INTEGRATED ELECTRICAL SERVICES INC
Form 10-Q
August 09, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended June 30, 2010

OR

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

For the transition period from __________ to __________

Commission File Number 1-13783

Integrated Electrical Services, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**76-0542208**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1800 West Loop South, Suite 500, Houston, Texas 77027

(Address of principal executive offices and ZIP code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

The number of shares outstanding as of August 6, 2010 of the issuer s common stock was 14,565,005.

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
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DEFINITIONS

In this quarterly report on Form 10-Q, the words IES , the Company , we , our , ours , and us refer to Integrated Services, Inc. and, except as otherwise specified herein, to our subsidiaries.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q includes certain statements that may be deemed forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, all of which are based upon various estimates and assumptions that the Company believes to be reasonable as of the date hereof. These statements involve risks and uncertainties that could cause our actual results to differ materially from those set forth in such statements. Such risks and uncertainties include, but are not limited to:

- fluctuations in operating activity due to downturns in levels of construction, seasonality and differing regional economic conditions;
- competition in the construction industry, both from third parties and former employees, which could result in the loss of one or more customers or lead to lower margins on new contracts;
- a general reduction in the demand for our services;
- a change in the mix of our customers, contracts and business;
- our ability to successfully manage construction projects;
- possibility of errors when estimating revenue and progress to date on percentage-of-completion contracts;
- inaccurate estimates used when entering into fixed-priced contracts;
- challenges integrating new types of work or new processes into our divisions;
- the cost and availability of qualified labor, especially electricians and construction supervisors;
- accidents resulting from the physical hazards associated with our work and the potential for vehicle accidents;
- success in transferring, renewing and obtaining electrical and construction licenses;
- our ability to pass along increases in the cost of commodities used in our business, in particular, copper, aluminum, steel, fuel and certain plastics;
- potential supply chain disruptions due to credit or liquidity problems faced by our suppliers;
- loss of key personnel and effective transition of new management;
- warranty losses or other latent defect claims in excess of our existing reserves and accruals;
- warranty losses or other unexpected liabilities stemming from former divisions which we have sold or closed;
- growth in latent defect litigation in states where we provide residential electrical work for home builders not otherwise covered by insurance;
- limitations on the availability of sufficient credit or cash flow to fund our working capital needs;
- difficulty in fulfilling the covenant terms of our credit facilities;
- increased cost of surety bonds affecting margins on work and the potential for our surety providers to refuse bonding at their discretion;

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- increases in bad debt expense and days sales outstanding due to liquidity problems faced by our customers;
- changes in the assumptions made regarding future events used to value our stock options and performance-based stock awards;
- the recognition of potential goodwill, fixed asset and other investment impairments;
- uncertainties inherent in estimating future operating results, including revenues, operating income or cash flow;
- disagreements with taxing authorities with regard to tax positions we have adopted;
- the recognition of tax benefits related to uncertain tax positions;
- complications associated with the incorporation of new accounting, control and operating procedures;
- the financial impact of new or proposed accounting regulations;
- the ability of our controlling shareholder to take action not aligned with other shareholders;
- the possibility that certain of our net operating losses may be restricted or reduced in a change in ownership;
- credit and capital market conditions, including changes in interest rates that affect the cost of construction financing and mortgages, and the inability for some of our customers to retain sufficient financing which could lead to project delays or cancellations; and
- the sale or disposition of the shares of our common stock held by our majority shareholder, which, under certain circumstances, would trigger change of control provisions in contracts such as employment agreements, supply agreements, and financing and surety arrangements.

You should understand that the foregoing, as well as other risk factors discussed in our annual report on Form 10-K for the year ended September 30, 2009, could cause future outcomes to differ materially from those experienced previously or from those expressed in this quarterly report and our aforementioned annual report on Form 10-K. We undertake no obligation to publicly update or revise information concerning our restructuring efforts, borrowing availability, cash position or any forward-looking statements to reflect events or circumstances that may arise after the date of this report. Forward-looking statements are provided in this quarterly report on Form 10-Q pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of the estimates, assumptions, uncertainties, and risks described herein.

General information about us can be found at www.ies-co.com under Investor Relations. Our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the Securities and Exchange Commission. You may also contact our Investor Relations department at 713-860-1500, and they will provide you with copies of our public reports.

