

INTEGRATED ELECTRICAL SERVICES INC  
Form DEF 14A  
December 30, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Integrated Electrical Services, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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December 30, 2009

To Our Stockholders:

On behalf of the Board of Directors of Integrated Electrical Services, Inc., a Delaware corporation (the Company), we cordially invite all Company stockholders to attend the Company's annual stockholders' meeting to be held on Tuesday, February 2, 2010 at 10:00 a.m. Central Standard Time, at the Houston Marriott West Loop Hotel, 1750 West Loop South, Houston, Texas 77027. Proxy materials, which include a Notice of Annual Meeting, Proxy Statement and proxy card, are enclosed with this letter. The Company's 2009 Annual Report on Form 10-K, which is not a part of the proxy materials, is also enclosed and provides additional information regarding the financial results of the Company for its fiscal year ended September 30, 2009.

We hope that you will be able to attend the meeting. Your vote is important. Regardless of whether you plan to attend, please submit your proxy by phone, via the Internet, or by signing, dating, and returning the enclosed proxy card in the enclosed envelope so that your shares will be represented. If you are able to attend the meeting in person, you may

revoke your proxy and vote your shares in person. If your shares are not registered in your own name and you would like to attend the meeting, please ask the broker, trust, bank or other nominee in whose name the shares are held to provide you with evidence of your beneficial share ownership. We look forward to seeing you at the meeting.

Sincerely,

Michael J. Hall  
Chairman of the Board

Michael J. Caliel  
President and  
Chief Executive Officer

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**INTEGRATED ELECTRICAL SERVICES, INC.  
1800 WEST LOOP SOUTH, SUITE 500  
HOUSTON, TEXAS 77027**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held February 2, 2010**

TO THE STOCKHOLDERS OF INTEGRATED ELECTRICAL SERVICES, INC.,

Notice is hereby given that the annual meeting of the stockholders of Integrated Electrical Services, Inc., a Delaware corporation (the Company), will be held at the Houston Marriott West Loop Hotel, 1750 West Loop South, Houston, Texas 77027, on Tuesday, February 2, 2010, at 10:00 a.m. Central Standard Time, for the following purposes:

1. To elect six directors to the Company's Board of Directors to serve until the annual stockholders' meeting held in 2011 and until their respective successors have been elected and qualified.
2. To ratify the appointment of Ernst & Young LLP, independent auditors, as the Company's auditors for the fiscal year 2010.
3. To transact such other business as may properly come before the meeting or any adjournments thereof.

The holders of record of the Company's Common Stock, par value \$0.01 per share, at the close of business on December 14, 2009 are entitled to notice of, and to vote at, the meeting with respect to all proposals.

We urge you to promptly vote your shares by telephone, via the Internet, or by signing, dating and returning the enclosed proxy card by mail in the enclosed envelope, regardless of whether you plan to attend the meeting in person. No postage is required if mailed in the United States. If you do attend the meeting in person, you may withdraw your proxy and vote personally on all matters brought before the meeting.

By order of the Board of Directors

William L. Fiedler  
Senior Vice President, General Counsel and  
Corporate Secretary

Houston, Texas  
December 30, 2009

**Important Notice Regarding the Availability of Proxy Materials for Stockholder meeting to be Held on February 2, 2010.**

**The Proxy Statement and 2009 Annual Report on Form 10-K are Available at <http://annualmeeting.ies-co.com>.**

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**INTEGRATED ELECTRICAL SERVICES, INC.**

**PROXY STATEMENT  
FOR  
ANNUAL MEETING OF STOCKHOLDERS**

**GENERAL INFORMATION ABOUT THE ANNUAL MEETING**

**WHEN AND WHERE IS THE 2010 ANNUAL MEETING OF STOCKHOLDERS BEING HELD?**

The 2010 annual meeting of stockholders (the Annual Meeting ) of Integrated Electrical Services, Inc., a Delaware corporation (the Company ), will be held on Tuesday, February 2, 2010. The Annual Meeting will be held at 10:00 a.m. Central Standard Time, at the Houston Marriott West Loop Hotel, 1750 West Loop South, Houston, Texas 77027.

**WHAT DATE WILL THE PROXY STATEMENT FIRST BE SENT TO THE STOCKHOLDERS?**

The approximate date on which this proxy statement and the accompanying materials were first sent or given to stockholders was December 30, 2009.

