Additionally, we provide an allowance for doubtful accounts for specific long-term receivables where collection is considered doubtful.

In March 2009, in connection with a construction project entering bankruptcy, we transferred $3,992 of trade accounts receivable to long-term receivable and initiated breach of contract and mechanics lien foreclosure actions against the project s general contractor and owner, respectively. At the same time, we reserved the costs in excess of billings of $278 associated with this receivable. In March 2010, given the significant uncertainty associated with its ultimate collectability we reserved the remaining balance of $3,714, but continued to pursue collection through the bankruptcy court proceeding. In February 2011, we entered into a $2,850 settlement in connection with the breach of contract and mechanics lien foreclosure actions related to the receivable. The $2,850 recovery was recorded in the accompanying consolidated statements of operations as a component of selling, general, and administrative expenses.

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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 life of the related asset. Leasehold improvements are capitalized and depreciated over the lesser of the life of the lease or the estimated useful life of the asset.

Expenditures for repairs and maintenance are charged to expense when incurred. Expenditures for major renewals and betterments, which extend the useful lives of existing property and equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the capitalized 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 (gain) loss on sale of assets.

Goodwill

Goodwill attributable to each reporting unit is tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value is determined using discounted cash flows. These impairment tests are required to be performed at least annually. Significant estimates used in the methodologies include estimates of future cash flows, future short-term and long-term growth rates, and weighted average cost of capital for each of the reportable units. On an ongoing basis (absent any impairment indicators), we perform an impairment test annually using a measurement date of September 30.

As of September 30, 2012, the entire goodwill balance of $4,446 can be attributed to our Residential segment. Based upon the results of our annual impairment analysis, the fair value of our Residential segment significantly exceeded the book value, and warrants no impairment. We recorded goodwill impairment of $142 during the year ended September 30, 2011, bringing the goodwill balance attributable to our Commercial & Industrial segment to zero. There is no goodwill associated with our Communications segment.

Debt Issuance Costs

Debt issuance costs are included in other noncurrent assets and are amortized to interest expense over the scheduled maturity of the debt. Amortization expense of debt issuance costs was $568, $338 and $315, respectively, for the years ended 2012, 2011 and 2010. At September 30, 2012, remaining unamortized capitalized debt issuance costs were $1,139.

Revenue Recognition

We recognize revenue on project contracts using the percentage of completion method. Project contracts generally provide that 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. We recognize revenue on both signed contracts and change orders. A discussion of our treatment of claims and unapproved change orders is described later in this section. 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 cost 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, labor and insurance 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. The balances billed but not paid by customers pursuant to retainage provisions in project contracts will be due upon completion of the

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INTEGRATED ELECTRICAL SERVICES, INC.

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contracts and acceptance by the customer. Based on our experience with similar contracts in recent years, the retention balance at each balance sheet date will be collected within the subsequent fiscal year.

Certain divisions in the Residential segment use the completed contract method of accounting because the duration of their contracts is short in nature. We recognize revenue on completed contracts when the project is complete and billable to the customer. Provisions for estimated losses on these contracts are recorded in the period such losses are determined.

Service work consists of time and materials projects that are billed at either contractual or current standard rates. Revenues from service work are recognized when services are performed.

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 next twelve months. The current liability Billings in excess of costs and estimated earnings on uncompleted contracts represents billings in excess of revenues recognized. Costs and estimated earnings in excess of billings on uncompleted contracts are amounts considered recoverable from customers based on different measures of performance, including achievement of specific milestones, completion of specified units or at the completion of the contract. Also included in this asset, from time to time, are claims and unapproved change orders which are amounts we are in the process of collecting from our customers or agencies for changes in contract specifications or design, contract change orders in dispute or unapproved as to scope and price, or other related causes of unanticipated additional contract costs. Claims are limited to costs incurred and are recorded at estimated realizable value when collection is probable and can be reasonably estimated. We do not recognize profits on project costs incurred in connection with claims. Claims made by us involve negotiation and, in certain cases, litigation. Such litigation costs are expensed as incurred. As of September 30, 2012, 2011 and 2010, there were no material revenues recorded associated with any claims.

Accounts Receivable and Allowance for Doubtful Accounts

We record accounts receivable for all amounts billed and not collected. Generally, we do not charge interest on outstanding accounts receivable; however, from time to time we may believe it necessary to charge interest on a case by case basis. Additionally, we provide an allowance for doubtful accounts for specific accounts receivable where collection is considered doubtful as well as for general unknown collection issues based on historical trends. Accounts receivable not determined to be collectible are written off as deemed necessary in the period such determination is made. As is common in our respective industries, some of these receivables are in litigation or require us to exercise our contractual lien rights in order to collect. These receivables are primarily associated with a few divisions within our Commercial & Industrial segment. Certain other receivables are slow-pay in nature and require us to exercise our contractual or lien rights. We believe that our allowance for doubtful accounts is sufficient to cover uncollectible receivables as of September 30, 2012.

Comprehensive Income

Comprehensive income includes all changes in equity during a period except those resulting from investments by and distributions to stockholders.

Advertising

Advertising and marketing expense for the years ended September 30, 2012, 2011 and 2010 was approximately $420, $512, and $1,547, respectively. Advertising costs are charged to expense as incurred and are included in the Selling, general and administrative expenses line item on the Consolidated Statements of Operations.

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INTEGRATED ELECTRICAL SERVICES, INC.

Notes to Consolidated Financial Statements

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Income Taxes

We follow the asset and liability method of 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.

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, 2012, 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 is different from the estimates, our results could be affected. We have determined to fully reserve against such an occurrence.

On May 12, 2006, we had a change in ownership as defined in Internal Revenue Code Section 382. Internal Revenue Code Section 382 limits the utilization of net operating losses that existed as of the change in ownership in tax periods subsequent to the change in ownership. As such, our utilization after the change date of net operating losses in existence as of the change in ownership is subject to Internal Revenue Code Section 382 limitations for federal income taxes and some state income taxes. We have provided valuation allowances on all net operating losses where it is determined it is more likely than not that they will expire without being utilized.

Risk-Management

We retain 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. Our general liability program provides coverage for bodily injury and property damage. Losses up to the deductible amounts are accrued based upon our known claims incurred and an estimate of claims incurred but not reported. For the year ended September 30, 2012, we compiled our historical data pertaining to the insurance experiences and actuarially developed the ultimate loss associated with our insurance programs. We believe that the actuarial valuation provides the best estimate of the ultimate losses to be expected under these programs.

The undiscounted ultimate losses of all insurance reserves at September 30, 2012 and 2011, was $6,864 and $8,353, respectively. Based on historical payment patterns, we expect payments of undiscounted ultimate losses to be made as follows:

Year Ended September 30:	
2013	$ 2,948
2014	1,328
2015	821
2016	494
2017	305
Thereafter	968
Total	$ 6,864

We elect to discount the ultimate losses above to present value using an approximate risk-free rate over the average life of our insurance claims. For the years ended September 30, 2012 and 2011, the discount rate used

INTEGRATED ELECTRICAL SERVICES, INC.

Notes to Consolidated Financial Statements

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was 0.6 percent and 1 percent, respectively. The decrease in discount rate is driven by the prolonged decline in interest rates and a decrease in the average life of our associated claims. The present value of all insurance reserves for the employee group health claims, workers compensation, auto and general liability recorded at September 30, 2012 and 2011 was $5,228 and $7,040, respectively. Our employee group health claims are anticipated to be resolved within the year ended September 30, 2013.

We had letters of credit of $6,218 outstanding at September 30, 2012 to collateralize our high deductible insurance obligations.

Realization of Long-Lived Assets

We evaluate the recoverability of property and equipment and other long-lived assets as facts and circumstances indicate that any of those assets might be impaired. If an evaluation is required for our assets we plan to hold and use, 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. Estimated fair values are determined based on expected future cash flows discounted at a rate we believe incorporates the time value of money, the expectations about future cash flows and an appropriate risk premium.

At September 30, 2012, 2011 and 2010, we performed evaluations of our long-lived assets. These evaluations resulted in impairment charges as described above under *Asset Impairment* .

Risk Concentration

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash deposits and accounts receivable. We grant credit, usually without collateral, to our customers, who are generally large public companies, contractors and homebuilders throughout the United States. Consequently, we are subject to potential credit risk related to changes in business and economic factors throughout the United States, specifically, within the construction, homebuilding and mission critical facility markets. However, we are entitled to payment for work performed and have certain lien rights in that work. Further, management believes that its contract acceptance, billing and collection policies are adequate to manage potential credit risk. We routinely maintain cash balances in financial institutions in excess of federally insured limits. We periodically assess the financial condition of these institutions where these funds are held and believe the credit risk is minimal. As a result of recent credit market turmoil we maintain the majority of our cash and cash equivalents in money market mutual funds.

No single customer accounted for more than 10% of our revenues for the years ended September 30, 2012, 2011 and 2010.

Fair Value of Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, investments, accounts payable, a note payable issued to finance insurance policies, and a $10,000 senior subordinated loan agreement (the Tontine Term Loan). We believe that the carrying value of financial instruments, with the exception of the Tontine Term Loan and our cost method investment in EnerTech, in the accompanying Consolidated Balance Sheets, approximates their fair value due to their short-term nature. We estimate that the fair value of the Tontine Term Loan (Level 3) is $10,259 calculated using a market approach based upon Level 3 inputs, including an estimated interest rate reflecting current market conditions at September 30, 2012. For additional information, please refer to Note 8, Debt *The Tontine Term Loan* of this report.

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We estimate that the fair value of our investment in EnerTech (Level 3) is $988 at September 30, 2012 calculated using quoted market prices for underlying publicly traded securities, and estimated enterprise values determined using cash flow projections and market multiples of the underlying non-public companies. For additional information, please refer to Note 7, Detail of Certain Balance Sheet Accounts *Securities and Equity Investments Investment in EnerTech.*

Stock-Based Compensation

We measure and record compensation expense for all share-based payment awards based on the fair value of the awards granted, net of estimated forfeitures, at the date of grant. We calculate the fair value of stock options using a binomial option pricing model. The fair value of restricted stock awards is determined based on the number of shares granted and the closing price of IES s common stock on the date of grant. Forfeitures are estimated at the time of grant and revised as deemed necessary. The resulting compensation expense from discretionary awards is recognized on a straight-line basis over the requisite service period, which is generally the vesting period, while compensation expense from performance based awards is recognized using the graded vesting method over the requisite service period. The cash flows resulting from the tax deductions in excess of the compensation expense recognized for options and restricted stock (excess tax benefit) are classified as financing cash flows.

Deferred Compensation Plans

The Company maintains a rabbi trust to fund certain deferred compensation plans. The securities held by the trust are classified as trading securities. The investments are recorded at fair value and are classified as other non-current assets in the accompanying Consolidated Balance Sheets as of September 30, 2012 and 2011. The changes in fair values are recorded as unrealized gains (losses) as a component of other income (expense) in the Consolidated Statements of Operations.

The corresponding deferred compensation liability is included in other non-current liabilities on the Consolidated Balance Sheets and changes in this obligation are recognized as adjustments to compensation expense in the period in which they are determined.

3. CONTROLLING SHAREHOLDER

On April 30, 2010, we prepaid $15,000 of the original $25,000 principal outstanding on the Tontine Term Loan and $10,000 remains outstanding on the Tontine Term Loan. The Company is currently evaluating its options with regard to repayment of the Tontine Term Loan, including through a refinancing of the loan prior to or at its maturity.

While Tontine is subject to restrictions under federal securities laws on sales of its shares as an affiliate, Tontine is party to a Registration Rights Agreement with the Company under which it has the ability, subject to certain restrictions, to demand registration of its shares in order to permit unrestricted sales of those shares. Tontine has indicated to the Company that it may seek to register some or all of its shares in the near future.

Should Tontine sell or exchange all or a portion of its position in IES, a change in ownership could occur. A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of net operating losses (NOLs) for federal and state income tax purposes. While the Company is currently evaluating steps it may take to protect its federal NOLs, including evaluating implementing a tax benefit protection plan that

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would be designed to deter an acquisition of the Company s stock in excess of a threshold amount that could trigger a change of control within the meaning of Internal Revenue Code Section 382, there can be no assurance that such a plan will be implemented or that, if enacted, it would be effective in deterring a change of control or protecting the NOLs. Furthermore, a change in control would trigger the change of control provisions in a number of our material agreements, including our 2012 Credit Facility, bonding agreements with our sureties and certain employment contracts with certain officers and employees of the Company.

4. STRATEGIC ACTIONS

We seek to create shareholder value through above average returns on capital and generation of free cash flow. As a result, we have increased our focus on a number of initiatives to return the Company to profitability.

The 2009 Restructuring Plan

In the first quarter of our 2009 fiscal year, we began a restructuring program (the 2009 Restructuring Plan) that was designed to consolidate operations within our three segments. The 2009 Restructuring Plan was the next level of our business optimization strategy. Our plan was to streamline local project and support operations, which were managed through regional operating centers, and to capitalize on the investments we had made over the past year to further leverage our resources.

In addition, as a result of the continuing significant effects of the recession, during the third quarter of fiscal year 2009, we implemented a more expansive cost reduction program, by further reducing administrative personnel, primarily in the corporate office, and consolidating our Commercial & Industrial administrative functions into one service center. We recorded a total of $8,170 in restructuring charges for the 2009 Restructuring Plan. As part of the restructuring charges, we recognized $154, $2,662, $3,917 and $1,437 in severance and facility closing charges within our Communications, Residential, Commercial & Industrial and Corporate segments, respectively. This 2009 Restructuring Plan was completed in fiscal 2010.

The 2011 Restructuring Plan

In the second quarter of our 2011 fiscal year, we began a new restructuring program (the 2011 Restructuring Plan) that was designed to consolidate operations within our Commercial & Industrial business. Pursuant to the 2011 Restructuring Plan, we began the closure of certain underperforming facilities within our Commercial & Industrial operations. The 2011 Restructuring Plan was a key element of our commitment to return the Company to profitability.

The facilities directly affected by the 2011 Restructuring Plan are in several locations throughout the country, including Arizona, Florida, Iowa, Massachusetts, Louisiana, Nevada and Texas. These facilities were selected due to current business prospects and the extended time frame needed to return the facilities to a profitable position. Closure costs associated with the 2011 Restructuring Plan included equipment and facility lease termination expenses, incremental management consulting expenses and severance costs for employees. The Company is in the final stages of winding down these facilities. As part of our restructuring charges within our Commercial & Industrial segment we have recognized $(62) and $1,455 in severance costs, $1,099 and $1,530 in consulting services, and $133 and $799 in costs related to lease terminations for the years ended September 30, 2012 and 2011, respectively. Charges related to the 2011 Restructuring Plan in 2013 are expected to be immaterial.

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The 2011 Restructuring Plan pertains only to our Commercial & Industrial segment. The following table summarizes the activities related to our restructuring activities by component:

	Severance Charges	Consulting Charges	Lease Termination & Other Charges	Total
Restructuring liability at September 30, 2011	$ 1,081	$ 336	$ 790	$ 2,207
Restructuring charges (reversals) incurred	(62)	1,099	133	1,170
Cash payments made	(818)	(1,425)	(594)	(2,837)
Restructuring liability at September 30, 2012	$ 201	$ 10	$ 329	$ 540

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Estimated Useful Lives in Years	Years Ended September 30, 2012	Years Ended September 30, 2011
Land	N/A	$ 1,795	$ 1,795
Buildings	5-20	1,491	3,202
Transportation equipment	3-5	1,695	1,720
Machinery and equipment	3-10	4,732	4,463
Leasehold improvements	5-10	2,015	1,772
Information systems	2-8	15,289	14,549
Furniture and fixtures	5-7	887	1,003
		$ 27,904	$ 28,504
Less Accumulated depreciation and amortization		(21,424)	(20,488)
Property and equipment, net		$ 6,480	$ 8,016

Depreciation and amortization expense from continuing operations was $2,075, $6,216 and $4,832, respectively, for the years ended September 30, 2012, 2011 and 2010.

6. PER SHARE INFORMATION

Basic earnings per share is calculated as income (loss) available to common stockholders, divided by the weighted average number of common shares outstanding during the period. If the effect is dilutive, participating securities are included in the computation of basic earnings per share. Our participating securities do not have a contractual obligation to share in the losses in any given period. As a result, these participating

securities will not be allocated any losses in the periods of net losses, but will be allocated income in the periods of net income using the two-class method.

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The following table reconciles the components of the basic and diluted loss per share for the years ended September 30, 2012, 2011 and 2010:

	Years Ended September 30,	
	2012	2011
Numerator:		
Net loss from continuing operations attributable to common shareholders	$ (2,655)	$ (19,561)
Net loss from discontinued operations attributable to common shareholders	$ (9,147)	$ (18,262)
Net loss attributable to common shareholders	$ (11,802)	$ (37,823)
Net loss	$ (11,802)	$ (37,823)
Denominator:		
Weighted average common shares outstanding basic	14,625,776	14,493,747
Effect of dilutive stock options and non-vested restricted stock		
Basic loss per share	$ (0.81)	$ (2.61)
Diluted loss per share	$ (0.81)	$ (2.61)

For the years ended September 30, 2012, 2011 and 2010, 20,000, 20,000 and 158,500 stock options, respectively, were excluded from the computation of fully diluted earnings per share because the exercise prices of the options were greater than the average price of our common stock. For the years ended September 30, 2012, 2011 and 2010, 257,826, 376,200 and 348,086 shares, respectively, of restricted stock were excluded from the computation of fully diluted earnings per share because we reported a loss from continuing operations.

7. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Activity in our allowance for doubtful accounts on accounts and long-term receivables consists of the following:

	Years Ended September 30,	
	2012	2011
Balance at beginning of period	$ 2,704	$ 7,429
Additions to costs and expenses	771	1,071
Deductions for uncollectible receivables written off, net of recoveries	(1,687)	(5,796)
Balance at end of period	$ 1,788	$ 2,704

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Accounts payable and accrued expenses consist of the following:

	Years Ended September 30,	
	2012	2011
Accounts payable, trade	$ 39,879	$ 49,556
Accrued compensation and benefits	13,312	11,662
Accrued insurance liabilities	5,229	7,040
Other accrued expenses	10,253	10,722
	$ 68,673	$ 78,980

Contracts in progress are as follows:

	Years Ended September 30,	
	2012	2011
Costs incurred on contracts in progress	$ 402,738	$ 335,204
Estimated earnings	33,931	21,942
	436,669	357,146
Less Billings to date	(453,744)	(366,768)
Net contracts in progress	$ (17,075)	$ (9,622)
Costs and estimated earnings in excess of billings on uncompleted contracts	8,180	9,963
Less Billings in excess of costs and estimated earnings on uncompleted contracts	(25,255)	(19,585)
Net contracts in progress	$ (17,075)	$ (9,622)

Other non-current assets are comprised of the following:

	Years Ended September 30,	
	2012	2011
Deposits	$ 2,137	$ 3,986
Deferred tax assets	1,065	1,040
Executive Savings Plan assets	533	477

Securities and equity investments	919	1,003
Other	1,489	581
Total	$ 6,143	$ 7,087

Securities and Equity Investments

Investment in EPV Solar

We assessed the fair market value of our investment in EPV after its restructuring in 2009 and determined that it was below its carrying value. Accordingly, we recorded a $2,850 other-than-temporary impairment loss for the year ended September 30, 2009. The total impairment loss is reflected in our Consolidated Statements of Operations as a component of Other Expense and reduced the carrying value of our investment from $3,000 to $150 at September 30, 2009.

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On February 24, 2010, EPV filed for Chapter 11 bankruptcy protection. On August 20, 2010, the United States Bankruptcy Court District of New Jersey authorized and approved the sale of substantially all of EPV s assets free and clear of liens, claims, encumbrances and interests to a third-party solar company. As this sale cancelled our claims to our convertible note receivable, we recorded an impairment loss of $150 during the year ended September 30, 2010, which reduced its carrying value to $0.

Investment in EnerTech

In April 2000, we committed to invest up to $5,000 in EnerTech. As of September 30, 2009, we fulfilled our $5,000 investment under this commitment. As our investment is 2.31% of the overall ownership in EnerTech at September 30, 2012 and 2011, we account for this investment using the cost method of accounting. EnerTech s investment portfolio from time to time results in unrealized losses reflecting a possible, other-than-temporary, impairment of our investment. The carrying value of our investment in EnerTech at September 30, 2012 and 2011 was $919 and $1,003, respectively. Our results of operations for the year ended September 30, 2011, includes a write down of $967 attributable to our investment in EnerTech.

The following table presents the reconciliation of the carrying value and unrealized gains (losses) to the fair value of the investment in EnerTech as of September 30, 2012 and 2011:

	Years Ended September 30,	
	2012	2011
Carrying value	$ 919	$ 1,003
Unrealized gains	69	
Fair value	$ 988	$ 1,003

At each reporting date, the Company performs evaluations of impairment for securities to determine if any unrealized losses are other-than-temporary. For equity securities, this evaluation considers a number of factors including, but not limited to, the length of time and extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer and management s ability and intent to hold the securities until fair value recovers. The assessment of the ability and intent to hold these securities to recovery focuses on liquidity needs, asset and liability management objectives and securities portfolio objectives. Based on the results of this evaluation, we believe the unrealized gain at September 30, 2012 indicated our investment was not impaired. As of September 30, 2012 and 2011, the carrying value of these investments was $919 and $1,003, respectively. See Note 15, Fair Value Measurements for related disclosures relative to fair value measurements.

In June 2012, we received a distribution from EnerTech of $84, which was applied as a reduction in the carrying value of the investment.

On December 31, 2011, EnerTech s general partner, with the consent of the fund s investors, extended the fund through December 31, 2012. The fund will terminate on this date unless extended by the fund s valuation committee. The fund may be extended for another one-year period through December 31, 2013 with the consent of the fund s valuation committee.

Arbinet Corporation

On May 15, 2006, we received a distribution from the investment in EnerTech of 32,967 shares in Arbinet Corporation. We sold these shares in fiscal 2011; accordingly, the amount of unrealized holding losses included in other comprehensive income at September 30, 2012, 2011 and 2010 is $0 and $0 and $88 respectively.