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	June 30, 2010 (Unaudited)	September 30, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 30,725	$ 64,174
Accounts receivable:		
Trade, net of allowance of $3,549 and $3,296, respectively	85,963	100,753
Retainage	17,608	26,516
Inventories	9,831	10,155
Costs and estimated earnings in excess of billings on uncompleted contracts	12,588	13,554
Prepaid expenses and other current assets	5,903	6,118
Total current assets	162,618	221,270
LONG-TERM RECEIVABLE, net of allowance of $3,992 and $278, respectively	312	3,714
PROPERTY AND EQUIPMENT, net	20,808	24,367
GOODWILL	3,981	3,981
OTHER NON-CURRENT ASSETS, net	13,507	15,093
Total assets	$ 201,226	$ 268,425
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 1,266	$ 2,086
Accounts payable and accrued expenses	56,410	76,478
Billings in excess of costs and estimated earnings on uncompleted contracts	11,402	21,142
Total current liabilities	69,078	99,706
LONG-TERM DEBT, net of current maturities	10,632	26,601
LONG-TERM DEFERRED TAX LIABILITY	2,290	2,290
OTHER NON-CURRENT LIABILITIES	6,385	7,280
Total liabilities	88,385	135,877
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 shares issued and 14,565,005 and 14,617,741 outstanding, respectively	154	154
Treasury stock, at cost, 842,797 and 790,061 shares, respectively	(14,411)	(14,097)
Additional paid-in capital	171,944	170,732
Accumulated other comprehensive income	(82)	(70)

Retained deficit		(44,764)		(24,171)
Total stockholders equity		112,841		132,548
Total liabilities and stockholders equity	$	201,226	$	268,425

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

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE INFORMATION)

	Three Months Ended June 30, 2010 (Unaudited)	Three Months Ended June 30, 2009 (Unaudited)
Revenues	$ 121,405	$ 172,185
Cost of services	106,328	140,563
Gross profit	15,077	31,622
Selling, general and administrative expenses	21,098	26,838
Gain on sale of assets	(113)	(221)
Restructuring charges		633
Income (loss) from operations	(5,908)	4,372
Interest and other (income) expense:		
Interest expense	784	1,325
Interest income	(92)	(67)
Other (income) expense, net	55	276
Interest and other expense, net	747	1,534
Income (loss) from operations before income taxes	(6,655)	2,838
Provision (benefit) for income taxes	(98)	1,541
Net income (loss)	$ (6,557)	$ 1,297
Income (loss) per share		
Basic	$ (0.45)	$ 0.09
Diluted	$ (0.45)	$ 0.09
Shares used in the computation of loss per share (Note 4):		
Basic	14,425,119	14,339,066
Diluted	14,425,119	14,403,139

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

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE INFORMATION)

	Nine Months Ended June 30, 2010 (Unaudited)	Nine Months Ended June 30, 2009 (Unaudited)
Revenues	$ 349,272	$ 512,618
Cost of services	300,675	423,095
Gross profit	48,597	89,523
Selling, general and administrative expenses	66,075	82,668
Gain on sale of assets	(165)	(399)
Restructuring charges	763	3,774
Income (loss) from operations	(18,076)	3,480
Interest and other (income) expense:		
Interest expense	2,869	3,415
Interest income	(208)	(340)
Other income, net	(172)	(197)
Interest and other expense, net	2,489	2,878
Income (loss) from operations before income taxes	(20,565)	602
Provision (benefit) for income taxes	28	613
Net loss	$ (20,593)	$ (11)
Loss per share		
Basic	$ (1.43)	$ (0.00)
Diluted	$ (1.43)	$ (0.00)
Shares used in the computation of loss per share (Note 4):		
Basic	14,403,925	14,326,747
Diluted	14,403,925	14,326,747

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

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INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Nine Months Ended June 30, 2010 (Unaudited)	Nine Months Ended June 30, 2009 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (20,593)	$ (11)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Net loss from discontinued operations		(61)
Bad debt expense	6,686	1,295
Deferred financing cost amortization	223	191
Depreciation and amortization	4,014	6,237
Gain on sale of assets	(165)	(399)
Non-cash compensation expense	1,071	1,745
Paid in kind interest		678
Equity in (gains) losses of investment		33
Goodwill adjustment utilization of deferred tax assets		65
Changes in operating assets and liabilities		
Accounts receivable	20,726	6,325
Inventories	324	2,782
Costs and estimated earnings in excess of billings	966	(1,007)
Prepaid expenses and other current assets	1,044	(123)
Other non-current assets	41	5,535
Accounts payable and accrued expenses	(20,068)	(19,945)
Billings in excess of costs and estimated earnings	(9,740)	695
Other non-current liabilities	(895)	1,538
Net cash provided by (used in) continuing operations	(16,366)	5,573
Net cash provided by discontinued operations		1,327
Net cash provided by (used in) operating activities	(16,366)	6,900
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(536)	(4,054)
Proceeds from sales of property and equipment	246	226
Investment in unconsolidated affiliates		(2,150)
Distribution from unconsolidated affiliates	393	
Net cash provided by (used in) investing activities	103	(5,978)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of debt	753	1,055
Repayments of debt	(17,542)	(1,841)
Purchase of treasury stock	(172)	(4,301)
Payments for debt issuance costs	(225)	

Net cash used in financing activities		(17,186)		(5,087)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(33,449)		(4,165)
CASH AND CASH EQUIVALENTS, beginning of period		64,174		64,709
CASH AND CASH EQUIVALENTS, end of period	$	30,725	$	60,544
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest	$	3,334	$	2,370
Cash paid for income taxes	$	284	$	779

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

INTEGRATED ELECTRICAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010
(UNAUDITED)

1. 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 commercial, industrial, residential, low voltage and service and maintenance markets. We provide a broad range of services, including designing, building, maintaining and servicing electrical, data communications and utilities systems for commercial, industrial and residential customers. The words IES , the Company , we , our , and us refer to Integrated Electrical Services, Inc. and, except as oth specified herein, to our wholly-owned subsidiaries.