**WHO IS SOLICITING MY VOTE?**

The accompanying proxy is solicited by the Company s Board of Directors (the Board ) for use at the Annual Meeting and any adjournments thereof.

**HOW ARE VOTES BEING SOLICITED?**

In addition to solicitation of proxies by mail, certain directors, officers, representatives and employees of the Company may solicit proxies by telephone and personal interview. Such individuals will not receive additional compensation from the Company for solicitation of proxies, but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation. Banks, brokers and other custodians, nominees and fiduciaries also will be reimbursed by the Company for their reasonable expenses for sending proxy solicitation materials to the beneficial owners of the capital stock of the Company.

**WHO IS PAYING THE SOLICITATION COST?**

The expense of preparing, printing and mailing proxy solicitation materials will be borne by the Company.

**HOW MANY VOTES DO I HAVE?**

Each share of the Company s common stock, par value \$0.01 per share ( Common Stock ), is entitled to one vote upon each of the matters to be voted on at the Annual Meeting.

**HOW DO I VOTE?**

You may vote by signing, dating and returning the enclosed proxy card in the enclosed envelope.

You may also vote by using a toll-free telephone number or the Internet. Instructions about these ways to vote appear on the proxy card. If you vote by telephone or Internet, please have your proxy card and control number available.

Votes submitted by mail, telephone or Internet will be voted at the Annual Meeting in accordance with the directions you provide the individuals named on the proxy; or if no direction is indicated, they will be voted in favor of the proposals set forth in the notice attached hereto.

**CAN I CHANGE MY VOTE?**

Any stockholder giving a proxy has the power to revoke it at any time before it is voted (i) by notifying us in writing of such revocation, (ii) by submitting a later dated proxy card or telephone or Internet vote, or (iii) by attending the Annual Meeting in person and voting in person. Notices to us should be directed to William L. Fiedler, Senior Vice President, General Counsel and Corporate Secretary, Integrated Electrical Services, Inc., 1800 West Loop South, Suite 500, Houston, Texas 77027. Stockholders who submit proxies and attend the Annual Meeting to vote in person are requested to notify Mr. Fiedler at the Annual Meeting of their intention to vote in person at the Annual Meeting.

**HOW ARE ABSTENTIONS AND BROKER NON-VOTES COUNTED?**

Pursuant to the Company's bylaws, shares not voted on matters, including abstentions and broker non-votes, will not be treated as votes cast with respect to those matters, and therefore will not affect the outcome of any such matter.

**HOW MANY VOTES MUST BE PRESENT TO HOLD THE ANNUAL MEETING?**

The presence, in person or by proxy, of at least a majority of the outstanding shares of Common Stock is required for a quorum.

**DOES THE COMPANY HAVE A WEBSITE?**

The Company has a website, <http://www.ies-co.com>, which contains additional information concerning the Company's corporate governance practices.



**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

At the close of business on December 14, 2009, the record date for the determination of stockholders of the Company entitled to receive notice of, and to vote at, the Annual Meeting or any adjournments thereof, the Company had outstanding 14,617,741 shares of Common Stock.

The following table sets forth information with respect to the beneficial ownership of our Common Stock as of December 14, 2009 by:

each person who is known by us to own beneficially 5% or more of our outstanding Common Stock;

our named executive officers;

our directors; and

all of our executive officers and directors as a group.

Except as otherwise indicated, the person or entities listed below have sole voting and investment power with respect to all shares of our Common Stock beneficially owned by them, except to the extent this power may be shared with a spouse. Unless otherwise indicated, the address of each stockholder listed below is 1800 West Loop South, Suite 500, Houston, Texas 77027.

Name of Beneficial Owner	Shares Beneficially Owned	
	Number	Percent
Charles H. Beynon(1)	7,340	*
Michael J. Caliel(2)	189,740	1.3
Michael J. Hall(3)	20,000	*
Joseph V. Lash(4)	0	*
Donald L. Luke	5,682	*
John E. Welsh III(5)	11,400	*
Raymond K. Guba(6)	70,005	*
James A. Robertson(7)	36,300	*
Richard Nix	21,800	*
Thomas E. Vossman(8)	24,852	*
Robert B. Callahan	22,839	*
Directors and officers as a group (13 persons)	425,858	2.9
Jeffrey L. Gendell(4)	8,562,409	58.6
Royce & Associates(9)	1,193,156	8.2
Keeley Asset Management Corp.(10)	953,000	6.5

\* Less than one percent.