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8. DEBT

Debt consists of the following:

	September 30, 2012	September 30, 2011
Tontine Term Loan, due May 15, 2013, bearing interest at 11.00%	$ 10,000	$ 10,000
Insurance Financing Agreements	196	
Capital leases and other	284	498
Total debt	10,480	10,498
Less Short-term debt and current maturities of long-term debt	(10,456)	(209)
Total long-term debt	$ 24	$ 10,289

Future payments on debt at September 30, 2012 are as follows:

	Capital Leases and Other	Insurance Financing	Term Debt	Total
2012	$	$ 196	$	$ 196
2013	317		10,000	10,317
2014	27			27
2015				
2016				
Thereafter				
Less: Imputed Interest	(60)			(60)
Total	$ 284	$ 196	$ 10,000	$ 10,480

For the years ended September 30, 2012, 2011 and 2010, we incurred interest expense of $2,324, $2,278 and $3,513, respectively.

The 2012 Revolving Credit Facility

On August 9, 2012, we entered into a Credit and Security Agreement (the Credit Agreement), for a $30,000 revolving credit facility (the 2012 Credit Facility) with Wells Fargo Bank, National Association. The 2012 Credit Facility will mature on August 9, 2015, unless earlier terminated. The Credit Agreement is filed as an Exhibit to this Form 10-K and any description thereof is qualified in its entirety by the terms of the Credit Agreement.

The 2012 Credit Facility contains customary affirmative, negative and financial covenants. The 2012 Credit Facility requires that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability (as defined in the Credit Agreement) is less than $20,000 or Excess Availability is less than $7,500.

Borrowings under the 2012 Credit Facility may not exceed a borrowing base that is determined monthly by our lenders based on available collateral, primarily certain accounts receivables and inventories. Under the terms of

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the 2012 Credit Facility, amounts outstanding bear interest at a per annum rate equal to a Daily Three Month LIBOR (as defined in the Credit Agreement), plus an interest rate margin, which is determined quarterly, based on the following thresholds:

Level	Thresholds	Interest Rate Margin
I	Liquidity £ $20,000 at any time during the period; or	4.00 percentage points
	Excess Availability £ $7,500 at any time during the period; or	
	Fixed charge coverage ratio < 1.0:1.0	
II	Liquidity > $20,000 at all times during the period; and	3.50 percentage points
	Liquidity £ $30,000 at any time during the period; and	
	Excess Availability $7,500; and	
	Fixed charge coverage ratio ³ 1.0:1.0	
III	Liquidity > $30,000 at all times during the period	3.00 percentage points

In addition, we are charged monthly in arrears for (1) an unused commitment fee of 0.50% per annum, (2) a collateral monitoring fee ranging from $1 to $2, based on the then-applicable interest rate margin, (3) a letter of credit fee based on the then-applicable interest rate margin and (4) certain other fees and charges as specified in the Credit Agreement.

The 2012 Credit Facility is guaranteed by our subsidiaries and secured by first priority liens on substantially all of our subsidiaries existing and future acquired assets, exclusive of collateral provided to our surety providers. The 2012 Credit Facility also restricts us from paying cash dividends and places limitations on our ability to repurchase our common stock and on our ability to repay the Tontine Term Loan.

At September 30, 2012, we had $21,607 available to us under the 2012 Credit Facility, $700 in outstanding letters of credit with Wells Fargo and no outstanding borrowings. The terms surrounding the 2012 Credit Facility agreement with Wells Fargo require that we cash collateralize 100% of our letter of credit balance. As such, we have $700 classified as restricted cash within the Balance Sheet as of September 30, 2012.

At September 30, 2012, we were subject to the financial covenant under the 2012 Credit Facility requiring that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability is less than $20.0 million or Excess Availability is less than $7.5 million. As of September 30, 2012, our aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability was in excess of $20.0 million and Excess Availability was in excess of $7.5 million; had we not met these thresholds at September 30, 2012, we would not have met the required 1.0:1.0 fixed charge coverage ratio test.

While we expect to meet our financial covenants, in the event that we are not able to meet the covenants of our 2012 Credit Facility in the future and are unsuccessful in obtaining a waiver from our lenders, the Company expects to have adequate cash on hand to fully collateralize our outstanding letters of credit and to provide sufficient cash for ongoing operations.

The 2006 Revolving Credit Facility

On May 12, 2006, we entered into a Loan and Security Agreement (the Loan and Security Agreement), for a revolving credit facility (the 2006 Credit Facility) with Bank of America, N.A. and certain other lenders. On

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August 9, 2012, the 2006 Credit Facility was replaced by the 2012 Credit Facility. The 2006 Credit Facility and its amendments are filed as Exhibits to this Form 10-K and any descriptions thereof are qualified in their entirety by the terms of the 2006 Credit Facility or its respective amendments. On May 7, 2008, we renegotiated the terms of our 2006 Credit Facility and entered into an amended agreement with the same financial institutions. On April 30, 2010, we renegotiated the terms of, and entered into an amendment to the Loan and Security Agreement pursuant to which the maturity date was extended to May 31, 2012. In connection with the amendment, we incurred an amendment fee of $200, which was amortized over 24 months.

On December 15, 2011, we renegotiated the terms of, and entered into an amendment to, the Loan and Security Agreement without incurring termination charges. Under the terms of the amended 2006 Credit Facility, the size of the facility was reduced to $40,000 and the maturity date was extended to November 12, 2012. Under the terms of the amended 2006 Credit Facility, we were required to cash collateralize all of our letters of credit issued by the banks. The cash collateral was added to the borrowing base calculation at 100% throughout the term of the agreement. The 2006 Credit Facility required that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash on hand plus availability was less than $25,000 and, thereafter, until such time as our aggregate amount of unrestricted cash on hand plus availability had been at least $25,000 for a period of 60 consecutive days. The amended Agreement also called for cost of borrowings of 4.0% over LIBOR per annum. Cost for letters of credit was the same as borrowings and also included a 25 basis point fronting fee. All other terms and conditions remained unchanged. In connection with the amendment, we incurred an amendment fee of $60 which, together with unamortized balance of the prior amendment was amortized using the straight line method through August 30, 2012.

The 2006 Credit Facility was guaranteed by our subsidiaries and secured by first priority liens on substantially all of our subsidiaries existing and future acquired assets, exclusive of collateral provided to our surety providers. The 2006 Credit Facility contained customary affirmative, negative and financial covenants. The 2006 Credit Facility also restricted us from paying cash dividends and placed limitations on our ability to repurchase our common stock.

Borrowings under the 2006 Credit Facility could not exceed a borrowing base that was determined monthly by our lenders based on available collateral, primarily certain accounts receivables and inventories. Under the terms of the 2006 Credit Facility in effect as of August 30, 2012, interest for loans and letter of credit fees was based on our Total Liquidity, which is calculated for any given period as the sum of average daily availability for such period plus average daily unrestricted cash on hand for such period as follows:

Total Liquidity	Annual Interest Rate for Loans	Annual Interest Rate for Letters of Credit
Greater than or equal to $60,000	LIBOR plus 3.00% or Base Rate plus 1.00%	3.00% plus 0.25% fronting fee
Greater than $40,000 and less than $60,000	LIBOR plus 3.25% or Base Rate plus 1.25%	3.25% plus 0.25% fronting fee
Less than or equal to $40,000	LIBOR plus 3.50% or Base Rate plus 1.50%	3.50% plus 0.25% fronting fee

At September 30, 2012, we had $6,148 in outstanding letters of credit with Bank of America. The terms surrounding the termination of the 2006 Credit Facility require that we cash collateralize 105% of our letter of credit balance. As such, we have $6,455 classified as restricted cash within the Balance Sheet as of September 30, 2012.

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For the year ended September 30, 2012, we paid no interest for loans under the 2006 Credit Facility and had a weighted average interest rate, including fronting fees, of 3.49% for letters of credit. In addition, we were charged monthly in arrears (1) an unused commitment fee of 0.50%, and (2) certain other fees and charges as specified in the Loan and Security Agreement, as amended.

As of August 9, 2012, we were subject to the financial covenant under the 2006 Credit Facility requiring that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash on hand plus availability is less than $25,000 and, thereafter, until such time as our aggregate amount of unrestricted cash on hand plus availability has been at least $25,000 for a period of 60 consecutive days. As of August 9, 2012, our Total Liquidity was in excess of $25,000.

The Tontine Term Loan

On December 12, 2007, we entered into the Tontine Term Loan, a $25,000 senior subordinated loan agreement, with Tontine. The Tontine Term Loan bears interest at 11.0% per annum and is due on May 15, 2013. Interest is payable quarterly in cash or in-kind at our option. Any interest paid in-kind will bear interest at 11.0% in addition to the loan principal. On April 30, 2010, we prepaid $15,000 of principal on the Tontine Term Loan. On May 1, 2010, Tontine assigned the Tontine Term Loan to Tontine Capital Overseas Master Fund II, L.P, also a related party. We may repay the Tontine Term Loan at any time prior to the maturity date at par, plus accrued interest without penalty within the restrictions of the 2012 Credit Facility. The Company is currently evaluating its options with regard to repayment of the Tontine Term Loan, including through a refinancing of the loan prior to or at its maturity.

The Tontine Term Loan is subordinated to the 2012 Credit Facility. The Tontine Term Loan is an unsecured obligation of the Company and its subsidiary borrowers and contains no financial covenants or restrictions on dividends or distributions to stockholders. The Tontine Term Loan was amended on August 9, 2012 in connection with the Company entering into the 2012 Credit Facility. The amendment did not materially impact the Company s obligations under the Tontine Term Loan.

Capital Lease

The Company leases certain equipment under agreements, which are classified as capital leases and included in property, plant and equipment. Amortization of this equipment for the years ended September 30, 2012, 2011 and 2010 was $182, $172 and $157, respectively, which is included in depreciation expense in the accompanying statements of operations.

9. LEASES

We enter into non-cancelable operating leases for many of our facility, vehicle and equipment needs. These leases allow us to retain cash, and we pay a monthly lease rental fee. At the end of the lease, we have no further obligation to the lessor. We may cancel or terminate a lease before the end of its term. Typically, we would be liable to the lessor for various lease cancellation or termination costs and the difference between the fair market value of the leased asset and the implied book value of the leased asset as calculated in accordance with the lease agreement.

For a discussion of leases with certain related parties which are included below, see Note 13, Related-Party Transactions.

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Rent expense was $3,461, $4,056 and $4,599 for the years ended September 30, 2012, 2011 and 2010, respectively, and included within the selling, general and administrative expenses in the Consolidated Statements of Operations.

Future minimum lease payments under these non-cancelable operating leases with terms in excess of one year are as follows:

Year Ended September 30:	
2013	$ 3,464
2014	2,477
2015	1,493
2016	940
2017	542
Thereafter	751
Total	$ 9,667

10. INCOME TAXES

Federal and state income tax provisions for continuing operations are as follows:

	Years Ended September 30,		
	2012	2011	2010
Federal:			
Current	$	$	$
Deferred			
State:			
Current	253	250	114
Deferred	(215)	(78)	(150)
	$ 38	$ 172	$ (36)

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:

	Years Ended September 30,		
	2012	2011	2010
Provision (benefit) at the statutory rate	$ (918)	$ (6,786)	$ (7,926)
Increase resulting from:			
Non-deductible expenses	490	548	511

State income taxes, net of federal deduction	106		
Change in valuation allowance	581	7,066	7,907
Other		16	31
Decrease resulting from:			
State income taxes, net of federal deduction		(600)	(326)
Contingent tax liabilities	(206)	(72)	(233)
Other	(15)		
	$ 38	$ 172	$ (36)

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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:

	Years Ended September 30,	
	2012	2011
Deferred income tax assets:		
Allowance for doubtful accounts	$ 675	$ 998
Accrued expenses	6,254	5,646
Net operating loss carryforward	106,004	103,650
Various reserves	1,085	1,728
Equity losses in affiliate	292	286
Share-based compensation	2,757	2,676
Capital loss carryforward	3,909	3,889
Property	397	
Other	1,651	1,836
Subtotal	123,024	120,709
Less valuation allowance	(121,962)	(119,738)
Total deferred income tax assets	$ 1,062	$ 971
Deferred income tax liabilities:		
Property and equipment	$	$
Deferred contract revenue and other	(196)	(106)
Total deferred income tax liabilities	(196)	(106)
Net deferred income tax assets	$ 866	$ 865

In 2002, we adopted a tax accounting method change that allowed us to deduct goodwill for income tax purposes that had previously been classified as non-deductible. The accounting method change resulted in additional amortizable tax basis in goodwill. We believe the realization of the additional tax basis in goodwill is less than probable and have not recorded a deferred tax asset. Although a deferred tax asset has not been recorded through September 30, 2012, we have derived a cumulative cash tax reduction of $11,443 from the change in tax accounting method and the subsequent amortization of the additional tax goodwill. In addition, the amortization of the additional tax goodwill has resulted in additional federal net operating loss carry forwards of $138,892 and state net operating loss carry forwards of $13,622. We believe the realization of the additional net operating loss carry forwards is less than probable and have not recorded a deferred tax asset. We have $2,936 of tax basis in the additional tax goodwill that remains to be amortized. As of September 30, 2012, approximately two years remain to be amortized.

As of September 30, 2012, we had available approximately $451,853 of federal net tax operating loss carry forward for federal income tax purposes, including $138,892 resulting from the additional amortization of tax goodwill. This carry forward, which may provide future tax benefits, will begin to expire in 2022. On May 12, 2006, we had a change in ownership as defined in Internal Revenue Code Section 382. As such, our utilization after the change date of our net operating loss in existence as of the change of control date was subject to Section 382 limitations for federal income taxes and some state income taxes. The annual limitation under Section 382 on the utilization of federal net

operating losses was approximately $20,000 for the first five tax years subsequent to the change in ownership and $16,000 thereafter. Approximately $280,934 of federal net operating losses will not be subject to this limitation. Also, after applying the Section 382 limitation to available state net operating loss carry forwards, we had available approximately $139,654 state net tax operating loss

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carry forwards, including $13,622 resulting from the additional amortization of tax goodwill which begin to expire as of September 30, 2012. We have provided valuation allowances on all net operating losses where it is determined it is more likely than not that they will expire without being utilized.

In assessing the realizability of deferred tax assets at September 30, 2012, we considered whether it was more likely than not that some portion or all of the deferred tax assets will not be realized. Our realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. However, GAAP guidelines place considerably more weight on historical results and less weight on future projections when there is negative evidence such as cumulative pretax losses in recent years. We incurred a cumulative pretax loss for September 30, 2012, 2011 and 2010. In the absence of specific favorable evidence of sufficient weight to offset the negative evidence of the cumulative pretax loss, we have provided valuation allowances of $117,343 for all federal deferred tax assets and $4,503 for certain state deferred tax assets. We believe that $457 of federal deferred tax assets will be realized by offsetting reversing deferred tax liabilities. We believe that $866 of state deferred tax assets will be realized and valuation allowances were not provided for these assets. We will evaluate the appropriateness of our remaining deferred tax assets and valuation allowances on at least annually at the end of each fiscal year.

As a result of the reorganization and related adjustment to the book basis in goodwill, we have tax basis in excess of book basis in amortizable goodwill of approximately $23,902. The tax basis in amortizable goodwill in excess of book basis is not reflected as a deferred tax asset. To the extent the amortization of the excess tax basis results in a cash tax benefit, the benefit will first go to reduce goodwill, then other long-term intangible assets, and then additional paid-in capital. As of September 30, 2012, we have received $72 in cash tax benefits related to the amortization of excess tax basis.

GAAP requires financial statement reporting of the expected future tax consequences of uncertain tax return reporting positions on the presumption that all relevant tax authorities possess full knowledge of those tax reporting positions, as well as all of the pertinent facts and circumstances, but it prohibits discounting of any of the related tax effects for the time value of money. The evaluation of a tax position is a two-step process. The first step is the recognition process to determine if it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authority, based on the technical merits of the position. The second step is a measurement process whereby a tax position that meets the more likely than not recognition threshold is calculated to determine the amount of benefit/expense to recognize in the financial statements. The tax position is measured at the largest amount of benefit/expense that is more likely than not of being realized upon ultimate settlement.

A reconciliation of the beginning and ending balances of unrecognized tax liabilities is as follows:

Balance at October 1, 2011	$ 5,545
Additions for position related to current year	5
Additions for positions of prior years	6
Reduction resulting from the lapse of the applicable statutes of limitations	(213)
Reduction resulting from settlement of positions of prior years	
Balance at September 30, 2012	$ 5,343

As of September 30, 2012, $5,343 of unrecognized tax benefits would result in a decrease in the provision for income tax expense. We anticipate that approximately $58 of unrecognized tax benefits, including accrued interest, may reverse in the next twelve months. The reversal is predominately due to the expiration of the statutes of limitation for unrecognized tax benefits.

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We had approximately $15 and $178 accrued for the payment of interest and penalties at September 30, 2012 and 2011, respectively. We recognize interest and penalties related to unrecognized tax benefits as part of the provision for income taxes.

We are currently not under federal audit by the Internal Revenue Service. The tax years ended September 30, 2009 and forward are subject to audit as are tax years prior to September 30, 2008, to the extent of unutilized net operating losses generated in those years.

The net deferred income tax assets and liabilities are comprised of the following:

	Years Ended September 30,	
	2012	2011
Current deferred income taxes:		
Assets	$ 283	$ 216
Liabilities	(197)	(107)
Net deferred tax asset, current	$ 86	$ 109
Noncurrent deferred income taxes:		
Assets	$ 1,065	$ 1,040
Liabilities	(285)	(284)
Net deferred tax asset, non-current	780	756
Net deferred income tax assets	$ 866	$ 865

11. OPERATING SEGMENTS

We manage and measure performance of our business in three distinct operating segments: Communications, Residential and Commercial & Industrial. These segments are reflective of how the Company s Chief Operating Decision Maker (CODM) reviews operating results for the purposes of allocating resources and assessing performance. The Company s CODM is its Chief Executive Officer. The Communications segment consists of low voltage installation, design, planning and maintenance for mission critical infrastructure such as data centers. The Residential segment consists of electrical installation, replacement and renovation services in single-family, condominium, townhouse and low-rise multifamily housing units. The Commercial & Industrial segment provides electrical design, installation, renovation, engineering 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, light manufacturing and processing facilities, military installations, airports, outside plants, network enterprises, switch network customers, manufacturing and distribution centers, water treatment facilities, refineries, petrochemical and power plants, and alternative energy facilities.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate performance based on income from operations of the respective business units prior to the allocation of Corporate office expenses. Transactions between segments are eliminated in consolidation. Our Corporate office provides general and administrative as well as support services to our three operating segments. Management allocates costs between segments for selling, general and administrative expenses and depreciation expense.

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Segment information for the years ended September 30, 2012, 2011 and 2010 is as follows:

	Years Ended September 30, 2012				
	Communications	Residential	Commercial & Industrial	Corporate	Total
Revenues	$ 121,492	$ 129,974	$ 204,649	$	$ 456,115
Cost of services	103,288	109,274	185,501		398,063
Gross profit	18,204	20,700	19,148		58,052
Selling, general and administrative	13,431	19,703	17,166	8,309	58,609
Loss (gain) on sale of assets	(60)	24	(132)		(168)
Income (loss) from operations	$ 4,833	$ 973	$ 2,114	$ (8,309)	$ (389)
Other data:					
Depreciation and amortization expense	$ 260	$ 375	$ 244	$ 1,196	$ 2,075
Capital expenditures	569	666	341	301	1,877
Total assets	$ 29,603	$ 33,927	$ 65,929	$ 35,254	$ 164,713

	Years Ended September 30, 2011				
	Communications	Residential	Commercial & Industrial	Corporate	Total
Revenues	$ 83,615	$ 114,732	$ 207,794	$	$ 406,141
Cost of services	71,142	96,042	194,573		361,757
Gross profit	12,473	18,690	13,221		44,384
Selling, general and administrative	9,578	18,441	21,788	13,514	63,321
Loss (gain) on sale of assets		116	(33)	(6,638)	(6,555)
Asset Impairments	72		71	4,661	4,804
Income (loss) from operations	$ 2,823	$ 133	$ (8,605)	$ (11,537)	$ (17,186)
Other data:					
Depreciation and amortization expense	$ 278	$ 514	$ 1,575	$ 3,849	$ 6,216
Capital expenditures	$ 928	$ 181	$ 431	$ 1,148	$ 2,688
Total assets	$ 23,073	$ 23,584	$ 79,506	$ 54,081	$ 180,244

	Years Ended September 30, 2010				
	Communications	Residential	Commercial & Industrial	Corporate	Total
Revenues	$ 69,171	$ 115,947	$ 197,313	$	$ 382,431

Cost of services	56,760	92,422	177,757		326,939
Gross profit	12,411	23,525	19,556		55,492
Selling, general and administrative	7,298	23,736	29,047	14,170	74,251
Loss (gain) on sale of assets		23	(86)	(65)	(128)
Restructuring charge	16		698	49	763
Income (loss) from operations	$ 5,097	$ (234)	$ (10,103)	$ (14,154)	$ (19,394)
Other data:					
Depreciation and amortization expense	$ 370	$ 949	$ 1,979	$ 1,534	$ 4,832
Capital expenditures	$ 31	$ 178	$ 363	$ 352	$ 924
Total assets	$ 28,092	$ 27,279	$ 86,335	$ 66,154	$ 207,860

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12. STOCKHOLDERS EQUITY

The 2006 Equity Incentive Plan became effective on May 12, 2006 (as amended, the 2006 Equity Incentive Plan). The 2006 Equity Incentive Plan provides for grants of stock options as well as grants of stock, including restricted stock. We have approximately 1.0 million shares of common stock authorized for issuance under the 2006 Equity Incentive Plan.

Treasury Stock

During the year ended September 30, 2012, we repurchased 54,296 common shares from our employees to satisfy minimum tax withholding requirements upon the vesting of restricted stock issued under the 2006 Equity Incentive Plan, and 32,277 unvested shares were forfeited by former employees and returned to treasury stock. We issued 107,500 shares out of treasury stock under our share-based compensation programs.