Our electrical contracting services include 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 service commercial, industrial and residential markets and have a diverse customer base, including: general contractors; property managers and developers; corporations; government agencies; municipalities; and homeowners. 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 hospitals or 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, including both single-family housing and multi-family apartment complexes. We also offer low voltage contracting services as a complement to our electrical contracting business. Our low voltage services include design and installation of structured cabling for corporations, universities, data centers and switching stations for data communications companies as well as the installation of fire and security alarm systems. Our utility services consist of overhead and underground installation and maintenance of electrical and other utilities transmission and distribution networks, installation and splicing of high-voltage transmission and distribution lines, substation construction and substation and right-of-way maintenance. Our maintenance services generally provide recurring revenues that are typically less affected by levels of construction activity.

CONTROLLING SHAREHOLDER

At June 30, 2010, Tontine Capital Partners, L.P. together with its affiliates (Tontine), was the controlling shareholder of the Company s common stock. Accordingly, Tontine has the ability to exercise significant control of 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. In its most recent Schedule 13D, Tontine stated that it has no current plans to make any material change in the Company s business or corporate structure. For a more complete discussion on our relationship with Tontine, please refer to Note 11, Controlling Shareholder to these Condensed Consolidated Financial Statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed 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 year ended September 30, 2009, with the exception of the adoption of the new Financial Accounting Standards Board (FASB) standard on business combinations and amended fair value disclosure requirements as described below. Please refer to the *Notes to Consolidated Financial Statements* in our annual report on Form 10-K for the year ended September 30, 2009, when reviewing our interim financial results set forth herein.

In December 2007, the FASB issued updated standards on business combinations and accounting and reporting of non-controlling interests in consolidated financial statements. The changes require an acquiring entity to recognize all

the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. The updated standards eliminate the step acquisition model, change the recognition of contingent consideration from being recognized when it is probable to being recognized at the time of acquisition, disallow the capitalization of transaction costs, and change when restructuring charges related to acquisitions can be recognized. The new standards became effective for us on October 1, 2009. The implementation of the updated standards on business combinations did not effect the provision for the quarter ended June 30, 2010.

In January 2010, the FASB issued updated standards on fair value, which clarifies disclosure requirements around fair value

measurement. This update requires additional disclosure surrounding the activity for assets and liabilities measured at fair value on a recurring basis, including transfers of assets and liabilities between Level 1 and Level 2 of the fair value hierarchy and the separate presentation of purchases, sales, issuances and settlements of assets and liabilities within Level 3 of the fair value hierarchy. In addition, the update requires enhanced disclosure of the valuation techniques and inputs used in the fair value measurements within Level 2 and Level 3. The new disclosure requirements became effective for us on January 1, 2010. As the update requires only enhanced disclosures, its adoption did not have a material impact on the consolidated financial statements.

RECLASSIFICATIONS

In connection with the change in reportable segments, certain prior period amounts have been reclassified to conform to the current year presentation of our segments with no effect on net income (loss) or retained deficit. Specifically, the former Industrial segment has been combined with the Commercial segment to form our Commercial & Industrial segment. For additional information, please refer to Part 1. Item 1. Condensed Consolidated Financial Statements Note 5, Operating Segments of this report.

We have completed the wind down of our discontinued operations. All substantive assets have been sold or transferred and liabilities have been retired. There is no longer any operating activity or material outstanding balances. We have classified the remaining balances as continuing operations.

LONG-TERM RECEIVABLE

In March 2009, in connection with a construction project entering bankruptcy, we transferred $4.0 million 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 $0.3 million associated with this receivable.

In March 2010, we reserved the remaining balance of $3.7 million. We will continue to monitor the proceedings and evaluate any potential future collectability. For additional information, please refer to Part 1. Item 1. Condensed Consolidated Financial Statements Note 10, Commitments and Contingencies *Legal Matters* of this report.

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 insurance policies, and the Tontine Term Loan. We believe that the carrying value of financial instruments, with the exception of the Tontine Term Loan 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 is $11.1 million based on comparable debt instruments at June 30, 2010. For additional information, please refer to Part 1. Item 1. Condensed Consolidated Financial Statements Note 3, Debt and Liquidity *The Tontine Capital Partners Term Loan* of this report.