(1) Mr. Beynon maintains margin securities accounts at brokerage firms, and the positions held in such margin accounts, which may from time to time include shares of Company Common Stock, are pledged as collateral

security for the repayment of debit balances, if any, in such accounts. At December 14, 2009, Mr. Beynon held 1,740 shares of Common Stock in such accounts.

- (2) Includes 100,000 shares of Company Common Stock underlying options which are exercisable within 60 days. Mr. Caliel maintains margin securities accounts at brokerage firms, and the positions held in such margin accounts, which may from time to time include shares of Company Common Stock, are pledged as collateral security for the repayment of debit balances, if any, in such accounts. At December 14, 2009, Mr. Caliel held 2,000 shares of Common Stock in such accounts.
- (3) Mr. Hall maintains margin security accounts at brokerage firms, and the positions held in such margin accounts, which may from time to time include shares of Company Common Stock, are pledged as collateral security for the repayment of debit balances, if any, in such accounts. At December 14, 2009, Mr. Hall held all of the shares of Common Stock in such accounts.

- (4) According to a Schedule 13D filed on October 23, 2009, 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 ) and Tontine 25 Overseas Master Fund, L.P., a Cayman Islands limited partnership ( T25 ). 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 Overseas Associates, L.L.C.; a Delaware limited liability company ( TOA ), the investment advisor of Tontine Overseas Fund, Ltd., a Cayman Islands exempt company ( TOF ). TCP and T25 share voting and dispositive power of 3,437,891 shares of the Company s Common Stock. TMF and TCO share voting and dispositive power of 1,128,637 shares of the Company s Common Stock. TM and TP share voting and dispositive power of 2,637,092 shares of the Company s Common Stock. TOA and TOF share voting and dispositive power of 1,350,873 shares of the Company s Common Stock. Mr. Gendell has sole voting and dispositive power of 7,916 shares of the Company s Common Stock and shared voting and dispositive power of 8,554,493 shares of the Company s Common Stock.

The principal business of TMF, TCP, TP and T25 is serving as a private investment limited partnership. The principal business of TCM is serving as the general partner of TCP and T25. 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 serving as the investment advisor of TOF. The address of the principal business and principal office of each of the above entities, as well as Mr. Gendell, is 55 Railroad Avenue, 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.

All the foregoing shares may be deemed to be beneficially owned by Mr. Gendell. Mr. Gendell disclaims beneficial ownership of the Company 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.

Mr. Lash is a member of Tontine Associates, LLC and disclaims beneficial ownership of any shares of the Company s Common Stock held by Mr. Gendell or any Tontine entity.

- (5) Mr. Welsh maintains margin security accounts at brokerage firms, and the positions held in such accounts, which may from time to time include shares of Company Common Stock, are pledged as collateral security for the repayment of debit balances, if any, in such accounts. At December 14, 2009, Mr. Welsh held 10,000 shares of Common Stock in such accounts.
- (6) Includes 20,000 shares of Company Common Stock underlying options which are exercisable within 60 days. At December 14, 2009, Mr. Guba maintains a margin securities account at a brokerage firm, and the positions held in such account, which may from time to time include shares of Company Common Stock, are pledged as collateral security for the repayment of debit balances, if any, in such account. At December 14, 2009, Mr. Guba held 4,871 shares of Common Stock in such account.

- (7) Includes 11,000 shares of Company Common Stock underlying options which are exercisable within 60 days.
- (8) Includes 7,500 shares of Company Common Stock underlying options which are exercisable within 60 days.
- (9) According to a Schedule 13G filed on January 26, 2009, Royce & Associates, LLC, a New York corporation, whose address is 1414 Avenue of the Americas, New York, NY 10019, has the sole voting and dispositive power for 1,193,156 shares of the Company's Common Stock. The Schedule 13G states that Royce & Associates is an Investment Advisor registered under Section 203 of the Investment Advisors Act of 1940.