Restricted Stock

Restricted Stock Awards:

Fiscal Year	Shares Granted	Weighted Average Fair Value at Date of Grant	Vested	Forfeitures	Shares Outstanding	Expense recognized through September 30, 2012
2006	384,850	$ 24.78	258,347	126,503		$ 6,402
2006	25,000	$ 17.36	25,000			$ 434
2007	20,000	$ 25.08	20,000			$ 502
2007	4,000	$ 26.48	4,000			$ 106
2008	101,650	$ 19.17	85,750	15,900		$ 1,779
2009	185,100	$ 8.71	146,400	38,700		$ 1,344
2010	225,486	$ 3.64	59,347	77,439	88,700	$ 495
2011	320,000	$ 3.39	87,579	68,761	163,660	$ 388
2012	107,500	$ 2.07			107,500	$ 50

During the years ended September 30, 2012, 2011 and 2010, we recognized $536, $787, and $1,272, respectively, in compensation expense related to these restricted stock awards. At September 30, 2012, the unamortized compensation cost related to outstanding unvested restricted stock was $503. We expect to recognize $348 and $155 of this unamortized compensation expense during the years ended September 30, 2013 and 2014, respectively. A summary of restricted stock awards for the years ended September 30, 2012, 2011 and 2010 is provided in the table below:

	Years Ended September 30,		
	2012	2011	2010
Unvested at beginning of year	376,200	352,086	230,716
Granted	107,500	320,000	225,486
Vested	(192,973)	(165,628)	(66,116)

Forfeited	(32,901)	(130,258)	(38,000)
Unvested at end of year	257,826	376,200	352,086

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The fair value of shares vesting during the years ended September 30, 2012, 2011 and 2010 was $661, $520 and $423, respectively. Fair value was calculated as the number of shares vested times the market price of shares on the date of vesting. The weighted average grant date fair value of unvested restricted stock at September 30, 2012 was $2.59.

All the restricted shares granted under the 2006 Equity Incentive Plan (vested or unvested) participate in dividends issued to common shareholders, if any.

Phantom Stock Units

Phantom stock units (PSUs) are primarily granted to the members of the Board of Directors as part of their overall compensation. These PSUs are paid via unrestricted stock grants to each director upon their departure from the Board of Directors. We record compensation expense for the full value of the grant on the date of grant. For the years ended September 30, 2012, 2011 and 2010, we recognized $159, $100, and $125 in compensation expense related to these grants.

From time to time, PSUs are granted to employees. These PSUs are paid via unrestricted stock grants to each employee upon the satisfaction of the grant terms. We record compensation expense for the PSUs granted to employees over the grant vesting period. For the years ended September 30, 2012, 2011 and 2010, we recognized $129, $0, and $0 in compensation expense related to these grants.

Stock Options

We utilized a binomial option pricing model to measure the fair value of stock options granted. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, the risk-free rate of return, and actual and projected employee stock option exercise behaviors. The expected life of stock options is not considered under the binomial option pricing model that we utilize. The assumptions used in the fair value method calculation for the years ended September 30, 2012, 2011 and 2010 are disclosed in the following table:

	Years Ended September 30,		
	2012	2011	2010
Weighted average value per option granted during the period	$ N/A	$ 2.05	$ N/A
Dividends (1)	$ N/A	$	$ N/A
Stock price volatility (2)	N/A	69.9%	N/A
Risk-free rate of return	N/A	1.9%	N/A
Option term	N/A	10.0 years	N/A
Expected life	N/A	6.0 years	N/A
Forfeiture rate (3)	N/A	0.0%	N/A

(1) We do not currently pay dividends on our common stock.
(2) Based upon the Company s historical volatility.
(3) The forfeiture rate for these options was assumed on the date of grant to be zero based on the limited number of employees who have been awarded stock options.

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Stock-based compensation expense recognized during the period is based on the value of the portion of the share-based payment awards that is ultimately expected to vest during the period. As stock-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. We estimate our forfeitures at the time of grant and revise, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The following table summarizes activity under our stock option plans.

	Shares	Weighted Average Exercise Price
Outstanding, September 30, 2009	158,500	$ 18.66
Options granted		
Exercised		
Forfeited and Cancelled		
Outstanding, September 30, 2010	158,500	$ 18.66
Options granted	20,000	3.24
Exercised		
Forfeited and Cancelled	(158,500)	18.66
Outstanding, September 30, 2011	20,000	$ 3.24
Options granted		
Exercised		
Forfeited and Cancelled		
Outstanding, September 30, 2012	20,000	$ 3.24

The following table summarizes options outstanding and exercisable at September 30, 2012:

Range of Exercise Prices	Outstanding as of September 30, 2012	Remaining Contractual Life in Years	Weighted-Average Exercise Price	Exercisable as of September 30, 2012	Weighted-Average Exercise Price
$3.24	20,000	8.80	$ 3.24		$ 3.24
	20,000	8.80	$ 3.24		$ 3.24

All of our outstanding options vest over a three-year period at a rate of one-third per year upon the annual anniversary date of the grant and expire ten years from the grant date if they are not exercised. Upon exercise of stock options, it is our policy to first issue shares from treasury stock, then to issue new shares. Unexercised stock options expire between July 2016 and November 2018.

During the years ended September 30, 2012, 2011 and 2010, we recognized $14, $19 and $99, respectively, in compensation expense related to these awards. At September 30, 2012, the unamortized compensation cost related to outstanding unvested stock options was $25. We expect to recognize $14 and $11 of this unamortized compensation expense during the year ended September 30, 2013 and 2014.

There was no intrinsic value of stock options outstanding and exercisable at September 30, 2012 and 2011, respectively. The intrinsic value is calculated as the difference between the fair value as of the end of the period and the exercise price of the stock options.

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13. RELATED-PARTY TRANSACTIONS

In connection with some of our original acquisitions, certain divisions have entered into related party lease arrangements with former owners for facilities. Related party lease expense for the years ended September 30, 2012, 2011 and 2010 was $198, $265 and $432, respectively. Future commitments with respect to these leases are included in the schedule of minimum lease payments in Note 9, Leases.

As described more fully in Note 8, Debt *The Tontine Term Loan,* we entered into a $25,000 term loan with Tontine, a related party, in December 2007. On April 30, 2010, the Company issued a $15,000 payment towards the Tontine Term Loan, resulting in a reduction in interest expenses related to the Tontine Term Loan. During the years ended September 30, 2012, 2011 and 2010 we incurred interest expense of $1,103, $1,100 and $2,058, respectively, related to the Tontine Term Loan.

On March 29, 2012, we entered into a sublease agreement with Tontine Associates, LLC, an affiliate of Tontine, for corporate office space in Greenwich, Connecticut. The lease extends from April 1, 2012 through March 31, 2014, with monthly payments due in the amount of $6. The lease has terms at market rates and payments by the Company are at a rate consistent with that paid by Tontine Associates, LLC to its landlord.

14. EMPLOYEE BENEFIT PLANS

401(k) Plan

In November 1998, we established the Integrated Electrical Services, Inc. 401(k) Retirement Savings Plan (the 401(k) Plan). All full-time 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 our matching contributions following three years of service.

Management Incentive Plan

On December 8, 2009, the Compensation Committee of the Board of Directors of IES approved and adopted the 2010 Incentive Compensation Plan including the performance-based criteria by which potential payouts to participants will be determined. The total award under the Incentive Compensation Plan is dependent on the level of achievement against performance goals. None of the performance-based criteria were met in 2010 for the Incentive Compensation Plan and no liability was recorded as of September 30, 2010.

On December 16, 2010, the Compensation Committee of the Board of Directors of IES approved and adopted the 2011 Incentive Compensation Plan including the performance-based criteria by which potential payouts to participants will be determined. The total award under the Incentive Compensation Plan is dependent on the level of achievement against performance goals. None of the performance-based criteria were met in 2011 for the Incentive Compensation Plan and no liability was recorded as of September 30, 2011.

On September 28, 2011, the Compensation Committee of the Board of Directors, of IES approved and adopted the Annual Incentive Plan for fiscal year 2012 including the performance-based criteria by which potential payouts to participants will be determined. The total award under the Annual Incentive Plan was dependent on the level of achievement against performance goals. As of September 30, 2012, we had recorded a total liability for incentive compensation of approximately $925, which was paid in fiscal 2013.

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Executive Savings Plan

Under the Executive Deferred Compensation Plan adopted on July 1, 2004 (the Executive Savings Plan), certain employees are permitted to defer a portion (up to 75%) of their base salary and/or bonus for a Plan Year. The Compensation Committee of the Board of Directors may, in its sole discretion, credit one or more participants with an employer deferral (contribution) in such amount as the Committee may choose (Employer Contribution). The Employer Contribution, if any, may be a fixed dollar amount, a fixed percentage of the participant s compensation, base salary, or bonus, or a matching amount with respect to all or part of the participant s elective deferrals for such plan year, and/or any combination of the foregoing as the Committee may choose.

Post Retirement Benefit Plans

Certain individuals at one of the Company s locations are entitled to receive fixed annual payments that reach a maximum amount, as specified in the related agreements, for a ten year period following retirement or, in some cases, the attainment of 62 years of age. We recognize the unfunded status of the plan as a non-current liability in our Consolidated Balance Sheet. Benefits vest 50% after ten years of service, which increases by 10% per annum until benefits are fully vested after 15 years of service. We had an unfunded benefit liability of $827 and $781 recorded as of September 30, 2012 and 2011, respectively.

15. FAIR VALUE MEASUREMENTS

Fair Value Measurement Accounting

Fair value is considered the price to sell an asset, or transfer a liability, between market participants on the measurement date. Fair value measurements assume that the asset or liability is (1) exchanged in an orderly manner, (2) the exchange is in the principal market for that asset or liability, and (3) the market participants are independent, knowledgeable, able and willing to transact an exchange. Fair value accounting and reporting establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. Considerable judgment is required to interpret the market data used to develop fair value estimates. As such, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair value.

Financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2012, are summarized in the following table by the type of inputs applicable to the fair value measurements:

	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Money market accounts	$ 7,204	$ 7,204		
Executive Savings Plan assets	533	533		
Executive Savings Plan liabilities	(418)	(418)		
EnerTech	988			988
Total	$ 8,307	$ 7,319		988

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Below is a description of the inputs used to value the assets summarized in the preceding table:

Level 1   Inputs represent unadjusted quoted prices for identical assets exchanged in active markets.

Level 2   Inputs include directly or indirectly observable inputs other than Level 1 inputs such as quoted prices for similar assets exchanged in active or inactive markets; quoted prices for identical assets exchanged in inactive markets; and other inputs that are considered in fair value determinations of the assets.

Level 3   Inputs include unobservable inputs used in the measurement of assets. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or related observable inputs that can be corroborated at the measurement date.

We estimated the fair value of our debt securities, solely consisting of our investment in EPV, within the Level 3 hierarchy based on current available information surrounding the private company in which we invested. The fair value of the investments in debt securities was $0 at September 30, 2012 and $0 at September 30, 2011. In the years ended September 30, 2012, 2011 and 2010, we recognized $0, $0 and $150, respectively, of impairment to these securities.

16. COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time we are a party to various claims, lawsuits and other legal proceedings that arise in the ordinary course of business. We maintain various insurance coverages to minimize financial risk associated with these proceedings. None of these proceedings, separately or in the aggregate, are expected to have a material adverse effect on our financial position, results of operations or cash flows. With respect to all such proceedings, we record reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. We expense routine legal costs related to these proceedings as they are incurred.

The following is a discussion of our significant legal matters:

Ward Transformer Site

One of our subsidiaries has been identified as one of more than 200 potentially responsible parties (PRPs) with respect to the clean-up of an electric transformer resale and reconditioning facility, known as the Ward Transformer Site, located in Raleigh, North Carolina. The facility built, repaired, reconditioned and sold electric transformers from approximately 1964 to 2005. We did not own or operate the facility but a subsidiary that we acquired in July 1999 is believed to have sent transformers to the facility during the 1990 s. During the course of its operation, the facility was contaminated by Polychlorinated Biphenyls (PCBs), which also have been found to have migrated off the site.

Four PRPs have commenced clean-up of on-site contaminated soils under an Emergency Removal Action pursuant to a settlement agreement and Administrative Order on Consent entered into between the four PRPs and the U.S. Environmental Protection Agency (EPA) in September 2005. We are not a party to that settlement agreement or Order on Consent. In April 2009, two of these PRPs, Carolina Power and Light Company and Consolidation Coal Company, filed suit against us and most of the other PRPs in the U.S. District Court for the Eastern District of North Carolina (Western Division) to contribute to the cost of the clean-up. In addition to the on-site clean-up, the EPA has selected approximately 50 PRPs to which it sent a Special Notice Letter in late 2008 to organize the clean-up of soils off site and address contamination of groundwater and other miscellaneous off-site issues. We were not a recipient of that letter.

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Based on our investigation to date, there is evidence to support our defense that our subsidiary contributed no PCB contamination to the site. In addition, we have tendered a demand for indemnification to the former owner of the acquired corporation that may have transacted business with the facility. As of September 30, 2012, we have not recorded a reserve for this matter, as we believe the likelihood of our responsibility for damages is not probable and a potential range of exposure is not estimable.

TekWorks, Inc.

On August 5, 2011, TekWorks, Inc. filed suit in the Superior Court of California, county of San Diego against the Company and eight of its employees. The employees, all former TekWorks employees, were hired by the Company in May and June of 2011 to work in the Company s San Diego communications operations. TekWorks claims against the Company and each of the individual defendants include misappropriation of trade secrets, intentional interference with contractual relations and unfair competition under the California Business & Professions Code. In addition to the claims against all defendants, TekWorks claims against the eight individual employees also include breach of contract and the duty of loyalty, as well as claims against a single employee for breach of fiduciary duty and conversion.

Following mediation, the parties settled this matter on August 23, 2012. The settlement terms include a $1,250 payment by the Company to TekWorks in exchange for the Company s receipt of certain business assets from TekWorks, mutual releases and non-competition agreements with respect to certain customers of each party. Each party has also agreed to bear its own costs and fees incurred in connection with this matter.

In June 2012, the Company recorded a reserve in the amount of $1,230 related to this matter. While the Company remains convinced that its potential exposure in this matter if the case were to have proceeded to trial was substantially less than the settlement amount, the Company believes that settlement of this matter was in the best interest of the Company and its shareholders, given the anticipated expense of litigation and the loss of productivity and uncertainty associated with taking the matter to trial.

Hamilton Wage and Hour

On August 29, 2012, Integrated Electrical Services, Inc. was served with a wage and hour suit seeking class action certification in the United States District Court for the Eastern District of Texas, Beaumont Division. On December 4, 2012, the Company was served with a second lawsuit alleging the same claims, but with different named plaintiffs. Both cases are among several filed by the plaintiffs attorney against contractors working in the Motiva plant in Port Arthur, Texas, on various projects over the last several years. The claims are based on alleged failure to compensate for time spent bussing to and from the plant, donning safety wear and other activities. It does not appear the Company will face significant exposure for any unpaid wages. In a separate earlier case based on the same allegations, a federal judge has ruled that the time spent traveling on the busses is not compensable. Our investigation indicates that all other activities alleged either were inapplicable to the Company s employees or took place during times for which the Company s employees were compensated. We have filed responsive pleadings and following initial discovery, will seek dismissal of the case through summary judgment. As of September 30, 2012, we have not recorded a reserve for this matter, as we believe the likelihood of our responsibility for damages is not probable and a potential range of exposure is not estimable.

Risk-Management

We retain 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

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to annual aggregate limits. Our general liability program provides coverage for bodily injury and property damage. Losses up to the deductible amounts are accrued based upon our known claims incurred and an estimate of claims incurred but not reported. As a result, many of our claims are effectively self-insured. Many claims against our insurance are in the form of litigation. At September 30, 2012, we had $5,229 accrued for insurance liabilities. We are also subject to construction defect liabilities, primarily within our Residential segment. As of September 30, 2012, we had reserved $756 for these claims.

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, 2012, $6,218 of our outstanding letters of credit were utilized to collateralize our insurance program.

Surety

Many customers, particularly in connection with new construction, require us to post performance and payment bonds issued by a surety. Those bonds provide a guarantee to the customer that we will perform under the terms of our contract and that we will pay our subcontractors and vendors. If we fail to perform under the terms of our contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. We must reimburse the sureties for any expenses or outlays they incur on our behalf. To date, we have not been required to make any reimbursements to our sureties for bond-related costs.

As is common in the surety industry, sureties issue bonds on a project-by-project basis and can decline to issue bonds at any time. We believe that our relationships with our sureties will allow us to provide surety bonds as they are required. However, 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 our sureties decline to issue bonds for our work, our alternatives would include posting other forms of collateral for project performance, such as letters of credit or cash, seeking bonding capacity from other sureties, or engaging in more projects that do not require surety bonds. In addition, if we are awarded a project for which a surety bond is required but we are unable to obtain a surety bond, the result can be a claim for damages by the customer for the costs of replacing us with another contractor.

As of September 30, 2012, the estimated cost to complete our bonded projects was approximately $67,177. We evaluate our bonding requirements on a regular basis, including the terms offered by our sureties. On May 7, 2010 we entered into a new surety agreement. We believe the bonding capacity presently provided by our current sureties is adequate for our current operations and will be adequate for our operations for the foreseeable future. As of September 30, 2012, we had cash totaling $1.0 million to collateralize our obligations to certain of our previous sureties (as is included in Other Non-Current Assets in our Consolidated Balance Sheet). Posting letters of credit in favor of our sureties reduces the borrowing availability under our 2012 Credit Facility.

Other Commitments and Contingencies

Some of our customers and vendors 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. At September 30, 2012, $630 of our outstanding letters of credit were to collateralize our vendors.

On January 9, 2012, we entered into a settlement agreement with regard to $2,000 of collateral held by a surety who previously issued construction payment and performance bonds for us. The agreement called for a total

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settlement of $2,200 to be paid in monthly installments through February 2013. In the event of default, we are entitled to file and execute upon an agreed judgment in our favor in the amount of $2,450. As of September 30, 2012, we have received payments of $175, which is not in accordance with the payment plan. On August 7, 2012, we reached an amended agreement with the surety and did not file the agreed judgment. The amended agreement provides for additional collateral and calls for the total settlement amount of $2,025 ($2,200 less the $175 already received) to be paid in monthly installments beginning September 30, 2012 through July 2014 with an interest rate of 12%. The terms of the agreed judgment remain the same. Collection of this debt is deemed probable, but there is a risk of loss ranging from $0 to $1,725, the recorded value as of the filing of this annual report on Form 10-K. While the surety failed to make timely payments on the first two payment dates under the amended settlement agreement, the surety ultimately made the payments prior to a payment default, first through an amendment of terms adjusting the payment schedule to begin in October 2012 at a higher monthly rate and then, for the second payment, by making the payment during the specified cure period under the settlement agreement. To date, we have made no adjustment to the outstanding receivable balance, which was $1,825 as of September 30, 2012, and, in any event, intend to aggressively pursue full payment. In the event the surety breaches the agreement and fails to make payment to us, we intend to file the agreed judgment in the amount of $2,450, less payment made to the date of such filing, which potentially would result in additional income of $450.

Between October 2004 and September 2005, we sold all or substantially all of the assets of certain of our wholly-owned subsidiaries. As these sales were assets sales, rather than stock sales, we may be required to fulfill obligations that were assigned or sold to others, if the purchaser is unwilling or unable to perform the transferred liabilities. If this were to occur, we would seek reimbursement from the purchasers. These potential liabilities will continue to diminish over time. To date, we have not been required to perform on any projects sold under this divestiture program.

From time to time, we may enter into firm purchase commitments for materials such as copper or aluminum wire which we expect to use in the ordinary course of business. These commitments are typically for terms less than one year and require us to buy minimum quantities of materials at specific intervals at a fixed price over the term. As of September 30, 2012, we had no such open purchase commitments.

17. DISCONTINUED OPERATIONS

In 2011, we initiated the closure of all or portions of our Commercial & Industrial and Communications facilities in Arizona, Florida, Iowa, Louisiana, Maryland, Massachusetts, Nevada and Texas. These facilities were a key aspect of our commitment to return the Company to profitability and selected based on their current business prospects and the extended time frame needed to return the facilities to a profitable position. From the time of identification through September 30, 2012 we have sub-leased or terminated our lease contracts for leased facilities. We have satisfied substantially all of our contracts through either the subcontracting or self-performance. We have substantially concluded the closure of these facilities as of September 30, 2012. Results from operations of these facilities for the years ended September 30, 2012, 2011, and 2010 are presented in our Consolidated Statements of Operations as discontinued operations.

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(All Amounts in Thousands Except Share Amounts)

The components of the results of discontinued operations for these facilities are as follows:

	Years Ended September 30,		
	2012	2011	2010
Revenues	$ 16,279	$ 69,222	$ 80,999
Cost of services	20,941	78,220	79,049
Gross profit	(4,662)	(8,998)	1,950
Selling, general and administrative	2,557	5,536	10,627
Loss (gain) on sale of assets	769	(28)	(47)
Restructuring charge	1,170	3,785	
Other (income) expense		(3)	(91)
Loss from discontinued operations	(9,158)	(18,288)	(8,539)
(Benefit) provision for income taxes	(11)	(26)	5
Net loss from discontinued operations	$ (9,147)	$ (18,262)	$ (8,544)

Included in the Consolidated Balance Sheets at September 30, 2012 and 2011 are the following major classes of assets and liabilities associated with discontinued operations:

	Years Ended September 30,	
	2012	2011
Assets of discontinued operations:		
Current	$ 6,127	$ 21,030
Noncurrent		1,826
Liabilities of discontinued operations:		
Current	$ 3,005	$ 14,268

18. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Quarterly financial information for the years ended September 30, 2012 and 2011, are summarized as follows:

	Fiscal Year Ended September 30, 2012			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 108,998	$ 107,608	$ 116,128	$ 123,381
Gross profit	$ 13,193	$ 13,789	$ 14,256	$ 16,814
Net income (loss) from continuing operations	$ 192	$ (1,186)	$ (1,213)	$ (448)
Net loss from discontinued operations	$ (3,913)	$ (2,245)	$ (1,963)	$ (1,026)

Net loss	$ (3,721)	$ (3,431)	$ (3,176)	$ (1,474)
Loss per share from continuing operations:				
Basic	$ 0.01	$ (0.08)	$ (0.08)	$ (0.03)
Diluted	$ 0.01	$ (0.08)	$ (0.08)	$ (0.03)
Loss per share from discontinued operations:				
Basic	$ (0.27)	$ (0.15)	$ (0.13)	$ (0.07)
Diluted	$ (0.27)	$ (0.15)	$ (0.13)	$ (0.07)
Earnings loss per share:				
Basic	$ (0.26)	$ (0.23)	$ (0.22)	$ (0.10)
Diluted	$ (0.26)	$ (0.23)	$ (0.22)	$ (0.10)

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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.