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, 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, and self-insured claims liabilities and related reserves.

SEASONALITY AND QUARTERLY FLUCTUATIONS

Results of operations from our Residential construction 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 Commercial & Industrial segment of our business is less subject to seasonal trends, as this work generally is performed inside structures protected from the weather. Our service and maintenance business is generally not affected by seasonality. In addition, the construction industry has historically been highly cyclical. Our volume of business may be adversely affected by declines in construction projects resulting from adverse regional or national

economic conditions. Quarterly results may also be materially affected by the timing of new construction projects. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

2. STRATEGIC ACTIONS

In the first quarter of our 2009 fiscal year, we began a new 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. We accelerated our trade name amortization during the 2009 fiscal year recording a charge of $1.6 million that has been identified within the Restructuring Charges caption in our consolidated statements of operations.

During the three months ended June 30, 2010 and 2009, respectively, we incurred pre-tax restructuring charges, including severance benefits and facility consolidations and closings, of zero and $0.6 million associated with the 2009 Restructuring Plan. Costs incurred related to our Commercial & Industrial segment were zero and $0.4 million for the three months ended June 30, 2010 and 2009, respectively. Costs incurred related to our Residential segment were zero and $0.3 million for the three months ended June 30, 2010 and 2009, respectively. Costs related to our Corporate office were zero and $(0.1) for the three months ended June 30, 2010 and 2009, respectively.

During the nine months ended June 30, 2010 and 2009, respectively, we incurred pre-tax restructuring charges, including severance benefits and facility consolidations and closings, of $0.8 million and $3.8 million associated with the 2009 Restructuring Plan. Costs incurred related to our Commercial & Industrial segment were $0.7 million and $1.1 million for the nine months ended June 30, 2010 and 2009, respectively. Costs incurred related to our Residential segment were zero and $2.0 million for the nine months ended June 30, 2010 and 2009, respectively. Costs incurred related to our Corporate office were $0.1 million and $0.7 million for the nine months ended June 30, 2010 and 2009, respectively.

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 and Industrial administrative functions into one service center. As a result of the expanded 2009 Restructuring Plan, we now manage and measure performance of our business in two distinct operating segments: Commercial & Industrial and Residential. As part of this expanded 2009 Restructuring Plan, we do not expect to exceed $0.5 million in additional pre-tax restructuring charges, including severance benefits and facility consolidations and closings over the remainder of our current fiscal year.

The following table summarizes the activities related to our restructuring activities by component (in thousands):

	Severance Charges	Consulting/ Other Charges	Total
Restructuring liability at September 30, 2009	$ 2,097	$ 81	$ 2,178
Restructuring charges incurred	763		763
Cash payments made	(2,723)	(81)	(2,804)
Restructuring liability at June 30, 2010	$ 137	$	$ 137

3. DEBT AND LIQUIDITY

Debt consists of the following (in thousands):

	June 30, 2010	September 30, 2009
Tontine Term Loan, due May 15, 2013, bearing interest at 11.00%	$ 10,000	$ 25,000
Insurance Financing Agreements	1,233	2,912
Capital leases and other	665	775

Total debt		11,898		28,687
Less Short-term debt and current maturities of long-term debt		(1,266)		(2,086)
Total long-term debt	$	10,632	$	26,601

Future payments on debt at June 30, 2010 are as follows (in thousands):

	Capital Leases	Term Debt	Total
2010	$ 93	$ 417	$ 510
2011	306	816	1,122
2012	297		297
2013	287	10,000	10,287
2014	24		24
Thereafter			
Less: Imputed Interest	(342)		(342)
Total	$ 665	$ 11,233	$ 11,898

For the three months ended June 30, 2010 and 2009, we incurred interest expense of $0.8 million and $1.3 million, respectively. For the nine months ended June 30, 2010 and 2009, we incurred interest expense of $2.9 million and $3.4 million, respectively.

The Tontine Term Loan

On December 12, 2007, we entered into a $25.0 million senior subordinated loan agreement (the Tontine Term Loan) with Tontine Capital Partners, L.P., a related party. 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 $15.0 million of principal on the Tontine Term Loan. On May 1, 2010, Tontine assigned the Tontine Term Loan to TCP Overseas Master Fund II, L.P., (TCP 2). We may repay the Tontine Term Loan at any time prior to the maturity date at par, plus accrued interest without penalty. The Tontine Term Loan is subordinated to our existing Revolving Credit Facility (defined below) with Bank of America, N.A. The Tontine Term Loan is an unsecured obligation of the Company and its subsidiary borrowers. The Tontine Term Loan contains no financial covenants or restrictions on dividends or distributions to stockholders.

Insurance Financing Agreements

From time to time, we elect to finance our commercial insurance policy premiums over a term equal to or less than the term of the policy (Insurance Financing Agreements). We previously referred to these financing arrangements as the Camden Notes.