- (10) According to a Schedule 13G filed on February 2, 2009, Keeley Asset Management Corp., an Illinois corporation, whose address is 401 South La Salle Street, Chicago, Illinois 60605, has the sole voting and dispositive power for 953,000 shares of the Company's Common Stock and shares beneficial ownership of 903,000 of these shares with Keeley Small Cap Value Fund, a Maryland corporation at the same address. The Schedule 13G states that Keeley Asset Management Corp. is an investment company registered under Section 8 of the Investment Company Act of 1940 and an investment advisor in accordance with Section 240.13d-1(b)(1)(ii)(E) under the Securities Exchange Act of 1934.

## **ELECTION OF DIRECTORS**

### **GENERAL INFORMATION**

The Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and its bylaws provide that the number of members of 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 six. 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.

It is the intention of the persons named in the accompanying proxy card to vote **FOR** the election of the nominees named below, unless a stockholder has directed otherwise or withheld such authority. The affirmative vote of holders of a plurality of the shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote is required to elect each director nominee.

If, at the time of or prior to the Annual Meeting, a nominee should be unable or decline to serve, the discretionary authority provided in the proxy may be used to vote for a substitute designated by the Board. The Board has no reason to believe that any substitute nominee will be required. No proxy will be voted for a greater number of persons than the nominees named herein.

**THE BOARD RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ELECTION OF THE NOMINEES LISTED BELOW AND PROXIES EXECUTED AND RETURNED WILL BE SO VOTED UNLESS CONTRARY INSTRUCTIONS ARE INDICATED THEREON.**

***Donald L. Luke\****

Director since 2005

Donald L. Luke, 72, 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 serves on the board of directors of American Fire Protection Group, Inc. and is a director of Cable Lock, Inc., which manages the affiliated Olshan Foundation Repair companies.

***Charles H. Beynon\****

Director since 2005

Mr. Beynon, 61, had been an independent consultant providing financial and advisory consulting services to a diverse group of clients since October 2002. From 1973 until his retirement from the firm in 2002, Mr. Beynon was employed by Arthur Andersen & Co, an accounting firm, including 19 years as a partner. He also currently serves as a director

of Broadwind Energy, Inc. (a leading provider of component, logistics and services to the wind power and broader energy markets) and is Chairman of its Audit Committee. Mr. Beynon is a Certified Public Accountant.

*Michael J. Hall\**

Director since 2006

Mr. Hall, 65, served as President and Chief Executive Officer of Matrix Service Company (construction, repair and maintenance of petroleum, petrochemical, and power infrastructure and bulk storage terminals) from March 2005 until his retirement in November 2006 at which time he was elected Chairman of the Board of Matrix. Mr. Hall was Vice President Finance and Chief Financial Officer, Secretary and Treasurer of Matrix from September

1998 until his temporary retirement in May 2004. He also has served as a director of Matrix since 1998. Mr. Hall is a member of the Board of Directors of Alliance G.P., LLC (the general partner of Alliance Holdings, G.P., L.P., a limited partnership which controls Alliance Resource Management G.P., LLC) and Chairman of its Audit Committee and a member of the Board of Directors of Alliance Resource Management G.P., LLC (the managing general partner of Alliance Resources Partners, L.P., a publicly traded limited partnership engaged in the production and marketing of coal), Chairman of its Audit Committee and a member of its Compensation Committee.

***John E. Welsh III\****

Director since 2006

Mr. Welsh, 58, is President of Avalon Capital Partners, LLC, a private investment vehicle, a position he has held since January 2003. From October 2000 until December 2002, Mr. Welsh was Managing Director of CIP Management, LLC, the management entity for a series of venture capital partnerships affiliated with Rothchild, Inc. Mr. Welsh has been a director of General Cable Corp., a developer, designer, manufacturer, marketer and distributor of copper, aluminum and fiber optic wire and cable products, since 1997, and Non-Executive Chairman since August 2001.