	Fiscal Year Ended September 30, 2011			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 91,161	$ 100,033	$ 104,286	$ 110,661
Gross profit	$ 10,603	$ 6,868	$ 12,983	$ 13,929
Net income (loss) from continuing operations	$ (3,353)	$ (9,629)	$ (3,172)	$ (3,406)
Net loss from discontinued operations	$ (946)	$ (502)	$ (8,203)	$ (8,612)
Net loss	$ (4,299)	$ (10,131)	$ (11,375)	$ (12,018)
Loss per share from continuing operations:				
Basic	$ (0.23)	$ (0.66)	$ (0.22)	$ (0.23)
Diluted	$ (0.23)	$ (0.66)	$ (0.22)	$ (0.23)
Loss per share from discontinued operations:				
Basic	$ (0.07)	$ (0.03)	$ (0.57)	$ (0.59)
Diluted	$ (0.07)	$ (0.03)	$ (0.57)	$ (0.59)
Earnings loss per share:				
Basic	$ (0.30)	$ (0.70)	$ (0.78)	$ (0.83)
Diluted	$ (0.30)	$ (0.70)	$ (0.78)	$ (0.83)

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.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In Thousands, Except Share Information)

	March 31, 2013	September 30, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 13,458	$ 18,729
Restricted cash	7,052	7,155
Accounts receivable:		
Trade, net of allowance of $1,301 and $1,788, respectively	72,745	76,259
Retainage	15,205	17,004
Inventories	12,109	15,141
Costs and estimated earnings in excess of billings on uncompleted contracts	6,647	8,180
Assets held for sale	1,110	1,110
Prepaid expenses and other current assets	4,257	3,807
Total current assets	132,583	147,385
LONG-TERM RECEIVABLE, net of allowance of $0 and $0, respectively	213	259
PROPERTY AND EQUIPMENT, net	5,720	6,480
GOODWILL	8,574	4,446
INTANGIBLE ASSETS, net of amortization of $82	808	
GOODWILL AND INTANGIBLE ASSETS	9,382	4,446
OTHER NON-CURRENT ASSETS, net	5,355	6,143
Total assets	$ 153,253	$ 164,713
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 4,163	$ 456
Current maturities of long-term debt, related party		10,000
Current maturities of long-term debt, total	4,163	10,456
Accounts payable and accrued expenses	66,667	68,673
Billings in excess of costs and estimated earnings on uncompleted contracts	20,220	25,255
Total current liabilities	91,050	104,384
LONG-TERM DEBT, net of current maturities	2,292	24
LONG-TERM DEFERRED TAX LIABILITY	285	285
OTHER NON-CURRENT LIABILITIES	6,606	6,863
Total liabilities	100,233	111,556
STOCKHOLDERS EQUITY:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, none issued and outstanding		
	154	154

Common stock, $0.01 par value, 100,000,000 shares authorized; 15,407,802 and 15,407,802 shares issued and 15,105,846 and 14,977,400 outstanding, respectively		
Treasury stock, at cost, 301,956 and 430,402 shares, respectively	(2,839)	(4,546)
Additional paid-in capital	162,590	163,871
Accumulated other comprehensive income	27	
Retained deficit	(106,912)	(106,322)
Total stockholders equity	53,020	53,157
Total liabilities and stockholders equity	$ 153,253	$ 164,713

The accompanying notes are an integral part of these Consolidated Financial Statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In Thousands, Except Share Information)

	Three Months Ended March 31, 2013	2012
Revenues	$ 121,995	$ 107,608
Cost of services	105,999	93,819
Gross profit	15,996	13,789
Selling, general and administrative expenses	16,606	14,407
Gain on sale of assets	(21)	(19)
Loss from operations	(589)	(599)
Interest and other (income) expense:		
Interest expense	449	543
Interest income	(113)	(8)
Other (income) expense, net	(38)	1
Interest and other expense, net	298	536
Loss from continuing operations before income taxes	(887)	(1,135)
Provision (benefit) for income taxes	53	51
Net loss from continuing operations	$ (940)	$ (1,186)
Discontinued operations (Note 12)		
Loss from discontinued operations	(152)	(2,214)
(Benefit) provision for income taxes	9	31
Net loss from discontinued operations	(161)	(2,245)
Net loss	$ (1,101)	$ (3,431)
Unrealized gain on interest hedge, before tax	27	
Income tax related to unrealized gain on interest hedge		
Comprehensive loss	$ (1,074)	$ (3,431)
Loss per share:		
Continuing operations	$ (0.06)	$ (0.08)
Discontinued operations	$ (0.01)	$ (0.15)
Basic	$ (0.07)	$ (0.23)
Diluted loss per share:		
Continuing operations	$ (0.06)	$ (0.08)
Discontinued operations	$ (0.01)	$ (0.15)

Diluted	$ (0.07)	$ (0.23)
Shares used in the computation of loss per share		
Basic	14,909,896	14,638,678
Diluted	14,909,896	14,638,678

The accompanying notes are an integral part of these Consolidated Financial Statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In Thousands, Except Share Information)

	Six Months Ended March 31, 2013	2012
Revenues	$ 249,259	$ 216,606
Cost of services	215,283	189,624
Gross profit	33,976	26,982
Selling, general and administrative expenses	31,528	27,091
Gain on sale of assets	(40)	(155)
Income from operations	2,488	46
Interest and other (income) expense:		
Interest expense	1,055	1,088
Interest income	(125)	(15)
Other (income) expense, net	1,696	(64)
Interest and other expense, net	2,626	1,009
Loss from continuing operations before income taxes	(138)	(963)
Provision (benefit) for income taxes	168	32
Net loss from continuing operations	$ (306)	$ (995)
Discontinued operations (Note 12)		
Loss from discontinued operations	(290)	(5,940)
(Benefit) provision for income taxes	(6)	218
Net loss from discontinued operations	(284)	(6,158)
Net loss	$ (590)	$ (7,153)
Unrealized gain on interest hedge, before tax	27	
Income tax related to unrealized gain on interest hedge		
Comprehensive loss	$ (563)	$ (7,153)
Loss per share:		
Continuing operations	$ (0.02)	$ (0.07)
Discontinued operations	$ (0.02)	$ (0.42)
Basic	$ (0.04)	$ (0.49)
Diluted loss per share:		
Continuing operations	$ (0.02)	$ (0.07)
Discontinued operations	$ (0.02)	$ (0.42)

Diluted	$ (0.04)	$ (0.49)
Shares used in the computation of loss per share		
Basic	14,855,313	14,603,693
Diluted	14,855,313	14,603,693

The accompanying notes are an integral part of these Consolidated Financial Statements.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In Thousands)

	Six Months Ended March 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (590)	$ (7,153)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Bad debt expense	(488)	(576)
Deferred financing cost amortization	(353)	(9)
Depreciation and amortization	1,078	1,058
Reserve for uncollectible surety deposit	1,725	
Loss (gain) on sale of assets	32	(9)
Share based compensation expense	773	276
Unrealized gain on interest swap	27	
Changes in operating assets and liabilities		
Accounts receivable	1,063	16,829
Inventories, net	3,032	(3,276)
Costs and estimated earnings in excess of billings	1,533	209
Prepaid expenses and other current assets	880	(571)
Other non-current assets	82	(40)
Increase, (decrease) in-		
Accounts payable and accrued expenses	(3,367)	(14,131)
Billings in excess of costs and estimated earnings	(5,035)	(504)
Other non-current liabilities	686	98
Net cash provided by (used in) operating activities	1,078	(7,799)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(46)	(978)
Cash paid in conjunction with business combination	(828)	
Net cash provided by (used in) investing activities	(874)	(978)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of debt	(10,233)	(128)
Issuance of debt	5,000	
Purchase of treasury stock	(346)	(94)
Change in restricted cash	104	(8,812)
Net cash used in financing activities	(5,475)	(9,034)
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	(5,271)	(17,811)
CASH AND CASH EQUIVALENTS, beginning of period	18,729	35,577
CASH AND CASH EQUIVALENTS, end of period	$ 13,458	$ 17,766

	2013	2012
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net	$ 299	$ 560
Cash paid for income taxes	$ 142	$ 137

The accompanying notes are an integral part of these Consolidated Financial Statements.

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INTEGRATED ELECTRICAL SERVICES, INC.

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1. BUSINESS

Description of the Business

Integrated Electrical Services, Inc., a Delaware corporation, is a leading provider of infrastructure services to the residential, commercial and industrial industries as well as for data centers and other mission critical environments. We operate primarily in the electrical infrastructure markets, with a corporate focus on expanding into other markets through strategic acquisitions or investments. Originally established as IES in 1997, we provide services from our 56 domestic locations as of March 31, 2013. Our operations are organized into three principal business segments, based upon the nature of our current products and services:

Communications Nationwide provider of products and services for mission critical infrastructure, such as data centers, of large corporations.

Residential Regional provider of electrical installation services for single-family housing and multi-family apartment complexes.

Commercial & Industrial Provider of electrical design, construction, and maintenance services to the commercial and industrial markets in various regional markets and nationwide in certain areas of expertise, such as the power infrastructure market.

The words IES , the Company , we , our , and us refer to Integrated Electrical Services, Inc. and, except as otherwise specified herein, to our wholly-owned subsidiaries.

Our Communications segment is a leading provider of network infrastructure products and services for data centers and other mission critical environments. Services offered include the design, installation and maintenance of network infrastructure for the financial, medical, hospitality, government, high-tech manufacturing, educational and information technology industries. We also provide the design and installation of audio/visual, telephone, fire, wireless and intrusion alarm systems as well as design/build, service and maintenance of data network systems. We perform services across the United States from our ten offices, which includes our Communications headquarters located in Tempe, Arizona, allowing for dedicated onsite maintenance teams at our customer s sites.

Our Residential segment provides electrical installation services for single-family housing and multi-family apartment complexes and CATV cabling installations for residential and light commercial applications. In addition to our core electrical construction work, the Residential segment has expanded its offerings by providing services for the installation of residential solar power, smart meters, electric car charging stations and stand-by generators, both for new construction and existing residences. The Residential segment is made up of 28 total locations, which includes our Residential headquarters in Houston. These segment locations geographically cover Texas, California, the Sun-Belt, and the Western and Mid-Atlantic regions of the United States, including Hawaii.

Our Commercial & Industrial segment is one of the largest providers of electrical contracting services in the United States. The segment offers a broad range of electrical design, construction, renovation, engineering and maintenance services to the commercial and industrial markets. The Commercial & Industrial segment consists of 18 total locations, which includes our Commercial & Industrial headquarters in Houston, Texas. These locations geographically cover Texas, Nebraska, Colorado, Oregon and the Mid-Atlantic region. Services include the design of electrical systems within a building or complex, procurement and installation of wiring and connection to power sources, end-use equipment and fixtures, as well as contract maintenance. We focus on projects that require special expertise, such as design-and-build projects that utilize the capabilities of our in-house experts, or projects which require specific market expertise, such as transmission and distribution and

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(All Amounts in Thousands Except Share Amounts)

power generation facilities. We also focus on service, maintenance and certain renovation and upgrade work, which tends to be either recurring or have lower sensitivity to economic cycles, or both. We provide services for a variety of projects, including: high-rise residential and office buildings, power plants, manufacturing facilities, data centers, chemical plants, refineries, wind farms, solar facilities, municipal infrastructure and health care facilities, and residential developments. 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. Service and maintenance revenues are derived from service calls and routine maintenance contracts, which tend to be recurring and less sensitive to short term economic fluctuations.

Sale of Non-Strategic Manufacturing Facility

On November 30, 2010, a subsidiary of the Company sold substantially all the assets and certain liabilities of a non-strategic manufacturing facility engaged in manufacturing and selling fabricated metal buildings housing electrical equipment, such as switchgears, motor starters and control systems, to Siemens Energy, Inc. As part of this transaction, Siemens Energy, Inc. also acquired the real property upon which the fabrication facilities are located from a subsidiary of the Company. The transaction was completed on December 10, 2010 for a purchase price of $10,086 at which time we recognized a gain of $6,763.

Sale of Non-Core Electrical Distribution Facility

On February 28, 2011, Key Electrical Supply, Inc. a wholly owned subsidiary of the Company, sold substantially all the assets and certain liabilities of a non-core electrical distribution facility engaged in distributing wiring, lighting, electrical distribution, power control and generators for residential and commercial applications to Elliot Electric Supply, Inc. for a purchase price of $6,676. The loss on this transaction was immaterial.

Related Party Transactions

On December 12, 2007, we entered into a $25,000 senior subordinated loan agreement with Tontine Capital Partners, L.P. and its affiliates (collectively, Tontine), our controlling shareholder (the Tontine Term Loan). The Tontine Term Loan bore interest at 11.0% per annum and was due on May 15, 2013. Interest was payable quarterly in cash or in-kind at our option. Any interest paid in-kind also bore interest at 11.0% in addition to the loan principal. On April 30, 2010, we prepaid $15,000 of principal on the Tontine Term Loan. On May 1, 2010, Tontine assigned the Tontine Term Loan to Tontine Capital Overseas Master Fund II, L.P, also a related party. On February 13, 2013, we repaid the remaining $10,000 of principal on the Tontine Term Loan with existing cash on hand and proceeds from our $5,000 term loan with Wells Fargo Bank, National Association (Wells Fargo).

The Tontine Term Loan was subordinated to the 2012 Credit Facility. The Tontine Term Loan was an unsecured obligation of the Company and its subsidiary borrowers and contained no financial covenants or restrictions on dividends or distributions to stockholders. The Tontine Term Loan was amended on August 9, 2012 in connection with the Company entering into the 2012 Credit Facility. The amendment did not materially impact the Company s obligations under the Tontine Term Loan. For a description of the 2012 Credit Facility, please see Note 4 Debt *The 2012 Revolving Credit Facility* in the Notes to these Consolidated Financial Statements.

While Tontine is subject to restrictions under federal securities laws on sales of its shares as an affiliate, Tontine is party to a Registration Rights Agreement with the Company under which it has the ability, subject to certain

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INTEGRATED ELECTRICAL SERVICES, INC.

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restrictions, to demand registration of its shares in order to permit unrestricted sales of those shares. On February 20, 2013, pursuant to the Registration Rights Agreement, Tontine delivered a request to the Company for registration of all of its shares of IES common stock, and on February 21, 2013, the Company filed a shelf registration statement (as amended, the Shelf Registration Statement) to register Tontine s shares. The Shelf Registration Statement has not been declared effective, and remains subject to review and comment, by the SEC. Once the Shelf Registration Statement is declared effective and for so long as it remains effective, Tontine will have the ability to resell any or all of its shares from time to time in one or more offerings, as described in the Shelf Registration Statement and in any prospectus supplement filed in connection with an offering pursuant to the Shelf Registration Statement.

On March 13, 2013, the Company and MISCOR Group, Ltd., an Indiana corporation, (MISCOR) announced that they had entered into an Agreement and Plan of Merger, dated March 13, 2013 (the Merger Agreement), pursuant to which IES will acquire 100% of the common stock of MISCOR in a stock and cash transaction. As of March 31, 2013, Tontine beneficially owned 49.9% of the issued and outstanding shares of MISCOR common stock. Given Tontine s significant holdings in both the Company and MISCOR, only the disinterested members of the IES Board of Directors voted on, and unanimously approved, the Merger Agreement. In addition, MISCOR established a special committee of independent directors that voted on and approved the Merger Agreement and recommended approval of the Merger Agreement by the full MISCOR board of directors. After receiving approval from the special committee, the disinterested members of the MISCOR board of directors unanimously approved the Merger Agreement. For additional information on the proposed Merger with MISCOR, please see Subsequent Events below.

On March 29, 2012, we entered into a sublease agreement with Tontine Associates, LLC, an affiliate of our controlling shareholder, for corporate office space in Greenwich, Connecticut. The lease extends from April 1, 2012 through March 31, 2014, with monthly payments due in the amount of $6. The lease has terms at market rates and payments by the Company are at a rate consistent with that paid by Tontine Associates, LLC to its landlord.

Summary of Significant Accounting Policies

These unaudited consolidated financial statements reflect, in the opinion of management, all adjustments necessary to present fairly the financial position as of, and the results of operations for, the periods presented. All adjustments are considered to be normal and recurring unless otherwise described herein. Interim period results are not necessarily indicative of results of operations or cash flows for the full year. During interim periods, we follow the same accounting policies disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012. Please refer to the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012, when reviewing our interim financial results set forth herein.

Adoption of New Accounting Pronouncement

In June 2011, the FASB issued amended authoritative guidance associated with comprehensive income, which requires companies to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This update eliminates the option to present the components of other comprehensive income as part of the statement of changes in equity.

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In December 2011, the FASB deferred the effective date of the specific requirement to present items that are reclassified out of accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income.

We will adopt this requirement effective October 1, 2013. This amendment to the authoritative guidance associated with comprehensive income was effective for the Company on October 1, 2012 and have been applied retrospectively. We have adopted a single continuous statement of comprehensive income.

Fair Value of Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, investments, accounts payable, a line of credit, notes payable issued to finance our insurance policies, and a term loan with Wells Fargo Bank. We believe that the carrying value of financial instruments, with the exception of the Tontine Term Loan and our cost method investment in EnerTech Capital Partners II L.P. (EnerTech), in the accompanying Consolidated Balance Sheets approximates their fair value due to their short-term nature. While the carrying value of the Tontine Term Loan was zero at March 31, 2013, we estimated the fair value using level 3 inputs, including an estimated interest rate reflecting current market conditions during prior periods. For additional information, please refer to Note 4, Debt *The Tontine Term Loan* in the Notes to these Consolidated Financial Statements.

We estimate that the fair value of our investment in EnerTech (Level 3) is $1,045 at March 31, 2013. For additional information, please refer to Note 8, Securities and Equity Investments *Investment in EnerTech-Capital Partners II L.P.* in the Notes to these Consolidated Financial Statements.

We estimate that the fair value of our interest rate swap agreement with Wells Fargo Bank, N.A. (Level 2) is $27 at March 31, 2013. For additional information, please refer to Note 14, Derivative Investments in the Notes to these Consolidated Financial Statements.

We entered into a contingent consideration agreement in conjunction with the Acro Asset Purchase Agreement, wherein we have agreed to pay 5% of eligible revenues earned during the twelve month period commencing March 31, 2013. We estimate the fair value of the contingent consideration (Level 3) is $665 at March 31, 2013. The fair value of this contingent liability will vary depending on actual revenues earned.

Goodwill

Goodwill attributable to each reporting unit is tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value is determined using discounted cash flows. These impairment tests are required to be performed at least annually. Significant estimates used in the methodologies include estimates of future cash flows, future short-term and long-term growth rates, and weighted average cost of capital for each of the reportable units. On an ongoing basis (absent any impairment indicators), we perform an impairment test annually using a measurement date of September 30.

Asset Impairment

During the fiscal year ended September 30, 2012, the Company recorded a pretax non-cash asset impairment charge of $688 related to real estate held by our Commercial & Industrial segment. The real estate was held within a location selected for closure during 2011. This impairment was to adjust the carrying value of real estate held for sale to the estimated current market value less expected selling expenses, the value at which we expected to sell this real estate within one year. The real estate is classified as assets held for sale within our Consolidated Balance Sheets.

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Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 primarily used in our revenue recognition of construction in progress, fair value assumptions in analyzing goodwill, investments, long-lived asset impairments and adjustments, allowance for doubtful accounts receivable, stock-based compensation, reserves for legal matters, realizability of deferred tax assets, and self-insured claims liabilities and related reserves.

Tax Provision

A reliable estimate of the annual effective tax rate cannot be determined. Therefore, the Company is using year to date income tax expense to determine the income tax provision for the three months and six months ended March 31, 2013.

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. We use restricted cash to collateralize our letters of credit.

Seasonality and Quarterly Fluctuations

Results of operations from our Residential construction segment are seasonal, depending on weather trends, with typically higher revenues generated during spring and summer and lower revenues during fall and winter. The Communications and Commercial & Industrial segments of our business are less subject to seasonal trends, as work in these segments 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. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

2. CONTROLLING SHAREHOLDER

On April 30, 2010, we prepaid $15,000 of the original $25,000 principal outstanding on the Tontine Term Loan. On February 12, 2013, we entered into the Amendment to the 2012 Credit Facility pursuant to which, Wells Fargo provided the Company with a $5,000 term loan. On February 13, 2013, we repaid the remaining $10,000 of principal on the Tontine Term Loan with existing cash on hand and proceeds from the Wells Fargo Term Loan. For a description of the Amendment and the Wells Fargo Term Loan, please see Note 4, Debt *The 2012 Revolving Credit Facility* in the Notes to these Consolidated Financial Statements.

While Tontine is subject to restrictions under federal securities laws on sales of its shares as an affiliate, Tontine is party to a Registration Rights Agreement with the Company under which it has the ability, subject to certain restrictions, to demand registration of its shares in order to permit unrestricted sales of those shares. On February 20, 2013, pursuant to the Registration Rights Agreement, Tontine delivered a request to the Company for registration of all of its shares of IES common stock, and on February 21, 2013, the Company filed the Shelf Registration Statement to register Tontine s shares. The Shelf Registration Statement has not been declared

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effective, and remains subject to review and comment, by the SEC. Once the Shelf Registration Statement is declared effective and for so long as it remains effective, Tontine will have the ability to resell any or all of its shares from time to time in one or more offerings, as described in the Shelf Registration Statement and in any prospectus supplement filed in connection with an offering pursuant to the Shelf Registration Statement.

Should Tontine sell or exchange all or a portion of its position in IES, a change in ownership could occur. A change in ownership, as defined by Internal Revenue Code Section 382, could reduce the availability of net operating losses (NOLs) for federal and state income tax purposes. On January 28, 2013, the Company implemented a tax benefit protection plan (the NOL Rights Plan) that is designed to deter an acquisition of the Company s stock in excess of a threshold amount that could trigger a change of control within the meaning of Internal Revenue Code Section 382. The NOL Rights Plan was filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on January 28, 2013 and any description thereof is qualified in its entirety by the terms of the NOL Rights Plan. There can be no assurance that the NOL Rights Plan will be effective in deterring a change of control or protecting the NOLs. Furthermore, a change in control would trigger the change of control provisions in a number of our material agreements, including our 2012 Credit Facility, bonding agreements with our sureties and certain employment contracts with certain officers and employees of the Company.

3. STRATEGIC ACTIONS

The 2011 Restructuring Plan

In the second quarter of our 2011 fiscal year, we began a restructuring program (the 2011 Restructuring Plan) that was designed to consolidate operations within our Commercial & Industrial business. Pursuant to the 2011 Restructuring Plan, we began the closure of certain underperforming facilities within our Commercial & Industrial operations. The 2011 Restructuring Plan was a key element of our commitment to return the Company to profitability.