Insurance Financing Agreements consist of the following (in thousands):

	June 30, 2010	September 30, 2009
Insurance Note Payable, due September 1, 2010, bearing interest at 4.99%	$ 147	$
Insurance Note Payable, due June 1, 2010, bearing interest at 4.59%		719
Insurance Note Payable, due August 1, 2011, bearing interest at 4.99%	977	1,986
Insurance Note Payable, due November 1, 2010, bearing interest at 4.99%	109	
Insurance Note Payable, due January 1, 2010, bearing interest at 5.99%		207
Total Insurance Financing Agreements	$ 1,233	$ 2,912

On October 1, 2009, we financed an insurance policy in the initial principal amount of $0.5 million with First Insurance Funding Corp. (First Insurance Funding), which matures on September 1, 2010. Under the terms of this

note, we are to make eleven equal monthly payments of $49,319 (including principal and interest) beginning on November 1, 2009.

On December 15, 2009, we financed an insurance policy in the initial principal amount of $0.2 million with First Insurance Funding, which matures on November 1, 2010. Under the terms of this note, we are to make ten equal monthly payments of $22,037 (including principal and interest) beginning on January 1, 2010.

The Insurance Financing Agreements are collateralized by the gross unearned premiums on the respective insurance policies plus any payments for losses claimed under the policies.

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The 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 Revolving Credit Facility) with Bank of America, N.A. and certain other lenders. On May 7, 2008, we renegotiated the terms of our Revolving Credit Facility and entered into an amended agreement with the same financial institutions. The Loan and Security Agreement, as amended, provided us with access to a $60.0 million Revolving Credit Facility. Borrowings under the Revolving Credit Facility may not exceed a borrowing base that is determined monthly by our lenders based on available collateral, primarily certain accounts receivables and inventory. The Revolving 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 Revolving Credit Facility contains customary affirmative, negative and financial covenants. The Revolving Credit Facility also restricts us from paying cash dividends and places limitations on our ability to repurchase our common stock.

On April 30, 2010, 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 Revolving Credit Facility, the size of the facility remains at $60.0 million, and the maturity date has been extended to May 12, 2012. In connection with the amendment, we incurred an amendment fee of $0.2 million, which will be amortized over 24 months.

Under the terms of the Revolving Credit Facility in effect as of June 30, 2010, interest for loans and letter of credit fees is 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 million	LIBOR plus 3.00% or Base Rate plus 1.00%	3.00% plus 0.25% fronting fee
Greater than $40 million and less than $60 million	LIBOR plus 3.25% or Base Rate plus 1.25%	3.25% plus 0.25% fronting fee
Less than or equal to $40 million	LIBOR plus 3.50% or Base Rate plus 1.50%	3.50% plus 0.25% fronting fee

At June 30, 2010, we had $7.9 million available to us under the Revolving Credit Facility, based on a borrowing base of $28.6 million, $20.7 million in outstanding letters of credit, and no outstanding borrowings.

At June 30, 2010, our Total Liquidity was $40.3 million. For the nine months ended June 30, 2010, we paid no interest for loans under the Revolving Credit Facility and a weighted average interest rate, including fronting fees, of 3.5% for letters of credit. In addition, we are charged monthly in arrears (1) an unused commitment fee of 0.5%, and (2) certain other fees and charges as specified in the Loan and Security Agreement, as amended. Finally, the Revolving Credit Facility would have been subject to termination charges of 0.25% of the total borrowing capacity if such termination occurred on or after May 12, 2011 and $50,000 anytime thereafter.

As of June 30, 2010, we were subject to the financial covenant under the Revolving 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 $25.0 million and, thereafter, until such time as our 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 June 30, 2010, our Total Liquidity was in excess of $25.0 million. Had our Total Liquidity been less than $25.0 million at June 30, 2010, we would not have met the 1.0:1.0 fixed charge coverage ratio test, had it been applicable.

As of June 30, 2009, we were subject to the financial covenant under the Revolving Credit Facility, requiring that we maintain the 1.0:1.0 fixed charge coverage ratio at any time that our aggregate amount of unrestricted cash on hand plus availability is less than $50.0 million and, thereafter, until such time as our aggregate amount of unrestricted cash on hand plus availability has been at least $50.0 million for a period of 60 consecutive days. As of June 30, 2009, our Total Liquidity was in excess of $50.0 million.

In the event that we are not able to meet the financial covenant of our amended Revolving 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.

4. EARNINGS PER SHARE

Our restricted shares granted under the 2006 Equity Incentive Plan participate in any dividends declared on our common stock.