***Joseph V. Lash\****

Director since 2006

Mr. Lash, 47, has been an employee of Tontine Associates, LLC, a private investment fund, since 2005. Tontine Associates, LLC is an affiliate of Jeffrey Gendell, the beneficial owner of 58.6% of the Company's Common Stock as described in footnote 4 to the beneficial owner table under the section entitled "Security Ownership of Certain Beneficial Owners and Management" above. From 2002 through 2005, Mr. Lash served as a senior managing director of Conway, Del Genio, Gries & Co., LLC, a financial advisory firm. From 1998 through 2001, Mr. Lash was a Managing Director within the Global Mergers and Acquisitions Department of J.P. Morgan Chase, an investment banking firm. Mr. Lash is also a director of Exide Technologies (manufacturer of batteries) and Neenah Enterprises, Inc. (manufacturer of iron castings).

***Michael J. Caliel***

Director since 2006

Mr. Caliel, 50, has been President and Chief Executive Officer of the Company since July 2006. From 1993 until he joined the Company, Mr. Caliel was employed by Invensys, a global automation, controls and process solutions company, where he served in a variety of senior management positions, including his most recent position as President, Invensys Process Systems. Prior to becoming President of Invensys Process Systems, he served as President of its North America and Europe, Middle East and Africa operations from 2001 to 2003.

\* Denotes independent director

On February 14, 2006, the Company and all of its domestic subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division. On April 26, 2006, the Bankruptcy Court entered an order approving and confirming a plan of reorganization (the "Plan of Reorganization") which became effective on May 12, 2006 (the "Plan Effective Date"). Pursuant to the Plan of Reorganization the Company's bylaws were amended to require all directors be elected annually and reconstituted the Board to include the individuals listed above. Messrs. Beynon and Luke were first elected to the Board by the Board in 2005.

After reviewing all relevant facts and circumstances, the Board has affirmatively determined that Messrs. Luke, Beynon, Hall, Welsh and Lash are independent since they have no relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company), other than as stockholders and/or directors of the Company and in the case of Mr. Lash an affiliate of a lender. The review was

undertaken on an individual director-by-director basis and did not involve a pre-set formula or minimum standard of materiality.

**EXECUTIVE OFFICERS**

Information with respect to the executive officers of the Company is included in the section titled Executive Officers in Part III of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2009.



## **BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD**

### **Attendance at Meetings**

It is the policy of the Board that all directors of the Company attend the Annual Meeting. All directors attended the Annual Meeting held on February 4, 2009.

During fiscal year 2009, the Board held 14 meetings of the full Board, and each member of the Board attended at least 97% of the aggregate number of meetings of the full Board and meetings of Board committees on which he served.

At regularly scheduled meetings of the Board, Mr. Hall, an independent non-executive Chairman, presided and an executive session was held without management directors present. Interested parties may make any concerns known to non-management directors by contacting the Company's EthicsLine at 1-800-347-9550.

### **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., 1800 West Loop South, Suite 500, Houston, TX 77027. Stockholders may also communicate directly with individual directors by addressing their correspondence accordingly.

The Company has adopted a code of business conduct and ethics which has been memorialized as part of the Company's Legal Compliance and Corporate Policy Manual and can be found on the Company's website at <http://www.ies-co.com>, under the Corporate Governance section. The manual is also available in print to any stockholder who requests it by contacting William L. Fiedler, Senior Vice President, General Counsel, and Corporate Secretary, Integrated Electrical Services, Inc., 1800 West Loop South, Suite 500, Houston, TX 77027.

### **The Nomination Process**

The Nominating/Governance Committee of the Board, which, as described below, is composed entirely of independent directors, is responsible in accordance with its charter for establishing standards for members of the Board and overseeing the performance evaluation of the Board and its members. Based upon such evaluations, the Nominating/Governance Committee recommends to the Board whether existing members should be nominated for new terms or replaced and whether more or fewer members are appropriate.

The Board, with the assistance of the Nominating/Governance Committee, establishes criteria for the selection of new members. The basic criteria are found in the Company's Corporate Governance Guidelines under Core Competencies of the Board. At any given time, in order to maintain a proper balance of expertise, individuals with particular skills may be favored over other candidates who lack such skills but otherwise possess a core competency.

Additional attributes may include a candidate's character, judgment and diversity of experience, business acumen, ability to act on behalf of the stockholders, governmental or community service, a positive record of achievement and a willingness to devote sufficient time to carrying out the duties and responsibilities of Board membership. Candidates must be capable of working with the entire Board and contributing to the overall Board process. Since a majority of the Board is to be independent of management, consideration is also given as to whether or not the individual is independent in accordance with the Company's Corporate Governance Guidelines and the rules and regulations of the NASDAQ Global Market System ( NASDAQ ) and the Securities and Exchange Commission (the SEC ).