The facilities directly affected by the 2011 Restructuring Plan are in several locations throughout the country, including Arizona, Florida, Iowa, Massachusetts, Louisiana, Nevada and Texas. These facilities were selected due to business prospects at that time and the extended time frame needed to return the facilities to a profitable position. Closure costs associated with the 2011 Restructuring Plan included equipment and facility lease termination expenses, incremental management consulting expenses and severance costs for employees. The Company is in the final stages of winding down these facilities. As part of our restructuring charges reported within discontinued operations for our Commercial & Industrial segment we recognized $(4) and $35 in severance reversals and costs, $61 and $764 in consulting services, and zero and $65 in costs related to lease terminations for the six months ended March 31, 2013 and 2012, respectively.

The 2011 Restructuring Plan pertains only to our Commercial & Industrial segment. The following table summarizes the activities related to our restructuring activities by component:

	Severance Charges	Consulting Charges	Lease Termination & Other Charges	Total
Restructuring liability at September 30, 2012	$ 201	$ 10	$ 329	$ 540
Restructuring charges (reversals) incurred	(4)	61		57
Cash payments made	(17)	(70)	(126)	(213)
Restructuring liability at March 31, 2013	$ 180	$ 1	$ 203	$ 384

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4. DEBT

Debt consists of the following:

	March 31, 2013	September 30, 2012
Tontine Term Loan, due May 15, 2013, bearing interest at 11.00%	$	$ 10,000
Wells Fargo Term Loan, paid in installments thru Feb 12, 2015, bearing interest at 6% + 3 Month LIBOR	4,792	
Insurance Financing Agreements, bearing interest between 1.99% to 2.75%	1,502	196
Capital leases and other	161	284
Total debt	6,455	10,480
Less Short-term debt and current maturities of long-term debt	(4,163)	(10,456)
Total long-term debt	$ 2,292	$ 24

Future payments on debt at March 31, 2013 are as follows:

	Capital Leases and Other	Insurance Financing	Term Debt	Total
2013	159	1,502	1,250	2,911
2014	26		2,500	2,526
2015			1,042	1,042
2016				
Thereafter				
Less: Imputed Interest	(24)			(24)
Total	$ 161	$ 1,502	$ 4,792	$ 6,455

For the three months ended March 31, 2013 and 2012, we incurred interest expense of $449 and $543, respectively. For the six months ended March 31, 2013 and 2012, we incurred interest expense of $1,055 and $1,088, respectively.

The 2012 Revolving Credit Facility

On August 9, 2012, we entered into a Credit and Security Agreement (the Credit Agreement), for a $30,000 revolving credit facility (the 2012 Credit Facility) with Wells Fargo. The 2012 Credit Facility originally matured on August 9, 2015, unless earlier terminated. On February 12, 2013, we entered into an amendment of our 2012 Credit Facility with Wells Fargo (the Amendment). The Amendment extends the term of the 2012 Credit Facility to August 9, 2016 and adds IES Renewable Energy, LLC as a borrower on the 2012 Credit Facility. In addition, pursuant to the Amendment, Wells Fargo provided the Company with a $5,000 term loan (the Wells Fargo Term Loan). The Credit Agreement was filed as

an exhibit to our Annual Report on Form 10-K for the year ended September 30, 2012, and any description thereof is qualified in its entirety by the terms of the Credit Agreement, and the Amendment was filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, and any description thereof is qualified in its entirety by the terms of the Amendment. For a description of the proposed Acquisition Term Loan with Wells Fargo, please see Note 15, Subsequent Events in the Notes to these Consolidated Financial Statements.

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The 2012 Credit Facility contains customary affirmative, negative and financial covenants. The 2012 Credit Facility requires that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability (as defined in the Credit Agreement) is less than $20,000 or Excess Availability is less than $7,500.

Borrowings under the 2012 Credit Facility may not exceed a borrowing base that is determined monthly by our lenders based on available collateral, primarily certain accounts receivables and inventories. Under the terms of the 2012 Credit Facility, amounts outstanding other than amounts outstanding on the Wells Fargo Term Loan bear interest at a per annum rate equal to a Daily Three Month LIBOR (as defined in the Credit Agreement), plus an interest rate margin, which is determined quarterly, based on the following thresholds:

Level	Thresholds	Interest Rate Margin
I	Liquidity £ $20,000 at any time during the period; or	4.00 percentage points
	Excess Availability £ $7,500 at any time during the period; or	
	Fixed charge coverage ratio < 1.0:1.0	
II	Liquidity > $20,000 at all times during the period; and	3.50 percentage points
	Liquidity £ $30,000 at any time during the period; and	
	Excess Availability $7,500; and	
	Fixed charge coverage ratio ≥ 1.0:1.0	
III	Liquidity > $30,000 at all times during the period	3.00 percentage points

While borrowings under the Wells Fargo Term Loan bear interest at a per annum rate equal to Daily Three Month LIBOR plus 6.00%, the Company and Wells Fargo entered into an interest rate swap agreement on March 1, 2013, whereby the Company has caused the interest rate for borrowings under the Wells Fargo Term Loan to be fixed at 7.00% per annum. Interest is payable in monthly installments over a 24-month period. The Company may prepay the Wells Fargo Term Loan in part or in whole prior to its stated maturity upon the payment of the outstanding principal amount, accrued but unpaid interest and prepayment fees.

In addition, under the 2012 Credit Facility, we are charged monthly in arrears for (1) an unused commitment fee of 0.50% per annum, (2) a collateral monitoring fee ranging from $1 to $2, based on the then-applicable interest rate margin, (3) a letter of credit fee based on the then-applicable interest rate margin and (4) certain other fees and charges as specified in the Credit Agreement.

The 2012 Credit Facility is guaranteed by our subsidiaries and secured by first priority liens on substantially all of our subsidiaries existing and future acquired assets, exclusive of collateral provided to our surety providers. The 2012 Credit Facility also restricts us from paying cash dividends and places limitations on our ability to repurchase our common stock. On February 13, 2013, we repaid the remaining $10,000 of principal on the Tontine Term Loan plus accrued interest with existing cash on hand and proceeds from the Wells Fargo Term Loan.

At March 31, 2013, we had $16,466 available to us under the 2012 Credit Facility, $7,052 in outstanding letters of credit with Wells Fargo and no outstanding borrowings outside the Wells Fargo Term Loan. The terms surrounding the 2012 Credit Facility agreement with Wells Fargo require that we cash collateralize 100% of our letter of credit balance. As such, we have $7,052 classified as restricted cash within the Balance Sheet as of March 31, 2013.

At March 31, 2013, we were subject to the financial covenant under the 2012 Credit Facility requiring that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of

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unrestricted cash and cash equivalents on hand plus Excess Availability is less than $20,000 or Excess Availability is less than $7,500. As of March 31, 2013, our aggregate amount of unrestricted cash and cash equivalents on hand plus Excess Availability was in excess of $20,000 and Excess Availability was in excess of $7,500; had we not met these thresholds at March 31, 2013, we would not have met the required 1.0:1.0 fixed charge coverage ratio test.

While we expect to meet our financial covenants, in the event that we are not able to meet the covenants of our 2012 Credit Facility in the future and are unsuccessful in obtaining a waiver from our lenders, the Company expects to have adequate cash on hand to fully collateralize our outstanding letters of credit and to provide sufficient cash for ongoing operations.

The 2006 Revolving Credit Facility

On May 12, 2006, we entered into a Loan and Security Agreement (the Loan and Security Agreement), for a revolving credit facility (the 2006 Credit Facility) with Bank of America, N.A. and certain other lenders. On August 9, 2012, the 2006 Credit Facility was replaced by the 2012 Credit Facility. The 2006 Credit Facility and its amendments are filed as Exhibits to this Form 10-K and any descriptions thereof are qualified in their entirety by the terms of the 2006 Credit Facility or its respective amendments. On May 7, 2008, we renegotiated the terms of our 2006 Credit Facility and entered into an amended agreement with the same financial institutions. On April 30, 2010, we renegotiated the terms of, and entered into an amendment to the Loan and Security Agreement pursuant to which the maturity date was extended to May 31, 2012. In connection with the amendment, we incurred an amendment fee of $200, which was amortized over 24 months.

On December 15, 2011, we renegotiated the terms of, and entered into an amendment to, the Loan and Security Agreement without incurring termination charges. Under the terms of the amended 2006 Credit Facility, the size of the facility was reduced to $40,000 and the maturity date was extended to November 12, 2012. Under the terms of the amended 2006 Credit Facility, we were required to cash collateralize all of our letters of credit issued by the banks. The cash collateral was added to the borrowing base calculation at 100% throughout the term of the agreement. The 2006 Credit Facility required that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash on hand plus availability was less than $25,000 and, thereafter, until such time as our aggregate amount of unrestricted cash on hand plus availability had been at least $25,000 for a period of 60 consecutive days. The amended Agreement also called for cost of borrowings of 4.0% over LIBOR per annum. Cost for letters of credit was the same as borrowings and also included a 25 basis point fronting fee. All other terms and conditions remained unchanged. In connection with the amendment, we incurred an amendment fee of $60 which, together with unamortized balance of the prior amendment was amortized using the straight line method through August 30, 2012.

The 2006 Credit Facility was guaranteed by our subsidiaries and secured by first priority liens on substantially all of our subsidiaries existing and future acquired assets, exclusive of collateral provided to our surety providers. The 2006 Credit Facility contained customary affirmative, negative and financial covenants. The 2006 Credit Facility also restricted us from paying cash dividends and placed limitations on our ability to repurchase our common stock.

Borrowings under the 2006 Credit Facility could not exceed a borrowing base that was determined monthly by our lenders based on available collateral, primarily certain accounts receivables and inventories. Under the terms of the 2006 Credit Facility in effect as of August 30, 2012, interest for loans and letter of credit fees was based on

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our Total Liquidity, which is calculated for any given period as the sum of average daily availability for such period plus average daily unrestricted cash on hand for such period as follows:

Total Liquidity	Annual Interest Rate for Loans	Annual Interest Rate for Letters of Credit
Greater than or equal to $60,000	LIBOR plus 3.00% or Base Rate plus 1.00%	3.00% plus 0.25% fronting fee
Greater than $40,000 and less than $60,000	LIBOR plus 3.25% or Base Rate plus 1.25%	3.25% plus 0.25% fronting fee
Less than or equal to $40,000	LIBOR plus 3.50% or Base Rate plus 1.50%	3.50% plus 0.25% fronting fee

For the three months ended March 31, 2012, we paid no interest for loans under the 2006 Credit Facility and had a weighted average interest rate, including fronting fees, of 3.75% for letters of credit. In addition, we were charged monthly in arrears (1) an unused commitment fee of 0.50%, and (2) certain other fees and charges as specified in the Loan and Security Agreement, as amended.

As of August 9, 2012, we were subject to the financial covenant under the 2006 Credit Facility requiring that we maintain a fixed charge coverage ratio of not less than 1.0:1.0 at any time that our aggregate amount of unrestricted cash on hand plus availability is less than $25,000 and, thereafter, until such time as our aggregate amount of unrestricted cash on hand plus availability has been at least $25,000 for a period of 60 consecutive days. As of August 9, 2012, our Total Liquidity was in excess of $25,000.

The Tontine Term Loan

On December 12, 2007, we entered into the Tontine Term Loan, a $25,000 senior subordinated loan agreement, with Tontine, which the Company terminated and prepaid in full subsequent to the first quarter of fiscal 2013, as further described below.

The Tontine Term Loan bore interest at 11.0% per annum and was due on May 15, 2013. Interest was payable quarterly in cash or in-kind at our option. Any interest paid in-kind would bear interest at 11.0% in addition to the loan principal. The Tontine Term Loan was subordinated to the 2012 Credit Facility. The Tontine Term Loan was an unsecured obligation of the Company and its subsidiary borrowers and contained no financial covenants or restrictions on dividends or distributions to stockholders. The Tontine Term Loan was amended on August 9, 2012 in connection with the Company entering into the 2012 Credit Facility. The amendment did not materially impact the Company s obligations under the Tontine Term Loan.

On April 30, 2010, we prepaid $15,000 of principal on the Tontine Term Loan. On May 1, 2010, Tontine assigned the Tontine Term Loan to Tontine Capital Overseas Master Fund II, L.P, also a related party. Pursuant to its terms, we were permitted to repay the Tontine Term Loan at any time prior to the maturity date at par, plus accrued interest without penalty within the restrictions of the 2012 Credit Facility. On February 13, 2013, we repaid the remaining $10,000 of principal on the Tontine Term Loan, plus accrued interest, with existing cash on hand and proceeds from the Wells Fargo Term Loan.

Capital Lease

The Company leases certain equipment under agreements, which are classified as capital leases and included in property, plant and equipment. Amortization of this equipment for the three and six months ended March 31, 2013 and 2012 was $46 and $91, respectively.

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5. PER SHARE INFORMATION

Basic earnings per share is calculated as income (loss) available to common stockholders, divided by the weighted average number of common shares outstanding during the period. If the effect is dilutive, participating securities are included in the computation of basic earnings per share. Our participating securities do not have a contractual obligation to share in the losses in any given period. As a result, these participating securities will not be allocated any losses in the periods of net losses, but will be allocated income in the periods of net income using the two-class method.

The following table reconciles the components of the basic and diluted income (loss) per share for the three and six months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
	2013	2012
Numerator:		
Net loss from continuing operations attributable to common shareholders	$ (940)	$ (1,186)
Net loss from continuing operations attributable to restricted shareholders	$	$
Net loss from continuing operations	$ (940)	$ (1,186)
Net loss from discontinued operations attributable to common shareholders	$ (161)	$ (2,245)
Net loss from discontinued operations attributable to restricted shareholders	$	$
Net loss from discontinued operations	$ (161)	$ (2,245)
Net loss attributable to common shareholders	$ (1,101)	$ (3,431)
Net loss attributable to restricted shareholders	$	$
Net loss	$ (1,101)	$ (3,431)
Denominator:		
Weighted average common shares outstanding basic	14,909,896	14,638,678
Effect of dilutive stock options and non-vested restricted stock		
Weighted average common and common equivalent shares outstanding diluted	14,909,896	14,638,678
Basic loss per share:		
Basic loss per share from continuing operations	$ (0.06)	$ (0.08)

Basic loss per share from discontinued operations	$	(0.01)	$	(0.15)
Basic loss per share	$	(0.07)	$	(0.23)
Diluted loss per share:				
Diluted loss per share from continuing operations	$	(0.06)	$	(0.08)
Diluted loss per share from discontinued operations	$	(0.01)	$	(0.15)
Diluted loss per share	$	(0.07)	$	(0.23)

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	Six Months Ended March 31, 2013	Six Months Ended March 31, 2012
Numerator:		
Net loss from continuing operations attributable to common shareholders	$ (306)	$ (995)
Net loss from continuing operations attributable to restricted shareholders	$	$
Net loss from continuing operations	$ (306)	$ (995)
Net loss from discontinued operations attributable to common shareholders	$ (284)	$ (6,158)
Net loss from discontinued operations attributable to restricted shareholders	$	$
Net loss from discontinued operations	$ (284)	$ (6,158)
Net loss attributable to common shareholders	$ (590)	$ (7,153)
Net loss attributable to restricted shareholders	$	$
Net loss	$ (590)	$ (7,153)
Denominator:		
Weighted average common shares outstanding basic	14,855,313	14,603,693
Effect of dilutive stock options and non-vested restricted stock		
Weighted average common and common equivalent shares outstanding diluted	14,855,313	14,603,693
Basic loss per share:		
Basic loss per share from continuing operations	$ (0.02)	$ (0.07)
Basic loss per share from discontinued operations	$ (0.02)	$ (0.42)
Basic loss per share	$ (0.04)	$ (0.49)
Diluted loss per share:		
Diluted loss per share from continuing operations	$ (0.02)	$ (0.07)
Diluted loss per share from discontinued operations	$ (0.02)	$ (0.42)
Diluted loss per share	$ (0.04)	$ (0.49)

For the three months ended March 31, 2013 and 2012, 16,121 and 20,000 stock options, respectively, were excluded from the computation of fully diluted earnings per share because the exercise prices of the options were greater than the average price of our common stock. For the six months ended March 31, 2013 and 2012, 17,236 and 20,000 stock options, respectively, were excluded from the computation of fully diluted earnings per share because the exercise prices of the options were greater than the average price of our common stock.

For the three months ended March 31, 2013 and 2012, 168,412 and 388,860 shares, respectively, of restricted stock were excluded from the computation of fully diluted earnings per share because we reported a loss from continuing operations. For the six months ended March 31, 2013 and 2012, 196,455 and 388,860 shares, respectively, of restricted stock were excluded from the computation of fully diluted earnings per share

because we reported a loss from continuing operations.

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6. OPERATING SEGMENTS

We manage and measure performance of our business in three distinct operating segments: Communications, Residential and Commercial & Industrial. These segments are reflective of how the Company s Chief Operating Decision Maker (CODM) reviews operating results for the purposes of allocating resources and assessing performance. The Company s CODM is its Chief Executive Officer. The Communications segment is a nationwide provider of products and services for mission critical infrastructure, such as data centers, of large corporations. The Residential segment is a regional provider of electrical installation services for single-family housing and multi-family apartment complexes. The Commercial & Industrial segment provides electrical design, construction, and maintenance services to the commercial and industrial markets in various regional markets and nationwide in certain areas of expertise, such as the power infrastructure market.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate performance based on income from operations of the respective business units prior to the allocation of Corporate office expenses. Transactions between segments are eliminated in consolidation. Our Corporate office provides general and administrative as well as support services to our three operating segments. Management allocates costs between segments for selling, general and administrative expenses and depreciation expense.

Segment information for the three and six months ended March 31, 2013 and 2012 is as follows:

	Three Months Ended March 31, 2013				
	Communications	Residential	Commercial & Industrial	Corporate	Total
Revenues	$ 31,806	$ 39,344	$ 50,845	$	$ 121,995
Cost of services	25,975	32,564	47,460		105,999
Gross profit	5,831	6,780	3,385		15,996
Selling, general and administrative	3,301	6,412	3,609	3,284	16,606
Loss (gain) on sale of assets		(12)	(9)		(21)
Income (loss) from operations	$ 2,530	$ 380	$ (215)	$ (3,284)	$ (589)
Other data:					
Depreciation and amortization expense	$ 92	$ 89	$ 59	$ 299	$ 539
Capital expenditures	130	68	97		295
Total assets	$ 25,366	$ 38,714	$ 53,531	$ 35,642	$ 153,253

	Three Months Ended March 31, 2012				
	Communications	Residential	Commercial & Industrial	Corporate	Total
Revenues	$ 28,430	$ 29,628	$ 49,550	$	$ 107,608
Cost of services	24,374	25,097	44,350	(2)	93,819
Gross profit	4,056	4,531	5,200	2	13,789
Selling, general and administrative	3,165	4,532	4,506	2,204	14,407

Loss (gain) on sale of assets		3	(22)		(19)
Income (loss) from operations	$ 891	$ (4)	$ 716	$ (2,202)	$ (599)
Other data:					
Depreciation and amortization expense	$ 65	$ 90	$ 61	$ 303	$ 519
Capital expenditures	$ 239	$ 8	$ 5	$	$ 252
Total assets	$ 18,502	$ 27,318	$ 67,087	$ 46,272	$ 159,179

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	Six Months Ended March 31, 2013				
	Communications	Residential	Commercial & Industrial	Corporate	Total
Revenues	$ 71,925	$ 75,349	$ 101,985	$	$ 249,259
Cost of services	58,862	62,463	93,958		215,283
Gross profit	13,063	12,886	8,027		33,976
Selling, general and administrative	6,860	11,640	7,345	5,683	31,528
Loss (gain) on sale of assets		(21)	(19)		(40)
Income (loss) from operations	$ 6,203	$ 1,267	$ 701	$ (5,683)	$ 2,488
Other data:					
Depreciation and amortization expense	$ 179	$ 185	$ 115	$ 599	$ 1,078
Capital expenditures	171	94	110		375
Total assets	$ 25,366	$ 38,714	$ 53,531	$ 35,642	$ 153,253

	Six Months Ended March 31, 2012				
	Communications	Residential	Commercial & Industrial	Corporate	Total
Revenues	$ 53,591	$ 58,900	$ 104,115	$	$ 216,606
Cost of services	45,970	49,721	93,925	8	189,624
Gross profit	7,621	9,179	10,190	(8)	26,982
Selling, general and administrative	5,875	8,946	8,607	3,663	27,091
Loss (gain) on sale of assets	(60)	7	(102)		(155)
Income (loss) from operations	$ 1,806	$ 226	$ 1,685	$ (3,671)	$ 46
Other data:					
Depreciation and amortization expense	$ 117	$ 172	$ 140	$ 590	$ 1,019
Capital expenditures	$ 239	$ 34	$ 5	$ 861	$ 1,139
Total assets	$ 18,502	$ 27,318	$ 67,087	$ 46,272	$ 159,179

7. STOCKHOLDERS EQUITY

The 2006 Equity Incentive Plan became effective on May 12, 2006 (as amended, the 2006 Equity Incentive Plan). The 2006 Equity Incentive Plan provides for grants of stock options as well as grants of stock, including restricted stock. We have approximately 1.0 million shares of common stock authorized for issuance under the 2006 Equity Incentive Plan.

Treasury Stock

During the six months ended March 31, 2013, we repurchased 74,760 common shares from our employees to satisfy minimum tax withholding requirements upon the vesting of restricted stock issued under the 2006 Equity Incentive Plan. We issued 203,206 shares out of treasury stock under our share-based compensation programs. We issued 48,706 shares from Treasury to satisfy phantom stock unit vestings for two members of the Board of Directors whose units vested upon their respective departures from the Board of Directors.

During the six months ended March 31, 2012, we repurchased 34,578 common shares from our employees to satisfy minimum tax withholding requirements upon the vesting of restricted stock issued under the 2006 Equity

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Incentive Plan, and 27,242 unvested shares were forfeited by former employees and returned to treasury stock. We issued 100,000 shares out of treasury stock under our share-based compensation programs.