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Accordingly, the restricted shares are considered participating securities under the two-class method, which is an earnings allocation formula that determines earnings for each class of common stock and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. Under the two-class method, net income is reduced by the amount of dividends declared in the current period for each class of stock and by the contractual amounts of dividends that must be paid for the current period. The remaining earnings are then allocated to common stock and participating securities to the extent that each security may share in earnings as if all of the earnings for the period had been distributed. Diluted earnings per share is calculated using the treasury stock and if converted methods for potential common stock. 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 tables that follow reconcile the components of the basic and diluted earnings per share for the three months and nine months ended June 30, 2010 and 2009 (in thousands, except per share and per share data):

	Three Months Ended June 30,	
	2010	**2009**
Numerator:		
Net income (loss) attributable to common shareholders	$ (6,557)	$ 1,272
Net income attributable to restricted shareholders		25
Net income (loss)	$ (6,557)	$ 1,297
Denominator:		
Weighted average common shares outstanding basic	14,425,119	14,339,066
Effect of dilutive stock options and non-vested restricted stock		64,073
Weighted average common and common equivalent shares outstanding diluted	14,425,119	14,403,139
Earnings (loss) per share		
Basic	$ (0.45)	$ 0.09
Diluted	$ (0.45)	$ 0.09

	Nine Months Ended June 30,	
	2010	**2009**
Numerator:		
Net loss attributable to common shareholders	$ (20,593)	$ (11)
Net income attributable to restricted shareholders		
Net loss	$ (20,593)	$ (11)
Denominator:		

Weighted average common shares outstanding basic		14,403,925		14,326,747
Effect of dilutive stock options and non-vested restricted stock				
Weighted average common and common equivalent shares outstanding diluted		14,403,925		14,326,747
Loss per share				
Basic	$	(1.43)	$	(0.00)
Diluted	$	(1.43)	$	(0.00)

5. OPERATING SEGMENTS

As a result of our 2009 Restructuring Plan, on October 1, 2009, the Company implemented modifications to its system of reporting, resulting from changes to its internal organization, which changed its reportable segments. These changes to the internal organization included the realignment of our Industrial segment into our Commercial & Industrial segment. We now manage and measure performance of our business in two distinct operating segments: Commercial & Industrial and Residential. 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. Prior period disclosures have been adjusted to reflect the change in reportable segments.

The Commercial & Industrial segment provides electrical and communications 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. In addition to these services, our Commercial & Industrial segment also designs and assembles modular power distribution centers.

The Residential segment consists of electrical installation, replacement and renovation services in single-family, condominium, townhouse and low-rise multifamily housing units.

We also have a Corporate office that provides general and administrative as well as support services to our two operating segments.

The significant accounting policies of the segments are the same as those described in the summary of significant accounting policies, set forth in Note 2 to our Consolidated Financial Statements included in our annual report on Form 10-K for the year ended September 30, 2009. We evaluate performance based on income from operations of the respective business units prior to the allocation of Corporate office expenses.

As of October 1, 2009 we began allocating certain corporate selling, general and administrative costs across our segments as we believe this more accurately reflects the costs associated with operating each segment. We have reclassified our three months and nine months ended June 30, 2009 selling, general and administrative costs using the same methodology.

Segment information for continuing operations for the three months and nine months ended June 30, 2010 and 2009 is as follows (in thousands):

	Three Months Ended June 30, 2010 (Unaudited)			
	Commercial & Industrial	Residential	Corporate	Total
Revenues	$ 89,916	$ 31,489	$	$ 121,405
Cost of services	81,176	25,152		106,328
Gross profit	8,740	6,337		15,077
Selling, general and administrative	11,475	6,086	3,537	21,098
Loss (gain) on sale of assets	(68)	29	(74)	(113)
Restructuring charge				
Income (loss) from operations	$ (2,667)	$ 222	$ (3,463)	$ (5,908)
Other data:				
Depreciation and amortization expense	$ 319	$ 144	$ 756	$ 1,219
Capital expenditures	$ 29	$ 5	$	$ 34
Total assets	$ 101,389	$ 31,368	$ 68,469	$ 201,226

	Three Months Ended June 30, 2009 (Unaudited)			
	Commercial & Industrial	Residential	Corporate	Total
Revenues	$ 134,451	$ 37,734	$	$ 172,185
Cost of services	112,263	28,300		140,563

Gross profit		22,188		9,434				31,622
Selling, general and administrative		14,443		8,042		4,353		26,838
Loss (gain) on sale of assets		(239)		15		3		(221)
Restructuring charge		438		260		(65)		633
Income (loss) from operations	$	7,546	$	1,117	$	(4,291)	$	4,372

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	Three Months Ended June 30, 2009 (Unaudited)			
	Commercial & Industrial	Residential	Corporate	Total
Other data:				
Depreciation and amortization expense	$ 632	$ 432	$ 475	$ 1,539
Capital expenditures	$ 1,225	$ 73	$ 1,453	$ 2,751
Total assets	$ 153,279	$ 39,299	$ 107,307	$ 299,885