When there is an opening or anticipated opening for a director position, Board members are asked to submit recommendations. Outside sources or third parties may be used to find potential candidates and similarly outside sources and third parties may be used to evaluate or assist in evaluating nominees brought to the attention of the Nominating/Governance Committee. Should the Company use the services of a third party, it would expect to pay a fee for such services.

The Nominating/Governance Committee will also consider director candidates recommended by stockholders. Such candidates will be evaluated using the same criteria and standards described above. Any such

recommendation must be sent in at the address set forth under the Corporate Governance Guidelines below, not later than 80 days prior to the date of the Annual Meeting. In the event that the date of such Annual Meeting was not publicly announced by the Company by mail, press release or otherwise more than 90 days prior to the Annual Meeting, notice by the stockholder to be timely must be delivered to the Corporate Secretary of the Company not later than the close of business on the tenth day following the day on which such announcement of the date of the Annual Meeting was communicated to the stockholders. The recommendation should also provide the reasons supporting a candidate's recommendation, the candidate's qualifications, the candidate's consent to being considered as a nominee and a way to contact the candidate to verify his or her interest and to gather further information, if necessary. In addition, the stockholder should submit information demonstrating the number of shares he or she owns, the name and address of the stockholder, a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder, and such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had the nominee been nominated, or intended to be nominated, by the Board. Stockholders who themselves wish to nominate an individual to the Board must follow the advance notice requirements and other requirements of the Company's bylaws.

### **CORPORATE GOVERNANCE GUIDELINES**

The Company's 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 in 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 on the Company's website at <http://www.ies-co.com>, under the Corporate Governance section. The guidelines are also available in print to any stockholder who requests them by contacting William L. Fiedler, Senior Vice President, General Counsel and Corporate Secretary, Integrated Electrical Services, Inc., 1800 West Loop South, Suite 500, Houston, TX 77027.

#### **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 the Company's 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.

*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 the Company's 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.

##### ***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 the Company.

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 on the Company's website, <http://www.ies-co.com> under the Corporate Governance section. The charters are also available in print to any stockholder who requests them by contacting William L. Fiedler, Senior Vice President, General Counsel and Corporate Secretary, Integrated Electrical Services, Inc., 1800 West Loop South, Suite 500, Houston, TX 77027.

#### *Audit Committee*

The Audit Committee, which met 11 times during fiscal year 2009, is comprised of Messrs. Beynon (Chairman), Hall and Welsh. Pursuant to its written charter, the Audit Committee assists the Board in:

- fulfilling its responsibility to oversee management's preparation of, and the integrity of, the financial statements of the Company;
- monitoring the qualifications, independence and performance of the Company's internal and independent auditors;
- monitoring the compliance by the Company with legal and regulatory requirements; and
- preparing the report that SEC rules require be included in the Company's annual proxy statement.

In fulfilling these duties, the Audit Committee generally:

- reviews the annual financial statements with management and the independent auditor;
- recommends to the Board whether the Company's annual audited financial statements and accompanying notes should be included in the Company's Annual Report on Form 10-K;
- reviews with management and the independent auditor the effect of regulatory and accounting initiatives as well as contingent liabilities and off-balance sheet structures, if any, on the Company's financial statements;
- reviews with management and the independent auditor the Company's quarterly financial statements filed in its Quarterly Reports on Form 10-Q;
- discusses periodically with Company management the Company's major financial risk exposure and steps implemented to monitor and control the same;
- reviews major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management;
- has the sole authority to engage, oversee and evaluate the performance of, and, when the Audit Committee determines it to be appropriate, terminate the Company's independent auditor, approve all audit engagement fees and terms and approve all significant non-audit engagements, if any, with the independent auditor. The independent auditor reports directly to the Audit Committee;
- reviews the independence of the independent auditor, giving consideration to the range of audit and non-audit services performed by the independent auditor;

reviews periodically (i) the experience, qualifications and performance of the senior members of the Company's internal auditing team and (ii) the internal audit activities, staffing and budget;

reviews significant reports to management, prepared in connection with internal audits and management's responses;

reviews with the independent auditor any problems or difficulties the auditor may encounter and any management letter provided by the auditor and the Company's response to that letter;

advises the Board with respect to the Company's policies and procedures regarding conflicts of interest and compliance with material laws and regulations;

reviews legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or government agencies; and

reviews procedures (i) to handle complaints regarding the Company's accounting practices, internal controls or auditing matters and (ii) to permit confidential anonymous submission to the Audit Committee of concerns by employees regarding accounting or auditing matters.