Restricted Stock

Restricted Stock Awards:

Fiscal Year	Shares Granted	Weighted Average Fair Value at Date of Grant	Vested	Forfeitures	Shares Outstanding	Expense recognized through March 31, 2013
2008	101,650	$ 19.17	85,750	15,900		$ 1,779
2009	185,100	$ 8.71	146,400	38,700		$ 1,344
2010	225,486	$ 3.64	148,047	77,439		$ 495
2011	320,000	$ 3.39	160,975	77,205	81,820	$ 593
2012	107,500	$ 2.07	33,334		74,166	$ 104
2013	12,500	$ 5.00			12,500	$ 9

During the six months ended March 31, 2013 and 2012, we recognized $182 and $276, respectively, in compensation expense related to these restricted stock awards. At March 31, 2013, the unamortized compensation cost related to outstanding unvested restricted stock was $390. We expect to recognize $184 of this unamortized compensation expense during the remaining six months of our 2013 fiscal year and $206 thereafter. A summary of restricted stock awards for the years ended September 30, 2013, 2012 and 2011 is provided in the table below:

	Years Ended September 30, 2013	2012	2011
Unvested at beginning of year	257,826	376,200	352,086
Granted	12,500	107,500	320,000
Vested	(101,840)	(192,973)	(165,628)
Forfeited		(32,901)	(130,258)
Unvested at end of year	168,486	257,826	376,200

All the restricted shares granted under the 2006 Equity Incentive Plan (vested or unvested) participate in dividends issued to common shareholders, if any.

Phantom Stock Units

Phantom stock units (PSUs) are primarily granted to the members of the Board of Directors as part of their overall compensation. These PSUs are paid via unrestricted stock grants to each director upon their departure from the Board of Directors. We record compensation expense for the full value of the grant on the date of grant. For the six months ended March 31, 2013 and 2012, we recognized $230 and zero, respectively in compensation expense related to these grants. Two directors departed the Board of Directors during the six months ended March 31, 2013,

resulting in an immediate vesting of 48,706 PSUs.

From time to time, PSUs are granted to employees. These PSUs are paid via unrestricted stock grants to each employee upon the satisfaction of the grant terms. We record compensation expense for the PSUs granted to employees over the grant vesting period. For the six months ended March 31, 2013 and 2012, we recognized $363 and zero, respectively in compensation expense related to these grants.

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Stock Options

We utilized a binomial option pricing model to measure the fair value of stock options granted. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, the risk-free rate of return, and actual and projected employee stock option exercise behaviors. The expected life of stock options is not considered under the binomial option pricing model that we utilize. The assumptions used in the fair value method calculation for the years ended September 30, 2013, 2013 and 2012 are disclosed in the following table:

	Years Ended September 30,		
	2013	2012	2011
Weighted average value per option granted during the period	$ N/A	$ N/A	$ 2.05
Dividends (1)	$ N/A	$ N/A	$
Stock price volatility (2)	N/A	N/A	69.9%
Risk-free rate of return	N/A	N/A	1.9%
Option term	N/A	N/A	10.0 years
Expected life	N/A	N/A	6.0 years
Forfeiture rate (3)	N/A	N/A	0.0%

(1) We do not currently pay dividends on our common stock.
(2) Based upon the Company s historical volatility.
(3) The forfeiture rate for these options was assumed on the date of grant to be zero based on the limited number of employees who have been awarded stock options.

Stock-based compensation expense recognized during the period is based on the value of the portion of the share-based payment awards that is ultimately expected to vest during the period. As stock-based compensation expense recognized in the Consolidated Statements of Comprehensive Income is based on awards ultimately expected to vest. We estimate our forfeitures at the time of grant and revise, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The following table summarizes activity under our stock option plans.

	Shares	Weighted Average Exercise Price
Outstanding, September 30, 2010	158,500	$ 18.66
Options granted	20,000	3.24
Exercised		
Forfeited and Cancelled	(158,500)	18.66
Outstanding, September 30, 2011	20,000	$ 3.24
Options granted		
Exercised		

Forfeited and Cancelled			
Outstanding, September 30, 2012	20,000	$	3.24
Options granted			
Exercised			
Forfeited and Cancelled			
Outstanding, March 31, 2013	20,000	$	3.24

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The following table summarizes options outstanding and exercisable at March 31, 2013:

Range of Exercise Prices	Outstanding as of March 31, 2013	Remaining Contractual Life in Years	Weighted-Average Exercise Price	Exercisable as of March 31, 2013	Weighted-Average Exercise Price
$3.24	20,000	8.30	$ 3.24	6,667	$ 3.24
	20,000	8.30	$ 3.24	6,667	$ 3.24

All of our outstanding options as of March 31, 2013 vest over a three-year period at a rate of one-third per year upon the annual anniversary date of the grant and expire ten years from the grant date if they are not exercised. Upon exercise of stock options, it is our policy to first issue shares from treasury stock, then to issue new shares. Unexercised stock options expire July 2021.

During the six months ended March 31, 2013 and 2012, we recognized $7 in compensation expense related to these awards. At March 31, 2013, the unamortized compensation cost related to outstanding unvested stock options was $18. We expect to recognize $7 and $11 of this unamortized compensation expense during the year ended September 30, 2013 and 2014.

The intrinsic value of stock options outstanding and exercisable was $36 and zero at March 31, 2013 and 2012, respectively. The intrinsic value is calculated as the difference between the fair value as of the end of the period and the exercise price of the stock options.

8. SECURITIES AND EQUITY INVESTMENTS

Investment in EnerTech

In April 2000, we committed to invest up to $5,000 in EnerTech. As of September 30, 2009, we fulfilled our $5,000 investment under this commitment. As our investment is 2.21% of the overall ownership in EnerTech at March 31, 2013 and September 30, 2012, we account for this investment using the cost method of accounting. EnerTech s investment portfolio from time to time results in unrealized losses reflecting a possible, other-than-temporary, impairment of our investment. The carrying value of our investment in EnerTech at March 31, 2013 and September 30, 2012 was $919 based on the quarterly fair value assessment provided by management of the fund.

The following table presents the reconciliation of the carrying value and unrealized gains to the fair value of the investment in EnerTech as of March 31, 2013 and September 30, 2012:

	March 31, 2013	September 30, 2012
Carrying value	$ 919	$ 919
Unrealized gains	126	69
Fair value	$ 1,045	$ 988

At each reporting date, the Company performs evaluations of impairment for this investment to determine if any unrealized losses are other-than-temporary. This evaluation considers a number of factors including, but not limited to, the length of time and extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer and management s ability and intent to hold the securities until fair value recovers. The assessment of the ability and intent to hold these securities to recovery focuses on liquidity needs,

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asset and liability management objectives and securities portfolio objectives. Based on the results of this evaluation, we believe the unrealized gain at March 31, 2013 indicated our investment was not impaired. As of March 31, 2013 and September 30, 2012, the carrying value of this investment was $919. See Note 1, *Business* in the Notes to these Consolidated Financial Statements for related disclosures relative to fair value measurements.

In June 2012, we received a distribution from EnerTech of $84, which was applied as a reduction in the carrying value of the investment.

On December 31, 2012, EnerTech s general partner, with the consent of the fund s investors, extended the fund through December 31, 2013. The fund will terminate on this date unless extended by the fund s valuation committee. The fund may be extended for another one-year period through December 31, 2014 with the consent of the fund s valuation committee.

9. EMPLOYEE BENEFIT PLANS

401(k) Plan

In November 1998, we established the Integrated Electrical Services, Inc. 401(k) Retirement Savings Plan (the 401(k) Plan). All full-time 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. On February 1, 2013, we reinstated the employer match portion of the 401(k) plan. Participants become vested in our matching contributions following three years of service.

Executive Savings Plan

Under the Executive Deferred Compensation Plan adopted on July 1, 2004 (the Executive Savings Plan), certain employees are permitted to defer a portion (up to 75%) of their base salary and/or bonus for a Plan Year. The Compensation Committee of the Board of Directors may, in its sole discretion, credit one or more participants with an employer deferral (contribution) in such amount as the Committee may choose (Employer Contribution). The Employer Contribution, if any, may be a fixed dollar amount, a fixed percentage of the participant s compensation, base salary, or bonus, or a matching amount with respect to all or part of the participant s elective deferrals for such plan year, and/or any combination of the foregoing as the Committee may choose.

Post Retirement Benefit Plans

Certain individuals at one of the Company s locations are entitled to receive fixed annual payments that reach a maximum amount, as specified in the related agreements, for a ten year period following retirement or, in some cases, the attainment of 62 years of age. We recognize the unfunded status of the plan as a non-current liability in our Consolidated Balance Sheet. Benefits vest 50% after ten years of service, which increases by 10% per annum until benefits are fully vested after 15 years of service. We had an unfunded benefit liability of $850 and $746 recorded as of March 31, 2013 and 2012, respectively.

10. FAIR VALUE MEASUREMENTS

Fair Value Measurement Accounting

Fair value is considered the price to sell an asset, or transfer a liability, between market participants on the measurement date. Fair value measurements assume that the asset or liability is (1) exchanged in an orderly manner, (2) the exchange is in the principal market for that asset or liability, and (3) the market participants are independent, knowledgeable, able and willing to transact an exchange. Fair value accounting and reporting

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establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. Considerable judgment is required to interpret the market data used to develop fair value estimates. As such, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair value.

Financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2013, are summarized in the following table by the type of inputs applicable to the fair value measurements:

	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Executive Savings Plan assets	547	547		
Executive Savings Plan liabilities	(432)	(432)		
Interest rate swap agreement	27		27	
Contingent consideration agreement	(665)			(665)
Total	$ (523)	$ 115	27	(665)

Below is a description of the inputs used to value the assets summarized in the preceding table:

Level 1 Inputs represent unadjusted quoted prices for identical assets exchanged in active markets.

Level 2 Inputs include directly or indirectly observable inputs other than Level 1 inputs such as quoted prices for similar assets exchanged in active or inactive markets; quoted prices for identical assets exchanged in inactive markets; and other inputs that are considered in fair value determinations of the assets.

Level 3 Inputs include unobservable inputs used in the measurement of assets. Management is required to use its own assumptions regarding unobservable inputs because there is little, if any, market activity in the assets or related observable inputs that can be corroborated at the measurement date.

11. COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time we are a party to various claims, lawsuits and other legal proceedings that arise in the ordinary course of business. We maintain various insurance coverages to minimize financial risk associated with these proceedings. None of these proceedings, separately or in the aggregate, are expected to have a material adverse effect on our financial position, results of operations or cash flows. With respect to all such proceedings, we record reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. We expense routine legal costs related to these proceedings as they are incurred.

The following is a discussion of our significant legal matters:

Ward Transformer Site

One of our subsidiaries has been identified as one of more than 200 potentially responsible parties (PRPs) with respect to the clean-up of an electric transformer resale and reconditioning facility, known as the Ward

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Transformer Site, located in Raleigh, North Carolina. The facility built, repaired, reconditioned and sold electric transformers from approximately 1964 to 2005. We did not own or operate the facility but a subsidiary that we acquired in January 1999 is believed to have sent transformers to the facility during the 1990s. During the course of its operation, the facility was contaminated by Polychlorinated Biphenyls (PCBs), which also have been found to have migrated off the site. Based on our investigation to date, there is evidence to support our defense that our subsidiary contributed no PCB contamination to the site.

Four PRPs have commenced clean-up of on-site contaminated soils under an Emergency Removal Action pursuant to a settlement agreement and Administrative Order on Consent entered into between the four PRPs and the U.S. Environmental Protection Agency (EPA) in September 2005. We are not a party to that settlement agreement or Order on Consent. In April 2009, two of these PRPs, Carolina Power and Light Company and Consolidation Coal Company, filed suit against us and most of the other PRPs in the U.S. District Court for the Eastern District of North Carolina (Western Division) to contribute to the cost of the clean-up.

In addition to the on-site clean-up, the EPA has selected approximately 50 PRPs to which it sent a Special Notice Letter in late 2008 to organize the clean-up of soils off site and address contamination of groundwater and other miscellaneous off-site issues. We were not a recipient of that letter. On January 8, 2013, the EPA held a meeting to discuss potential settlement of its costs associated with the site. The meeting included a number of the defendants, as well as other PRPs not currently in the litigation. The Company was invited to attend this meeting and counsel for the Company attended. The EPA has notified all parties that they must indicate by March 15, 2013 whether they will participate in settlement discussions. This settlement is separate from the 2009 litigation filed by PRPs against the Company and others. The Company has notified the EPA that it intends to participate in the settlement discussions. In addition, the Company intends to present to the EPA the evidence developed in the 2009 suit to support the argument that the Company did not contribute PCB contamination to the site. We have tendered a demand for indemnification to the former owner of the acquired corporation that may have transacted business with the facility. As of March 31, 2013, we have not recorded a reserve for this matter, as we believe the likelihood of our responsibility for damages is not probable and a potential range of exposure is not estimable.

Hamilton Wage and Hour

On August 29, 2012, the Company was served with a wage and hour suit seeking class action certification. On December 4, 2012, the Company was served with a second suit, which included the same allegations but different named plaintiffs. These two cases are almost identical to several others filed by Plaintiffs attorney against contractors working in the Port Arthur Motiva plant on various projects over the last few years. The claims are based on alleged failure to compensate for time spent bussing to and from the plant, donning safety wear and other activities. It does not appear the company will face significant exposure for any unpaid wages. In a separate earlier case based on the same allegations, a federal district court ruled that the time spent traveling on the busses is not compensable. In early January 2013, the U.S. Court of Appeals for the Fifth Circuit upheld the district court s ruling finding no liability for wages for time spent on bussing into the facility. Our investigation indicates that all other activities alleged either were inapplicable to the Company s employees or took place during times for which the Company s employees were compensated. We have filed responsive pleadings and, following initial discovery, will seek dismissal of the case through summary judgment. As of March 31, 2013, we have not recorded a reserve for this matter, as we believe the likelihood of our responsibility for damages is not probable and a potential range of exposure is not estimable.

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Risk-Management

We retain 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. Our general liability program provides coverage for bodily injury and property damage. Losses up to the deductible amounts are accrued based upon our known claims incurred and an estimate of claims incurred but not reported. As a result, many of our claims are effectively self-insured. Many claims against our insurance are in the form of litigation. At March 31, 2013, we had $4,107 accrued for insurance liabilities. We are also subject to construction defect liabilities, primarily within our Residential segment. As of March 31, 2013, we had $629 reserved for these claims.

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 March 31, 2013, $6,852 of our outstanding letters of credit were utilized to collateralize our insurance program.

Surety

Many customers, particularly in connection with new construction, require us to post performance and payment bonds issued by a surety. Those bonds provide a guarantee to the customer that we will perform under the terms of our contract and that we will pay our subcontractors and vendors. If we fail to perform under the terms of our contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. We must reimburse the sureties for any expenses or outlays they incur on our behalf. To date, we have not been required to make any reimbursements to our sureties for bond-related costs.

As is common in the surety industry, sureties issue bonds on a project-by-project basis and can decline to issue bonds at any time. We believe that our relationships with our sureties will allow us to provide surety bonds as they are required. However, 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 our sureties decline to issue bonds for our work, our alternatives would include posting other forms of collateral for project performance, such as letters of credit or cash, seeking bonding capacity from other sureties, or engaging in more projects that do not require surety bonds. In addition, if we are awarded a project for which a surety bond is required but we are unable to obtain a surety bond, the result can be a claim for damages by the customer for the costs of replacing us with another contractor.

As of March 31, 2013, the estimated cost to complete our bonded projects was approximately $59,889. We evaluate our bonding requirements on a regular basis, including the terms offered by our sureties. We believe the bonding capacity presently provided by our current sureties is adequate for our current operations and will be adequate for our operations for the foreseeable future. As of March 31, 2013, we had cash totaling $999 to collateralize our obligations to certain of our previous sureties (as is included in Other Non-Current Assets in our Consolidated Balance Sheet). Posting letters of credit in favor of our sureties reduces the borrowing availability under our 2012 Credit Facility.

For a description of as surety agreement entered into in May 2013, please see Note 15, Subsequent Events in the Notes to these Consolidated Financial Statements.

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Other Commitments and Contingencies

Some of our customers and vendors 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. At March 31, 2013, $200 of our outstanding letters of credit were to collateralize our vendors.

On January 9, 2012, we entered into a settlement agreement with regard to $2,000 of collateral held by a surety who previously issued construction payment and performance bonds for us. The agreement called for a total settlement of $2,200 to be paid in monthly installments through February 2013. We received installments totaling $175 through April 2012; however, the surety then failed to make any payments from April 2012 to August 2012. We filed a motion to enter judgment on the note, and then on August 7, 2012, reached a new payment agreement with the surety. The amended agreement provided for additional collateral and called for the total settlement amount of $2,025 ($2,200 less the $175 already received) to be paid in monthly installments beginning September 30, 2012 through July 2014 with an interest rate of 12%. The surety subsequently negotiated a postponement of the initial installment and began payments with $50 tendered on October 31, 2012 and a second payment of $50 tendered in early December 2012. The surety then requested another postponement and amendment to the payment agreement to modify payment dates based on the production rates of the surety s investment in a coal mining operation. On January 2, 2013, the Company tendered a notice of default to the surety and its coal mining operations, which make up the additional collateral negotiated in the first amendment to the settlement agreement. Given the surety s failure to make the payments due on December 31, 2012, and January 31, 2013, and its continued attempts to restructure the underlying settlement agreement, the Company has concluded the collection of the receivable was not probable as of December 31, 2012. The Company recorded a reserve in the amount $1,725, bringing the receivable s net carrying value to zero. The reserve was recorded as other expense within our Consolidated Statements of Comprehensive Income. On March 8, 2013, the Company issued a notice of acceleration of the promissory notes signed by the two mining companies which formed the collateral supporting the amended payment agreement, and then filed suit a week later to enforce the acceleration. Once this case reaches judgment, the Company intends to pursue seizure of the coal mining assets. On April 17, 2013, the Company filed the necessary documents to domesticate the agreed judgment against Mr. Scarborough and IBCS in Virginia. This filing results in a lien on Mr. Scarborough s real property and opens the door to pursue Mr. Scarborough s personal assets and any assets held by the surety. The extent of recovery, if any, cannot be determined. However, the possibility of a partial or full recovery exists as IES aggressively pursues the collection of the collateral. Any recovery in subsequent periods will be recorded as other income.

Between October 2004 and September 2005, we sold all or substantially all of the assets of certain of our wholly-owned subsidiaries. As these sales were assets sales, rather than stock sales, we may be required to fulfill obligations that were assigned or sold to others, if the purchaser is unwilling or unable to perform the transferred liabilities. If this were to occur, we would seek reimbursement from the purchasers. These potential liabilities will continue to diminish over time. To date, we have not been required to perform on any projects sold under this divestiture program.

From time to time, we may enter into firm purchase commitments for materials such as copper or aluminum wire which we expect to use in the ordinary course of business. These commitments are typically for terms less than one year and require us to buy minimum quantities of materials at specific intervals at a fixed price over the term. As of March 31, 2013, we had no such open purchase commitments.

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12. DISCONTINUED OPERATIONS

In 2011, we initiated the closure of all or portions of our Commercial & Industrial and Communications facilities in Arizona, Florida, Iowa, Louisiana, Maryland, Massachusetts, Nevada and Texas. The closure of these facilities was a key aspect of our commitment to return the Company to profitability and selected based on their business prospects at that time and the extended time frame needed to return the facilities to a profitable position. We substantially concluded the closure of these facilities as of September 30, 2012. Results from operations of these facilities for the three and six months ended March 31, 2013 and 2012 are presented in our Consolidated Statements of Comprehensive Income as discontinued operations.

The components of the results of discontinued operations for these facilities are as follows:

	Three Months Ended March 31,	
	2013	2012
Revenues	$ 546	$ 5,199
Cost of services	475	6,402
Gross profit	71	(1,203)
Selling, general and administrative	214	815
(Gain) on sale of assets	(1)	(68)
Restructuring charge	10	264
Loss from discontinued operations	(152)	(2,214)
(Benefit) provision for income taxes	9	31
Net loss from discontinued operations	$ (161)	$ (2,245)

	Six Months Ended March 31,	
	2013	2012
Revenues	$ 1,062	$ 11,495
Cost of services	925	14,981
Gross profit	137	(3,486)
Selling, general and administrative	371	1,504
Loss on sale of assets	(1)	86
Restructuring charge	57	864
Loss from discontinued operations	(290)	(5,940)
(Benefit) provision for income taxes	(6)	218

Net loss from discontinued operations	$ (284)	$ (6,158)

Included in the Consolidated Balance Sheets at March 31, 2013 and September 30, 2012 are the following major classes of assets and liabilities associated with discontinued operations:

	March 31, 2013	September 30, 2012
Assets of discontinued operations	$ 3,252	$ 6,127
Liabilities of discontinued operations	$ 1,474	$ 3,005

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(All Amounts in Thousands Except Share Amounts)

13. BUSINESS COMBINATION

Acquisition of Assets from the Acro Group

On February 8, 2013, IES Renewable Energy, LLC (IES Renewable), an indirect wholly-owned subsidiary of the Company, entered into an Asset Purchase Agreement with a group of entities operating under the name of the Acro Group: Residential Renewable Technologies, Inc., Energy Efficiency Solar, Inc. and Lonestar Renewable Technologies Acquisition Corp. (collectively, the Acro Group). Pursuant to the terms of the Asset Purchase Agreement, the Company agreed to acquire certain assets in connection with the Acro Group s turn-key residential solar integration business (the Acquired Assets). The Acquired Assets include, but are not limited to, assets relating to the Acro Group s solar installation sales and marketing platform and the backlog of contracts entered into by the Acro Group with residential solar customers, which provide for the payment of sales and marketing fees in connection with the sale, installation and third-party financing of residential solar equipment. The transaction closed on February 15, 2013 (the Closing Date).

Following consummation of the transaction, IES Residential, Inc. (IES Residential), a wholly-owned subsidiary of the Company, began offering full-service residential solar integration services, including design, procurement, permitting, installation, financing services through third parties and warranty services for residential customers. IES Residential had previously provided solar installation subcontracting services to the Acro Group, and as of February 8, 2013, was owed $3,800 for subcontracting services provided up to that date (such balance, as of the day prior to the Closing Date, the Accounts Receivable Balance).

Total consideration received by the Acro Group for the Acquired Assets consists of (i) IES Residential s release of the Accounts Receivable Balance, (ii) payment by IES Renewable to the Acro Group of a percentage of future gross revenue generated from the Acquired Assets in an amount not to exceed $2,000 over the 12-month period beginning the first full month following the Closing Date, subject to certain reductions as described in the Asset Purchase Agreement, and (iii) $828 representing amounts paid by IES Residential, to the Acro Group to fund certain of its operating expenses between January 4, 2013 and the Closing Date.