	Nine Months Ended June 30, 2010 (Unaudited)			
	Commercial & Industrial	Residential	Corporate	Total
Revenues	$ 260,723	$ 88,549	$	$ 349,272
Cost of services	231,567	69,108		300,675
Gross profit	29,156	19,441		48,597
Selling, general and administrative	36,001	18,635	11,439	66,075
Loss (gain) on sale of assets	(117)	26	(74)	(165)
Restructuring charge	714		49	763
Income (loss) from operations	$ (7,442)	$ 780	$ (11,414)	$ (18,076)
Other data:				
Depreciation and amortization expense	$ 1,173	$ 541	$ 2,300	$ 4,014
Capital expenditures	$ 245	$ 83	$ 208	$ 536

	Nine Months Ended June 30, 2009 (Unaudited)			
	Commercial & Industrial	Residential	Corporate	Total
Revenues	$ 395,636	$ 116,982	$	$ 512,618
Cost of services	333,563	89,532		423,095
Gross profit	62,073	27,450		89,523
Selling, general and administrative	44,121	25,703	12,844	82,668
Loss (gain) on sale of assets	(430)	29	2	(399)
Restructuring charge	1,125	1,981	668	3,774
Income (loss) from operations	$ 17,257	$ (263)	$ (13,514)	$ 3,480
Other data:				
Depreciation and amortization expense	$ 1,473	$ 1,885	$ 2,635	$ 5,993
Capital expenditures	$ 1,621	$ 338	$ 2,095	$ 4,054

We have no operations or long-lived assets in countries outside of the United States.

6. STOCKHOLDERS EQUITY

The 2006 Equity Incentive Plan (as amended, the 2006 Plan) became effective on May 12, 2006. The 2006 Plan provides for grants of both stock options and common stock, including restricted stock and performance-based restricted stock. We have approximately 1.1 million shares of common stock authorized for issuance under the 2006 Plan.

Treasury Stock

On December 12, 2007, we entered into an amendment to our Loan and Security Agreement. The amendment allowed us to implement a stock repurchase program for up to one million shares of our common stock over the following 24 months. On December 12, 2007, our Board of Directors authorized the repurchase of up to one million shares of our common stock. This share repurchase program was authorized through December 2009. As of the program s termination on December 31, 2009, we repurchased 886,360 shares of common stock at an average cost of $16.24 per share.

During the nine months ended June 30, 2010, 12,886 shares of common stock were issued from treasury stock for a restricted stock grant.

During the nine months ended June 30, 2010, we repurchased 27,622 shares of common stock from our employees to satisfy minimum tax withholding requirements upon the vesting of restricted stock issued under the 2006 Plan, and 38,000 unvested shares of restricted stock were forfeited by former employees and returned to treasury stock.

Restricted Stock

We granted 12,886 shares of restricted stock to an employee during the nine months ended June 30, 2010. These restricted shares were granted at $5.82 per share. These shares will vest on December 15, 2010.

We granted 180,100 shares of restricted stock to our employees during the nine months ended June 30, 2009, of which 27,400 have been forfeited as of June 30, 2010. These restricted shares were granted at prices ranging from $8.44 to $12.31 per share with a weighted average price of $8.60 per share under various vesting terms.

During the three months ended June 30, 2010 and 2009, we recognized $0.1 million and $0.4 million, respectively, in compensation expense related to these awards. During the nine months ended June 30, 2010 and 2009, we recognized $1.0 million and $1.3 million, respectively, in compensation expense related to these awards. As of June 30, 2010, the unamortized compensation cost related to outstanding unvested restricted stock was $0.4 million. We expect to recognize $0.1 million related to these awards during the remaining three months of our 2010 fiscal year, and $0.3 million thereafter.

All the restricted shares granted under the 2006 Plan (vested or unvested) participate in dividends, if any, issued to common shareholders.

Phantom Stock Units

For the three months and nine months ended June 30, 2010, we recognized $13 thousand and $138 thousand, respectively, in compensation for Phantom Stock Units (PSU s) granted to the members of the Board of Directors in May 2010 and March 2010. These PSU s will be paid via unrestricted stock grants to each board member upon their departure.

Stock Options

Our determination of the 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 an input variable under the Black-Scholes option pricing model, but it is not considered under the binomial option pricing model that we utilize.

During the nine months ended June 30, 2010 and 2009, we granted no stock options.

During the three months ended June 30, 2010 and 2009, we recognized $14 thousand and $29 thousand, respectively, in compensation expense related to these previously granted stock options. During the nine months ended June 30, 2010 and 2009, we recognized $0.1 million and $0.4 million, respectively, in compensation expense related to these awards. As of June 30, 2010, the unamortized compensation cost related to outstanding unvested stock options was $21 thousand. We expect to recognize $5 thousand of equity based compensation expense related to these awards during the remaining three months of our 2010 fiscal year, and $16 thousand thereafter.