The Audit Committee's role does not provide any special assurance with regard to the Company's financial statements, nor does it involve a professional evaluation of the quality of the audits performed by the independent registered public accounting firm.

#### ***Human Resources and Compensation Committee***

The Human Resources and Compensation Committee, which met seven times during fiscal year 2009, is comprised of Messrs. Luke (Chairman), Beynon and Hall. Pursuant to its written charter, the Human Resources and Compensation Committee assists the Board in:

discharging its responsibilities relating to compensation of Company executives; and

producing an annual report on executive compensation for inclusion in the Company's annual proxy statement.

In fulfilling these duties, the Human Resources and Compensation Committee generally:

establishes the Company's compensation philosophy and ensures that the compensation program is aligned with the Company's objectives and consistent with the interest of the Company's stockholders;

reviews and approves new compensation plans;

evaluates the performance of the Chief Executive Officer in conjunction with the other independent members of the Board and determines the compensation for the Chief Executive Officer;

reviews salaries, salary increases and other compensation of executive officers and evaluates the competitiveness of total compensation levels for executives;

receives recommendations regarding the selection of officers and key employees for participation in incentive compensation plans and regarding the establishment of performance goals and awards for those officers and key employees who participate in such incentive plans;

reviews and monitors benefits under all employee plans of the Company;

reviews and approves incentive compensation and equity based plans; and

evaluates, periodically, compensation paid to outside members of the Board, including monitoring the competitiveness and composition of director compensation.

Additional information on the Human Resources and Compensation Committee's processes and procedures for considerations of executive compensation are addressed in the Compensation Discussion and Analysis below.

*Nominating/Governance Committee*

The Nominating/Governance Committee, which met five times during fiscal year 2009, is comprised of Messrs. Welsh (Chairman), Hall, Luke and Lash. Pursuant to its written charter, the Nominating/Governance Committee assists the Board in:

establishing standards for Board and committee members and overseeing the performance of the Board and its members;

making recommendation to the Board with respect to the management organization of the Company;



establishing criteria to select new directors and recommending to the Board a process for orientation of new Board or committee members;

identifying individuals qualified to become members of the Board and recommending same to the Board as nominees to fill any existing or expected vacancy;

evaluating the Company's corporate governance procedures and recommending to the Board changes that the Nominating/Governance Committee deems appropriate; and

reviewing and addressing conflicts of interest of directors and executive officers and the manner in which any such conflicts are to be resolved.

### **CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

The Company has adopted a written Related Person Transaction Policy that addresses the reporting, review and approval or ratification of transactions with related persons. The Company 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 Company's best interest. Accordingly, as a general matter, the Company seeks to avoid such transactions. However, the Company recognizes that in some circumstances transactions between related persons and the Company may be incidental to the normal course of business or provide an opportunity that it is the best interests of the Company to pursue or that is not inconsistent with the best interests of the Company and where it is not efficient to pursue an alternative transaction. This policy therefore is not designed to prohibit related person transactions; rather, it is to provide for timely internal reporting of such transactions and appropriate review, oversight and public disclosure of them.

The policy supplements the provisions of the Company's 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 Company's 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 the Company;

Any nominee for election as a director of the Company;

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

Any immediate family member of any of the foregoing persons.

A transaction participated in by the Company 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 this policy. For purposes of the policy, "related person transaction" means a transaction or arrangement or series of transactions or arrangements in which the Company participates (whether or not the Company is a party) and a Related Person has a direct or indirect interest material to such related Person. A transaction in which a subsidiary any other company controlled by the Company participates shall be considered a transaction in which the Company participates.

Except as otherwise provided in the policy (including any delegation of review and approval authority), any  
(i) director, nominee as a director or executive officer who intends to enter into a re