Purchase price and fair value of assets acquired and liabilities assumed

The Company accounted for the Transaction under the acquisition method of accounting, which requires recording assets and liabilities at fair value (Level 3). These level 3 fair value assessments were measured based on a third party valuation, utilizing methodologies including discounted cash flow, replacement cost, and excess earnings, which are subject to finalization. The total estimated purchase price was allocated to the tangible assets and separately identifiable intangible assets acquired and liabilities assumed based on their preliminary estimated fair values on the Closing Date.

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The valuations derived from estimated fair value assessments and assumptions used by management are preliminary. While management believes that its preliminary estimates and assumptions underlying the valuations are reasonable, different estimates and assumptions could result in different values being assigned to individual assets acquired and liabilities assumed. The final valuations are pending appraisal valuations of certain tangible and intangible assets acquired, such as property, plant and equipment and technology assets, which may result in adjustments to the preliminary amounts recorded and goodwill, which could be material. The preliminary valuation on the Closing Date was as follows:

(In thousands, except exchange ratio and per share amounts)	
IES receivable from the Acro Group as of December 31, 2012 (a)	$ 2,263
IES deferred cost recorded in connection with transactions with Acro Group between January 1, 2013 and February 15, 2013	1,042
Cash purchase consideration	828
Fair value of contingent consideration (b)	665
Total consideration transferred	$ 4,798

(a) As of the Closing Date, IES had a receivable from the Acro Group from past transactions between the two companies. This receivable was forgiven by IES as a portion of the consideration paid to acquire the Acro Group assets and liabilities.

(b) The contingent consideration is based on a formula of the Acro Group s revenue for the first 12 months after February 15, 2013, with a maximum and minimum amount payable by IES.

Total estimate of consideration expected to be transferred	$ 4,798
Allocation to fair value of net assets acquired and liabilities assumed:	
Trade receivables	$ 374
Prepaid commissions	46
Inventory	16
Property and equipment	40
Order backlog	350
Covenant not-to-complete	140
Developed technology	400
Goodwill (c)	4,128
Vacation payable	(26)
Customer incentive payable	(70)
Deferred revenue	(600)
Fair Value of Net Assets Acquired:	$ 4,798

(c) The goodwill is attributable to the workforce of the acquired business and other intangibles that do not qualify for separate recognition. The goodwill is not deductible for tax purposes.

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The Acro Group Results of Operations

Since February 15, 2013, the Company s acquisition of the assets of the Acro Group contributed $48 of revenue and a net loss of $423, inclusive of $82 of amortization related to intangible assets acquired. Intangible assets acquired are being amortized over the average useful life of 2.5 years. These amounts are included in the Company s accompanying statement of comprehensive income for the period ended March 31, 2013. The results of the acquired assets of the Acro Group are included in the Residential segment.

Supplemental Pro Forma Financial Information

The following unaudited pro forma information gives effect to the transaction as if it had occurred on October 1, 2011. The unaudited pro forma financial information reflects certain adjustments related to the acquisition, such as (1) to record incremental depreciation expense in connection with fair value adjustments to property and equipment, (2) incremental amortization expense in connection with recording acquired identifiable intangible assets at fair value, (3) to eliminate the impact of historical transactions between IES and the Acro Group that would have been treated as intercompany transactions had the companies been consolidated, (4) to record the related tax effects, and (5) to eliminate costs associated with assets and liabilities not acquired in conjunction with the transaction The unaudited pro forma financial information also includes the effect of certain non-recurring items as of October 1, 2011 such as $187 in acquisition related costs incurred during the six months ended March 31, 2013. The unaudited pro forma financial statements include these acquisition related costs as if they had been incurred on October 1, 2011. The unaudited pro forma financial information is for illustrative purposes only and should not be relied upon as being indicative of the historical results that would have been obtained if the transaction had actually occurred on that date, nor the results of operations in the future.

The supplemental pro forma results of operations for the three and six months ended March 31, 2013 and 2012, as if the assets of the Acro Group had been acquired on October 1, 2011, are as follows:

	Unaudited			
	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Six Months Ended March 31, 2013	Six Months Ended March 31, 2012
Revenues	$ 122	$ 109	$ 252	$ 221
Net loss from continuing operations	$ (916)	$ (1,435)	$ (1,782)	$ (3,850)

14. DERIVATIVE INSTRUMENTS

On March 1, 2013, we entered into an interest rate swap agreement with Wells Fargo Bank, N.A. in conjunction with our Wells Fargo Term Loan to hedge interest rate risk. Borrowings under the Wells Fargo Term Loan bear interest at a per annum rate equal to Daily Three Month LIBOR plus 6.00%. Our interest rate swap agreement bears interest of 1.00% less the per annum rate equal to Daily Three Month LIBOR, thus mitigating the interest rate risk associated with the Daily Three Month LIBOR and ensuring a fixed rate of 7.00% per annum for borrowings under the Wells Fargo Term Loan.

Our derivative instrument is held at fair value on our consolidated balance sheet. Related cash flows are recorded as operating activities on the consolidated statement of cash flows. Gains and losses related to this derivative instrument will be recognized within other comprehensive income. As of March 31, 2013, the interest rate swap agreement was 100% effective, as interest for both the Wells Fargo Term Loan and interest rate swap agreement is calculated utilizing the Daily Three Month LIBOR rate.

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The following table presents the gross fair value of our interest rate swap derivative, and the line items where it appears on our consolidated balance sheet:

	March 31, 2013	September 30, 2012
Assets		
Prepaid expenses and other current assets	$ 27	$
Stockholder s equity	$ 27	$
Accumulated other comprehensive income		

15. SUBSEQUENT EVENTS

Surety Agreement

On May 7, 2013, the Company and certain of its current and future subsidiaries and affiliates entered into a new agreement of indemnity (the Surety Agreement) with certain entities affiliated with Suremerica Surety Underwriting Services, LLC (Suremerica). Pursuant to the Surety Agreement, we have agreed to assign to Suremerica, among other things, as collateral to secure our obligations under the Surety Agreement, our rights, title and interest in, and all accounts receivable and related proceeds arising pursuant to, any contract bonded by Suremerica on our behalf. Further, under the Surety Agreement, we have also agreed that, upon written demand, we will deposit with Suremerica, as additional collateral, an amount determined by Suremerica to be sufficient to discharge any claim made against Suremerica on a bond issued on our behalf.

The MISCOR Transaction

On March 13, 2013, the Company entered into a merger agreement with MISCOR. The merger is subject to the approval of both IES and MISCOR shareholders. The merger agreement provides for the exchange of MISCOR common stock for the right to receive IES common stock, cash, or IES common stock and cash. However, the maximum cash consideration paid to MISCOR shareholders is limited to 50% of the total merger consideration.

Upon completion of the merger, the net debt of MISCOR (MISCOR debt), as defined in the merger agreement, will be retired. Total merger consideration payable to MISCOR shareholders, as defined within the merger agreement, is $24,000, less MISCOR debt. However, the merger agreement provides for a maximum and minimum IES stock value, collectively (the Collar). To the extent the value ascribed to IES common stock falls outside the Collar, the merger consideration, as defined within the merger agreement, will not equal $24,000. Additionally, the merger agreement ascribes certain values to IES common stock, and the MISCOR debt, which will not be equal to the values at closing. As such, total merger consideration will not equal the merger consideration as defined within the merger agreement. The differences between the values of IES common stock and MISCOR debt as measured by the merger agreement, and as of the closing date will impact the final merger consideration as follows:

MISCOR debt

If MISCOR debt as measured by the merger agreement is higher than MISCOR debt as of the closing date, merger consideration will decrease; or

If MISCOR debt as measured by the merger agreement is lower than MISCOR debt as of the closing date, merger consideration will increase.

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Collar

If IES stock value, as defined within the merger agreement, is higher than the Collar, merger consideration will increase; or

If IES stock value, as defined within the merger agreement, is lower than the Collar, merger consideration will decrease.

IES common stock

If IES stock value, as defined within the merger agreement, is greater than the stock value upon closing, merger consideration will decrease; or

If IES stock value, as defined within the merger agreement, is less than the stock value upon closing, merger consideration will increase.

Commitment Letter for Acquisition Term Loan

IES obligation to complete the Merger is not conditioned upon its obtaining financing. The Company expects, however, to obtain financing for some or all of the cash component of the Merger Consideration, the repayment of outstanding MISCOR debt and the transaction expenses associated with the Merger (the Merger Payments). On April 10, 2013, the Company entered into a commitment letter with Wells Fargo, pursuant to which Wells Fargo committed to provide the Company, subject to the satisfaction of certain conditions, a new amortizing term loan in a principal amount of up to $14,000 (the Acquisition Term Loan) under the 2012 Credit Facility in order to finance the Merger Payments. For a description of the 2012 Credit Facility, please see Note 4, Debt *The Revolving Credit Facility* in the Notes to these Consolidated Financial Statements.

Upon entering into the commitment letter, IES incurred an amendment fee in the amount of $37.5. The Acquisition Term Loan, which will mature on August 9, 2016, will be fully reserved from availability under the 2012 Credit Facility and will be subject to principal reduction on a 48-month straight-line amortization. The Acquisition Term Loan will bear interest at a per annum rate equal to the average Daily Three Month LIBOR plus 5.00% for the first year; thereafter, the margin will be determined based on the following grid:

Average Liquidity	LIBOR Spread
< $20,000	5.00%
≥ $20,000 but < $30,000	4.50%
≥ $30,000	4.00%

Proceeds of the Acquisition Term Loan may be used only to (i) fund Merger Payments, (ii) refinance IES existing $5,000 term loan under the 2012 Credit Facility, and (iii) as otherwise may be permitted by Wells Fargo. Except as specified in the Acquisition Term Loan, all other terms, conditions and provisions of the Acquisition Term Loan shall be as set forth in the Credit and Security Agreement for the 2012 Credit Facility.

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MISCOR GROUP, LTD.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

MISCOR Group, Ltd. and Subsidiaries

Massillon, Ohio

We have audited the accompanying consolidated balance sheets of MISCOR Group, Ltd. and Subsidiaries as of December 31, 2012 and 2011 and the related consolidated statements of income, 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.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of MISCOR Group, Ltd. and Subsidiaries as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Kalamazoo, Michigan

March 15, 2013

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MISCOR GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)

	December 31, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS		
Accounts receivable, net of allowance for doubtful accounts of $9 and $136, respectively	$ 6,526	$ 5,664
Inventories	5,767	6,173
Other current assets	922	673
Total current assets	13,215	12,510
PROPERTY AND EQUIPMENT, net	4,935	5,460
OTHER ASSETS		
Customer relationships, net	5,764	6,150
Deferred income taxes	1,942	
Technical library, net	522	555
Deposits and other assets	67	109
Total other assets	8,295	6,814
Total assets	$ 26,445	$ 24,784
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Revolving credit line	$ 3,722	$ 2,439
Current portion of long-term debt	1,478	431
Current portion of long-term debt, officers and affiliates		1,053
Accounts payable	3,336	4,051
Accrued expenses and other current liabilities	1,293	1,786
Total current liabilities	9,829	9,760
LONG-TERM LIABILITIES		
Long-term debt, less current portion	2,029	1,611
Long-term debt, officers and affiliates, less current portion		2,930
Total long-term liabilities	2,029	4,541
Total liabilities	11,858	14,301
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Preferred stock, no par value; 800,000 shares authorized; no shares issued and outstanding		
Common stock, no par value; 30,000,000 shares authorized; 11,807,826 and 11,785,826, shares issued, repsectively, and 11,683,987 and 11,785,826 shares outstanding, respectively	59,346	59,344
Treasury stock, 123,839 and 0 shares, at cost, respectively	(74)	
Accumulated deficit	(44,685)	(48,861)

Total stockholders equity		14,587		10,483
Total liabilities and stockholders equity	$	26,445	$	24,784

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

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MISCOR GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in thousands, except share and per share data)

	Years ended December 31, 2012	2011
REVENUES		
Service revenue	$ 27,990	$ 30,651
Product sales	21,712	15,236
Total revenues	49,702	45,887
COST OF REVENUES		
Cost of service revenue	24,262	24,884
Cost of product sales	13,570	11,559
Total cost of revenues	37,832	36,443
GROSS PROFIT	11,870	9,444
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	8,796	8,247
INCOME FROM OPERATIONS	3,074	1,197
OTHER (INCOME) EXPENSE		
Interest expense	737	969
Other expense (income)	24	(426)
Total other expense	761	543
NET INCOME BEFORE INCOME TAX BENEFIT	2,313	654
Income tax benefit	(1,863)	
NET INCOME	$ 4,176	$ 654
BASIC INCOME PER COMMON SHARE	$ 0.35	$ 0.06
BASIC WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	11,785,750	11,785,826
DILUTED INCOME PER COMMON SHARE	$ 0.35	$ 0.06
DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	12,050,500	11,785,826

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

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Amounts in thousands, except share data)

	Outstanding Shares	Common Stock	Treasury Stock	Accumulated DefIcit	Total
Balances, December 31, 2010	**11,785,826**	**$ 59,344**	**$**	**$ (49,515)**	**$ 9,829**
Income 2011				654	654
Balances, December 31, 2011	**11,785,826**	**59,344**		**(48,861)**	**10,483**
Stock based compensation	22,000	2			2
Purchase of treasury stock	(123,839)		(74)		(74)
Income 2012				4,176	4,176
Balances, December 31, 2012	**11,683,987**	**$ 59,346**	**$ (74)**	**$ (44,685)**	**$ 14,587**

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

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MISCOR GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands, except share and per share data)

	Year Ended December 31, 2012	2011
OPERATING ACTIVITIES		
Net income	$ 4,176	$ 654
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,665	2,024
Deferred income tax credit	(1,942)	
Stock-based compensation	2	
Bad debt provision (recovery)	(71)	58
(Gain) loss on sale of equipment	13	(15)
Changes in operating assets and liabilities:		
Accounts receivable	(791)	886
Inventories	406	(243)
Other current assets	(249)	(4)
Deposits and other non-current assets	50	(3)
Accounts payable	(715)	(509)
Accrued expenses and other current liabilities	(493)	(205)
Net cash provided by operating activities	2,051	2,643
INVESTING ACTIVITIES		
Acquisition of property and equipment	(749)	(279)
Proceeds from disposal of property and equipment	15	18
Net cash utilized by investing activities	(734)	(261)
FINANCING ACTIVITIES		
Payments on capital lease obligations	(33)	(32)
Short-term debt borrowings, net	1,283	(824)
Borrowings of long-term debt	2,500	1,072
Repayments of long-term debt	(4,985)	(2,548)
Purchase of treasury shares	(74)	
Debt issuance costs paid	(8)	(50)
Net cash utilized by financing activities	(1,317)	(2,382)
CHANGE IN CASH		
Cash, beginning of period		
Cash, end of period	$	$
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 726	$ 953

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

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MISCOR GROUP, LTD AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2012

(Amounts in thousands, except share and per share data)

NOTE A BUSINESS OVERVIEW

MISCOR Group, Ltd. (MISCOR), an Indiana Corporation, was organized in April 2004 as a holding company for Magnetech Industrial Services, Inc. (MIS) and its wholly owned subsidiary Martell Electric, LLC. In 2006, Martell Electric, LLC became a wholly owned subsidiary of MISCOR. MISCOR, with its wholly-owned subsidiaries, is referred to as the Company .

MIS, an Indiana corporation, is an Industrial Services company which, through its seven operating facilities, provides maintenance and repair services to the electric motor industry, repairs and manufactures industrial lifting magnets, provides engineering and repair services for electrical power distribution systems within industrial plants and commercial facilities, provides on-site services related to all services offered by MIS, and provides custom and standardized training in the area of industrial maintenance.

Martell Electric, LLC, provided electrical contracting services to institutions and commercial businesses.

HK Engine Components (HKEC) is a diesel engine components business comprised of two operating facilities, manufactures and remanufactures power assemblies for large diesel engines used in the rail, marine and power industries. HKEC also engineers, manufactures and sell other related components parts for these large engines. HKEC customers include companies that use, manufacture or distribute diesel engines and related components for the railroad, utilities, maritime and offshore drilling industries.

The Company s customers are primarily located throughout the United States of America. As of December 31, 2012, the Company operated from nine locations in Alabama, Indiana, Ohio, West Virginia, Maryland, and California.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of MISCOR and its wholly owned subsidiaries, MIS and HKEC. All significant intercompany balances and transactions have been eliminated.

Reclassifications

Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation.

Cash equivalents

The Company considers all highly liquid investments with maturities of three months or less from the purchase date to be cash equivalents. The Company did not have any cash equivalents at December 31, 2012 and 2011.

Concentration of credit risk

The Company maintains its cash and cash equivalents primarily in bank deposit accounts. The Federal Deposit Insurance Corporation insures these balances up to certain limits per bank. The Company has not experienced any losses on its bank deposits and management believes these deposits do not expose the Company to any significant credit risk.

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MISCOR GROUP, LTD AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2012

(Amounts in thousands, except share and per share data)

Accounts receivable and allowance for doubtful accounts

The Company carries accounts receivable at sales value less an allowance for doubtful accounts. The Company periodically evaluates accounts receivable and establishes an allowance for doubtful accounts based on a combination of specific customer circumstances, credit conditions and the history of write-offs and collections. The Company evaluates items on an individual basis when determining accounts receivable write-offs. The Company s policy is not to charge interest on trade receivables after the invoice becomes past due. A receivable is considered past due if payment has not been received within agreed upon invoice terms.

The following is a summary of the allowance for doubtful accounts at December 31,

	2012	2011
Balance at beginning of year	$ (136)	$ (261)
Charges to expense/(recovery)	71	(58)
Deductions	56	183
Balance at end of year	$ (9)	$ (136)

Inventory

The Company values inventory at the lower of cost or market. Cost is determined by the first-in, first-out method. The Company periodically reviews its inventories and makes provisions as necessary for estimated obsolescence and slow-moving goods. The amount of such markdown is equal to the difference between cost of inventory and the estimated market value based upon assumptions about future demands, selling prices and market conditions.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the related assets using the straight-line method. Useful lives of property and equipment are as follows:

Buildings	30 years
Leasehold improvements	Shorter of lease term or useful life
Machinery and equipment	5 to 10 years
Vehicles	3 to 5 years
Office and computer equipment	3 to 10 years

The Company performs reviews for impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. When impairment is identified, the carrying amount of the asset is reduced to its estimated fair value. Assets to be disposed of are recorded at the lower of net book value or fair market value less cost to sell at

the date management commits to a plan of disposal.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2012

(Amounts in thousands, except share and per share data)

Debt issue costs

Costs incurred by the Company to secure senior debt financing are capitalized and amortized, as a charge to interest expense, over the term of the related financing agreement (See Note F, Senior Credit Facility).

With new financing obtained during 2012, the Company wrote off $47 in amortization during 2012 related to the debt issue costs associated with the 2011 refinancing with Wells Fargo.

As of December 31, 2012 and 2011, debt issuance costs were $8 and $47, net of accumulated amortization of $0 and $3, respectively.

Other intangible assets

Other intangible assets, consisting mainly of customer relationships and a technical library, were all determined to have a definite life and are amortized over the shorter of the estimated useful life or contractual life of the these assets, which range from 15 to 20 years. These intangible assets are being amortized under the straight-line method. Intangible assets with definite useful lives are periodically reviewed to determine if facts and circumstances indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances do exist, the recoverability of intangible assets is assessed by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets.

Revenue recognition

Revenue consists primarily of sales and service of industrial magnets, electric motors, electrical power distribution systems, and diesel power assemblies. Product sales revenue is recognized when products are shipped and both title and risk of loss transfer to the customer. Service revenue is recognized when all work is completed and the customer s property is returned. For services to a customer s property provided at the Company s site, property is considered returned when the customer s property is shipped back to the customer and risk of loss transfers to the customer. For service to a customer s property provided at the customer s site, property is considered returned upon completion of work. However, for service sales in which the contract price exceeds $75 and takes longer than 13 weeks to complete, the Company utilizes the percentage of completion methodology for revenue recognition.

Advertising costs

Advertising costs consist mainly of product advertisements and announcements published in trade publications, and are expensed when incurred. Advertising expense was $48 and $41 for the years ended December 31, 2012 and 2011, respectively.

Warranty costs

The Company warrants workmanship after the sale of its products and services, generally for a period of one year. An accrual for warranty costs is recorded based upon the historical level of warranty claims and management s estimates of future costs.

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MISCOR GROUP, LTD AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2012

(Amounts in thousands, except share and per share data)

Product warranty activity is as follows:

	December 31, 2012	December 31, 2011
Balance at beginning of period	$ 84	$ 217
Warranty claims paid	(92)	(64)
Warranty expense (recovery)	171	(69)
Balance at end of period	$ 163	$ 84

Income taxes

The Company accounts for income taxes using the asset and liabilities method. The Company classifies interest and penalties, if any, associated with its uncertain tax positions as a component of income tax expense. There were no interest or penalties recorded for the years ended December 31, 2012 and 2011 (See Note I, Income Taxes).

In recording deferred income tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those deferred income tax assets would be realizable. The Company considers the scheduled reversal of deferred income tax liabilities and projected future taxable income for this determination.

The Company is subject to audits by various taxing authorities, and the audits may result in proposed assessments where the ultimate resolution results in the Company owing additional taxes. The Company is required to establish reserves when the Company believes there is uncertainty with respect to certain positions and the Company may not succeed in realizing the tax benefit. The Company believes that its tax return positions are appropriate and supportable under relevant tax law. The Company has evaluated its tax positions for items of uncertainty and has determined that its tax positions are highly certain. The Company believes the estimates and assumptions used to support its evaluation of tax benefit realization are reasonable. Accordingly, no adjustments have been made to the consolidated financial statements for the years ended December 31, 2012 and 2011.

Other income

Other income is predominantly attributed to the recovery in various legal matters and a $100 non-refundable deposit which was recognized as income when a potential buyer of HKEC did not complete a transaction during 2011.

Stock based compensation

The cost of all share-based payments to employees, including grants of employee stock options, are recognized in the financial statements based upon their fair values at grant date, or the date of later modification, over the requisite service period.

Earnings per share

Basic earnings per common share excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the year. Diluted earnings per common share are computed assuming the conversion of common stock equivalents, when dilutive.

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Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates are required in accounting for inventory costing, asset valuations, costs to complete and depreciation. Actual results could differ from those estimates.

New accounting standards

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company s results of operations, financial position, or cash flow.