The following table summarizes activity regarding our stock option and incentive compensation plans:

	Shares	Weighted Average Exercise Price	
Outstanding, September 30, 2009	158,500	$	18.66
Options granted			
Exercised			
Expired			
Forfeited			
Outstanding, June 30, 2010	158,500	$	18.66
Exercisable, June 30, 2010	155,167	$	18.62

The following table summarizes all options outstanding and exercisable at June 30, 2010:

Range of Exercise Prices	Outstanding as of June 30, 2010	Remaining Contractual Life in Years	Weighted-Average Exercise Price	Exercisable as of June 30, 2010	Weighted-Average Exercise Price
$12.31 $18.79	123,500	6.37	$ 17.02	123,500	$ 17.02
$20.75 $25.08	35,000	6.98	24.46	31,667	24.85
	158,500	6.50	$ 18.66	155,167	$ 18.62

Upon exercise of stock options, it is our policy to first issue shares from treasury stock, then to issue new shares. Unexercised options expire between July 2016 and January 2018.

7. SECURITIES AND EQUITY INVESTMENTS

Investment in EPV Solar

Our investment in EPV Solar, Inc. (EPV) consists of the following debt and equity instruments (in thousands):

	June 30, 2010	September 30, 2009
Common stock (25.2 million shares)	$	$
Convertible note receivable	100	150
Stock warrants (0.5 million warrants / strike at $1.25)		
Stock warrants (1.2 million warrants / strike at $0.54)		
Total investment, net of impairment	$ 100	$ 150

We have recognized an impairment loss on the entire carrying value for all of these instruments, excluding our convertible note receivable, based on our assessment of their fair market values in the previous fiscal year.

Our convertible note receivable has a $1.1 million face value, with a 1% interest rate payable in-kind with interest paid semi-annually on December 1 and June 1, and is due on June 1, 2016. We accounted for our convertible note receivable as an available-for-sale security at fair value with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of stockholders equity, net of tax, unless such loss was other than temporary and related to credit losses, then the loss would be recorded to other expense.

On February 24, 2010, EPV filed for Chapter 11 bankruptcy protection. As a result of events subsequent to this filing, we recorded an additional $50 thousand of impairment based on the amount that we ultimately believe we will realize from this investment. At June 30, 2010, we believe the carrying value of our convertible note receivable approximates fair market value. Our $0.1 million investment is currently recorded as a component of Other Non-Current Assets in our consolidated balance sheet.

Investment in EnerTech Capital Partners II L.P.

Our investment in EnerTech Capital Partners II L.P. (EnerTech) is approximately 2% of the overall ownership in EnerTech at June 30, 2010 and September 30, 2009. As such, we accounted for this investment using the cost method of accounting.

In May 2010, we received a $0.3 million cash distribution from EnerTech. We recorded this distribution as a reduction of our investment.

EnerTech s investment portfolio periodically results in unrealized losses reflecting a possible, other-than temporary impairment of our investment. If facts arise that lead us to determine that any unrealized losses are not temporary, we would write-down our investment in EnerTech through a charge to other expense in the period of such determination. The carrying value of our investment in EnerTech at June 30, 2010 and September 30, 2009 was $2.0 million and

$2.5 million, respectively, and is currently recorded as a component of Other Non-Current Assets in our consolidated balance sheet. 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 June 30, 2010 and September 30, 2009 (in thousands):

	June 30, 2010	September 30, 2009
Carrying value	$ 2,013	$ 2,491
Unrealized gains (losses)	107	276
Fair value	$ 2,120	$ 2,767

On December 31, 2009, EnerTech s general partner, with the consent of the fund s investors, extended the fund for an additional year through December 31, 2010. 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, 2011 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 (Arbinet), formerly Arbinet-thexchange Inc. The investment is an available-for-sale marketable security and is currently recorded as a component of Other Non-Current Assets in our consolidated balance sheet. Unrealized gains and losses are recorded to other comprehensive income.

On June 11, 2010, Arbinet consummated a 1-for-4 reverse common stock split. As a result of this transaction, we now hold 8,241 shares of Arbinet common stock.

The amount of unrealized holding losses included in other comprehensive income at June 30, 2010 and September 30, 2009 is $82 thousand and $70 thousand, respectively. Both the carrying and market value of the investment at June 30, 2010 and September 30, 2009 were $65 thousand and $78 thousand, respectively.

8. EMPLOYEE BENEFIT PLANS

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.

On February 13, 2009, we suspended Company matching cash contributions to employee s contributions due to the significant impact the economic recession has had on the Company s financial performance. The aggregate contributions by us to the Executive Savings Plan were zero for the three months ended June 30, 2010 and 2009.

9. FAIR VALUE MEASUREMENTS

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 June 30, 2010, are summarized in the following table by the type of inputs applicable to the fair value measurements (in thousands):

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	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 65	$ 65	$	$
Debt securities	100			100
Executive Savings Plan assets	807	807		
Executive Savings Plan liabilities	(820)	(820)		
Total	$ 152	$ 52	$	$ 100