NOTE C INVENTORIES

Inventories consist of the following:

	December 31, 2012	December 31, 2011
Raw materials	$ 2,457	$ 2,725
Work-in-progress	1,879	2,144
Finished goods	1,431	1,304
	$ 5,767	$ 6,173

NOTE D PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2012	2011
Land and Buildings	$ 1,815	$ 1,800
Leasehold Improvements	620	499
Machinery and Equipment	8,972	8,624
Construction in Progress	308	232
Vehicles	959	927
Office and Computer Equipment	2,482	2,395
	15,156	14,477
Less: Accumulated Depreciation	(10,221)	(9,017)

	$ 4,935	$ 5,460

Depreciation expense was $1,246 and $1,591 for years ended December 31, 2012 and 2011, respectively.

NOTE E OTHER INTANGIBLE ASSETS

Other intangible assets consist of a technical library and customer relationships, and are reported net of accumulated amortization. The Company amortizes the cost of intangible assets over their expected useful lives

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which range from 15 to 20 years. The Company does not believe there is any significant residual value associated with intangible assets. Other intangible assets consist of the following:

		December 31, 2012			December 31, 2011		
	Estimated Useful Lives (in Years)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer Relationships	15-20	$ 7,722	$ (1,958)	$ 5,764	$ 7,722	$ (1,572)	$ 6,150
Technical Library	20	700	(178)	522	700	(145)	555
Total		$ 8,422	$ (2,136)	$ 6,286	$ 8,422	$ (1,717)	$ 6,705

Amortization of intangible assets was $419 and $430 for the years ended December 31, 2012 and 2011, respectively.

The estimated future amortization expense related to intangible assets at December 31, 2012 is as follows:

Years Ending December 31,	
2013	$ 421
2014	421
2015	421
2016	421
2017	421
Thereafter	4,181
Total	$ 6,286

NOTE F SENIOR CREDIT FACILITY

Senior credit Facility with PNC Bank

On December 24, 2012, the Company executed the Loan Agreement and Security Agreement (PNC credit facility) with its new primary lender, PNC Bank, National Association (PNC). There are two components to the PNC credit facility: A Committed Line of Credit Note (Line of Credit) and a Term Note.

The Line of Credit allows for borrowings up to $6,500 which are collateralized by 85% of eligible accounts receivable and 50% of eligible inventory. Additionally, the Line of Credit allows for Letter(s) of Credit in the aggregate at any time outstanding not to exceed $1,500. The Line of Credit bears interest at a rate per annum equal to the Daily LIBOR Rate plus the applicable LIBOR Margin as set based on certain metrics (effectively 2.96% at December 31, 2012). At December 31, 2012, $3,722 is outstanding on the Line of Credit, with $2,379 of availability on the Line of Credit.

The Term Note is for the amount of $2,500, together with interest accruing on the outstanding principal balance from December 24, 2012. This loan is collateralized by various real estate and equipment. The Term Note bears interest at a rate per annum equal to the Daily LIBOR Rate plus the applicable LIBOR Margin as set based on certain metrics (effectively 3.21% at December 31, 2012).

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The Company is obligated to make equal monthly installments of $42, commencing on January 24, 2013, and continuing on the same day of each month thereafter. Interest shall be payable at the same time as the principal payments. Any outstanding principal and accrued interest shall be due and payable in full on December 24, 2017.

The provisions of the PNC credit facility include a lock-box arrangement and certain provisions that could potentially be interpreted as a subjective acceleration clause. More specifically, PNC, in its reasonable credit judgment, can assess additional reserves to the borrowing base calculation or reduce the advance rate against accounts receivable and inventories to account for changes in the nature of the Company s business that alters the underlying base borrowing calculation. The reserve requirements may result in an over-advance borrowing position that could require an accelerated repayment of the over-advance portion. The Company does not anticipate any changes in its business practices that would result in any material adjustments to the borrowing base calculation. However, management cannot be certain that additional reserves will not be assessed by PNC to the borrowing base calculation. As a result, the Company classifies borrowings under the revolving note as a short-term obligation.

The Company paid a closing fee of $4 on the Line of Credit and a closing fee of $4 on the Term Note.

Senior credit facility with Wells Fargo Terminated December 24, 2012

As of December 31, 2012, the Company no longer has a $5,000 secured revolving credit agreement (WFB credit agreement) with Wells Fargo Bank National Association (Wells Fargo). Borrowings under the WFB credit agreement were paid off with initial funding under the PNC credit facility. Interest under the WFB credit agreement was due monthly at LIBOR plus 3.50% (effectively 3.81% at December 24, 2012). The WFB credit agreement was amended several times over its term to adjust interest rates, maturity dates and covenants. The Company paid interest expense of approximately $156 for the year ended December 31, 2012, including debt issue cost amortization of $47. For the year ended December 31, 2011, the Company paid interest expense of approximately $211, including debt issue costs amortization of $3.

Additionally, under a machinery and equipment term loan (M&E Loan) with Wells Fargo, the Company has outstanding $0 at December 31, 2012 and $972 at December 31, 2011. Under the loan agreement, the Company made monthly installments of $27 plus interest. The Company paid interest expense of approximately $43 and $18 for the years ended December 31, 2012 and 2011, respectively. This loan was paid off early with initial funding under the PNC credit facility.

Covenants

Terms of the PNC Credit Facility require the Company to meet two financial covenants:

- Maintain as of the end of each fiscal quarter, on a rolling four quarters basis, a ratio of Funded Debt to EBITDA of less than or equal to 2.50 to 1.00 at close and at December 31, 2012; and 2.25 to 1.00 at December 31, 2013 and thereafter,

- Maintain as of the end of each fiscal quarter, on a rolling four quarters basis, a Fixed Charge Coverage Ratio of greater than or equal to 1.25 to 1.00.

As part of this agreement, certain bank covenants have been put into effect. In the event the Company is unable to attain the results established in the bank covenants, the Company may have future debt covenant violations and the lender could claim a default and demand repayment. If PNC demands immediate repayment of the outstanding borrowings under the credit agreement; currently, the Company may not have the means to repay or

refinance the amounts that would be due. If demanded, and if the Company was unable to repay or refinance the

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amounts due under the credit agreement, PNC could exercise its remedies there under, including foreclosing on substantially all assets, which the Company has pledged as collateral to secure obligations under the credit agreement. As of December 31, 2012, the Company is not in violation of any covenants with PNC.

NOTE G LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2012	December 31, 2010
Term Note, as described above (See Note F Senior Credit Facility)	$ 2,500	$
Note payable to bank in monthly installments of $3 through November 16, 2014, plus interest at 8% secured by a security interest in certain equipment	63	94
Three notes payable to John Martell (the Company s chairman) and BDeWees, Inc. and Xgen III, Ltd. (prior owners of acquired business) payable monthly at varying interest rates (effectively 7.5%, 10.5% and 10.5%, respectively, as of December 31, 2011) and due in 2013. Paid off early with intial funding from the PNC credit facility.		3,982
Machinery and equipment loan described above (See Note F Senior Credit Facility)		972
Capital lease obligations	944	977
	3,507	6,025
Less: current portion	1,478	1,484
	$ 2,029	$ 4,541

See Note K, Related Party Transactions.

Capital lease obligations

The Company leases certain equipment under agreements that are classified as capital leases. The following is a summary of assets under capital leases:

	December 31,	December 31,

	2012	2011
Machinery and equipment	$ 746	$ 746
Vehicles and trailers	84	84
Computer equipment and software	240	240
Furniture and office equipment	91	91
Less accumulated depreciation	(713)	(541)
	$ 448	$ 620

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Minimum future lease payments required under capital leases as of December 31, 2012 are:

Year Ending December 31,	Amount
2013	$ 1,050
Less imputed interest	(106)
Present value of net minimum lease payments	$ 944

Maturities of long term debt

Aggregate maturities of long term debt, including capital leases, subsequent to December 31, 2012 are as follows:

Years Ending December 31,	Amount
2013	$ 1,478
2014	529
2015	500
2016	500
2017	500
	$ 3,507

Following is a summary of interest expense for the years ended December 31, 2012 and 2011:

	Years ended December 31,	
	2012	2011
Interest expense on principal	$ 690	$ 966
Amortization of debt issue costs	47	3
	$ 737	$ 969

Warrants associated with debt

The Company has outstanding warrants to purchase common stock. These warrants were issued in connection with certain financing transactions initiated prior to 2006, are all currently exercisable and have standard anti-dilution features. A summary of the Company s warrant activity in 2012 and 2011 follows:

	Number of Warrant Shares		Weighted-Average Exercise Price
Outstanding at January 1, 2011	308,197	$	8.28
Granted			
Exercised			
Forfieted			
Outstanding at December 31, 2011	308,197	$	8.28
Granted			
Exercised			
Forfieted	(300,118)		(8.50)
Outstanding at December 31, 2012	8,079	$	0.25

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The following table summarizes information about the outstanding warrants as of December 31, 2012:

Exercise Price	Number of Warrant Shares	Weighted-Average Remaining Contractual Life (Years)
$ 0.25	8,079	0.42

NOTE H STOCK BASED COMPENSATION

2005 Stock Option Plan

In August 2005, the board of directors adopted the 2005 Stock Option Plan (the Plan). The Plan provides for the grant of up to 80,000 shares of Incentive Stock Options (ISO), within the meaning of Section 422 of the Internal Revenue Code, or non-statutory stock options (NQSO) to the Company s executive employees who are materially responsible for the management and operation of its business, and to the Company s directors. In February 2008, the board of directors adopted an amendment to the Plan to increase the number of shares available under the Plan to 200,000. These options, which expire in five years after grant date, are exercisable in 25% cumulative increments on and after the first four anniversaries of their grant date. The exercise price of the ISOs and NQSOs granted under the Plan must be at least equal to 100% of the fair market value of the common stock of the Company at the date of grant. Also, ISOs may be granted to persons owning more than 10% of the voting powers of all classes of stock, at a price no lower than 110% of the fair market value of the common stock at the date of grant.

During 2011, no options were granted under the Plan. During 2012, options to acquire 31,000 shares of common stock were granted under the Plan. As of December 31, 2012, options to acquire a total of 220,000 options have been granted to participants, of which 138,000 have been forfeited or exercised, leaving 118,000 shares available for future option grants under the Plan.

The fair value of the options granted was estimated using the Black-Scholes valuation model. The Company has elected to use the simplified method of determining the expected term since it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. The computation of expected volatility for stock-based awards is based on the historical volatility of comparable companies from a representative peer group selected based on industry and market capitalization data. The risk-free interest rates for the periods within the expected life of the option are based on the U.S. Treasury yield in effect at the date of the option grant. No dividend yield is assumed as the Company does not expect to pay dividends. The Company recorded compensation cost based on the grant date fair value of each option award. The total cost of each grant is recognized on a straight line basis over the four year period during which the employees are required to provide services in exchange for the award the requisite service period.

The following table summarizes the weighted-average assumptions that were used to value the Company s option grants along with the weighted-average fair value of options awards for 2012:

Expected volatility	48.89%
Risk free interest rate	0.60%

Expected term	3.75 years
Vesting period	4 years
Contractual term	5 years
Weighted average fair value	$ 0.11

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The Company recorded compensation expense related to stock options of $2 and $0 for the years ended December 31, 2012 and 2011, respectively.

The activity in the Company s stock option plan for the years ended December 31, 2012 and 2011 is as follows:

2012

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value in 000 s
Outstanding at beginning of year	53,000	$ 0.76		
Granted	31,000	$ 0.35		$ 4
Exercised		$		$
Forfeited	(2,000)	$ 5.38		$
Outstanding at December 31, 2012	82,000	$ 0.47	2.69	$ 13
Vested and Exercisable at December 31, 2012	31,472	$ 0.62	1.36	$ 9

2011

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	72,200	$ 2.19		
Granted		$		$
Exercised		$		$
Forfeited	(19,200)	$ 6.15		$
Outstanding at December 31, 2011	53,000	$ 0.76	3.31	$
Vested and Exercisable at December 31, 2011	14,500	$ 1.30	2.36	$

2005 Restricted Stock Purchase Plan

In August 2005, the board adopted the 2005 Restricted Stock Purchase Plan. The plan provides for the grant of offers to purchase up to 100,000 shares of restricted stock to the Company s directors, officers and key employees. During 2012, the Company issued 12,000 shares of restricted stock to officers and key employees. As of December 31, 2012, 78,000 shares remain available to be issued.

A participant may not transfer shares acquired under the plan except in the event of the sale or liquidation of the Company. If within three years after shares are acquired under the plan, a participant terminates employment for any reason other than death, disability, retirement or good

reason, the Company is required to purchase the participant s shares for the same price the participant paid. If the participant terminates employment after three years or as a result of death, disability or retirement or for good reason, the Company is required to purchase the shares for a price equal to their fair market value.

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Activity in the Company s restricted stock plan for the years ended December 31, 2012 and 2011 is as follows:

	2012		2011	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested at Beginning of Year	10,000	$ 0.35	12,000	$ 1.33
Granted	12,000	0.39		
Vested				
Forfeited			(2,000)	6.23
Non-vested at End of Year	22,000	$ 0.37	10,000	$ 0.35

No restricted stock is vested as of December 31, 2012.

The issuance of restricted stock is intended to lock-up key employees for a three year period. Restricted stock was valued based on the closing price of the Company s common stock on the date of the grant, and the related expense is amortized on a straight line basis over the three year term of the restriction period.

NOTE I INCOME TAXES

Deferred income taxes result primarily from net operating loss (NOL) carryforwards and temporary differences in the bases of certain assets and liabilities for financial and income tax reporting purposes. Significant components of the Company s deferred tax assets and liabilities are as follows:

	December 31,	
	2012	2011
Deferred Tax Assets:		
Net Operating Loss Carryforwards	$ 6,866	$ 7,418
Capital Loss Carryforwards	2,432	2,432
Tax Credit Carryforwards	131	124
Accounts Receivable	4	55
Inventory	361	431
Warranty Reserve	65	34
Property, Equipment and Intangibles	1,176	1,451
Accrued Expenses and Other		17
Total Gross Deferred Tax Assets	11,035	11,962
Valuation Allowance	(9,093)	(11,962)

	$ 1,942	$

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The significant elements contributing to the differences between the United States federal statutory tax rate and the Company s effective tax rate are as follows:

	December 31,	
	2012	2011
Statutory U.S. federal income tax rate	34.0%	34.0%
State taxes, net of federal benefit	5.6%	5.6%
Permanent differences	1.3%	8.5%
Change in valuation allowance	-121.4%	-48.1%
Effective tax rate	-80.5%	0.0%

At December 31, 2012, there are $17,164 in tax NOL carryforwards available to the Company, which expire at various dates from 2023 through 2030. At December 31, 2012, the Company had unused capital loss carryforwards of $6,080 available to be applied against future capital gains that expire in 2015. In addition, at December 31, 2012 unused work opportunity credits of $124 and employers affected by hurricanes credits of $7 were available to be applied against future income taxes that expire from 2026 to 2029.

The Company had previously recorded valuation allowances on all of its net deferred income tax assets, tax credit carryforwards, and NOL carryforwards as it was not more likely than not that a future benefit would be realized. By the end of 2012, the cumulative taxable losses were offset by recent operating performance, which included positive taxable income for both 2011 and 2012. The improvement in profitability has been driven by the complete refinancing of the Company s debt with significant reductions in borrowing costs and improved operational performance through restructuring and cost control. The Company concluded that the trend in earnings, the elimination of substantial costs through the restructuring, and its aligned cost structures results in the more likely than not realization of certain of the deferred future benefits. Due to economic uncertainty beyond the immediate future, the Company has only reversed $1,942 of the valuation allowance, which the Company reasonably estimates to be realizable in 2013.

For the year ended December 31, 2012, there was current income tax expense of $79, due to alternative minimum tax NOL limitations. For the year ended December 31, 2011, there was no current income tax expense.

The Company did not identify any uncertain tax positions taken or expected to be taken in a tax return which would require adjustment to the consolidated financial statements. The Company is subject to U.S. federal income tax as well was income tax in multiple state and local jurisdictions. Currently, no federal or state or local income tax returns are under examination. The tax years 2008 through 2012 remain open to examination by the major taxing jurisdictions to which the Company is subject.

NOTE J OPERATING LEASE COMMITMENTS

The Company leases its Hammond, Indiana, and Boardman, Ohio facilities from companies controlled by its Chairman under agreements expiring in August 2015. Renewal options are available for each property. The Company leases the Hagerstown, Maryland facility from a partnership, one partner of which is an officer of HKEC, under an agreement expiring in July 2016. The Company leases the Massillon, Ohio facility from a partnership, one partner of which is a former officer of MIS, under an agreement expiring in November 2017. The Company leases its Merrillville, Indiana, Huntington, West Virginia, and Visalia, California facilities from unrelated parties under agreements expiring

before November 2016. Total rent expense for all facility leases was

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approximately $1,388 and $1,226 for the years ended December 31, 2012 and 2011, respectively, including $968 and $1,020, respectively to related parties.

The Company leased a facility in South Bend for its previous corporate offices from its Chairman of the Board and stockholder. This lease expired in August 2012. As a result of the closure and relocation of the corporate office to Massillon in 2010, the Company no longer uses this office space.

The Company also leases other manufacturing and office equipment and vehicles under operating leases with varying terms expiring through April 2017. Total rent expense under these leases was approximately $446 and $401 for years ended December 31, 2012 and 2011, respectively.

Future minimum lease payments required under the operating leases in effect as of December 31, 2012 are as follows, including $3,244 due to affiliates over the indicated years:

Years Ending December 31,	
2013	$ 1,528
2014	1,504
2015	1,388
2016	999
2017	679
	$ 6,098

NOTE K RELATED PARTY TRANSACTIONS

As described in Note F Senior Credit Facility, the Company retired three subordinated notes due to related parties in late 2012 with initial funding under the PNC credit facility. Outstanding aggregate balances on these notes were $2,180 and $3,982 as of December 24, 2012 and December 31, 2011, respectively. Interest expense related to these notes was $354 and $596 for the years ended December 31, 2012 and 2011, respectively.

See Note J Operating Lease Commitments regarding related party leases.

NOTE L FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs

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other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs that are both significant to the fair value measurement and unobservable.

Assets measured at fair value

The Company s non-financial assets, such as intangible assets and property and equipment, are measured at fair value when an impairment charge is recorded. Such impairment charges incorporate fair value measurements based on Level 3 inputs. No impairment indicators existed for the years ended December 31, 2012 and 2011.

Cash, accounts receivable, accounts payable and accrued expenses

The carrying amounts of these items are a reasonable estimate of their fair values (generally based on Level 3 inputs) because of the current maturities of these instruments.

Debt

As of December 31, 2012, rates currently available to the Company for long-term borrowings with similar terms and remaining maturities are used to estimate the fair value of existing borrowings at the present value of expected cash flows. Interest rates associated to the Company s debt are now at variable rates, based on market rates, thus the debts fair value (generally based on Level 3 inputs) approximates its carrying value.

NOTE M RETIREMENT PLANS

In connection with its collective bargaining agreements with various unions, the Company does not participate with other companies in the unions multi-employer pension plans. In 2002, the Company adopted two defined contribution profit-sharing plans covering substantially all of its full-time employees. The plans contain deferred-salary arrangements under Internal Revenue Code Section 401(k). One plan is for all employees not covered under collective bargaining agreements. Employer contributions may be made at the discretion of the board of directors. Under the second plan, which is for all employees covered by collective bargaining agreements, there is no provision for employer contributions. A particular subsidiary adopted a defined contribution profit-sharing plan covering substantially all of its full-time employees. The plan contains deferred-salary arrangements under Internal Revenue Code Section 401(k). Employer contributions may be made at the discretion of the board of directors. During the years ended December 31, 2012 and 2011, the Company contributed $26 and $0, respectively.

NOTE N CONCENTRATIONS OF CREDIT RISK

Customers

The Company grants credit, generally without collateral, to its customers, which are primarily in the steel, metal working, scrap, rail services and power industries. Consequently, the Company is subject to potential credit risk related to changes in economic conditions within those industries. However, management believes that its billing and collection policies are adequate to minimize the potential credit risk. At December 31, 2012 and 2011, approximately 36% and 25% of gross receivables were due from entities in the rail industry, 22% and 36% of gross accounts receivable were due from entities in the steel, metal working and scrap industries, and 6% and 10% of gross receivables were due from entities in the power industry. At December 31, 2012 and December 31,

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2011, one customer accounted for 13% of gross accounts receivable. Two customers accounted for 18% and 17%, respectively, of sales for the year ended December 31, 2012 and one customer accounted for 21% of sales for the year ended December 31, 2011.

NOTE O COMMITMENTS AND CONTINGENCIES

Collective bargaining agreements

At December 31, 2012 and 2011, approximately 12% and 14% of the Company s employees were covered by a multi-employer collective bargaining agreement which expires in December 2014.

Potential lawsuits

The Company is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company s financial position or results of operations.

Employment agreements

On June 18, 2010, the Company entered into an employment agreement with its newly appointed President and CEO, Michael P. Moore. The agreement was for an initial one-year term, subject to earlier termination as provided in the agreement. At each contract year-end, the agreement will automatically renew for successive one-year periods unless either party, at least three months before the end of the initial term or any renewal term, requests termination or renegotiation of the agreement. The employment agreement provides for certain benefits to the executive if employment is terminated by the Company for cause, by the executive with good reason, or due to death or disability. The benefits include continuation of the executive s base salary for six months, any earned but unpaid profit-sharing or incentive bonus, stock option and company-paid health insurance for six months.

NOTE P SEGMENT INFORMATION

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in Note B. The Company evaluates the performance of its reportable segments based on net income or loss. Summarized financial information concerning the Company s reportable segments as of and for the years ended December 31, 2012 and 2011 is shown in the following tables:

2012	Industrial Services	Rail Services	Corporate	Intersegment Eliminations	Year ended December 31, 2012 Consolidated
External revenue:					
Service revenue	$ 27,990	$	$	$	$ 27,990
Product sales	4,184	17,528			21,712
Deprecation included in the cost of revenues	908	182			1,090
Gross profit	6,578	5,292			11,870
Other depreciation & amortization	464	2	109		575
Interest expense	139	7	591		737
Net income (loss)	(250)	3,238	1,188		4,176

Total assets	18,951	4,681	2,813	26,445
Capital expenditures	493	206	50	749

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MISCOR GROUP, LTD AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2012

(Amounts in thousands, except share and per share data)

2011	Industrial Services	Rail Services	Corporate	Intersegment Eliminations	Year ended December 31, 2011 Consolidated
External revenue:					
Service revenue	$ 30,651	$	$	$	$ 30,651
Product sales	3,198	12,038			15,236
Deprecation included in the cost of revenues					