

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

COMFORT SYSTEMS USA, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

1711
(PRIMARY STANDARD INDUSTRIAL
CLASSIFICATION CODE NUMBER)

76-0526487
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

FRED M. FERREIRA
CHIEF EXECUTIVE OFFICER
4801 WOODWAY DRIVE
SUITE 300E
HOUSTON, TEXAS 77056
(713) 964-2685

(NAME AND ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING
AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES AND AGENT FOR SERVICE)

COPIES TO:

WILLIAM D. GUTERMUTH
BRACEWELL & PATTERSON, L.L.P.
SOUTH TOWER PENNZOIL PLACE
711 LOUISIANA STREET, SUITE 2900
HOUSTON, TEXAS 77002-2781

RICHARD C. TILGHMAN, JR.
PIPER & MARBURY, L.L.P.
36 SOUTH CHARLES STREET
BALTIMORE, MARYLAND 21201

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon
as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box. []

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following box
and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box. []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR
DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL
FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION
STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF
THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME
EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A),
MAY DETERMINE.

*
* INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A *
* REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED *
* WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT *
* BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE *
* REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT *
* CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR *
* SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH *
* OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR *
* QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE. *
*

6,100,000 SHARES

(LOGO)

COMFORT SYSTEMS USA, INC.

COMMON STOCK

All of the 6,100,000 shares of Common Stock offered hereby are being offered by Comfort Systems USA, Inc. Prior to this offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price for the Common Stock will be between \$11.00 and \$13.00 per share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Common Stock has been approved for listing on The New York Stock Exchange under the symbol "FIX," subject to official notice of issuance.

THE COMMON STOCK OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK.
SEE "RISK FACTORS" COMMENCING ON PAGE 8 HEREOF.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO COMPANY (1)
Per Share.....	\$	\$	\$
Total(2).....	\$	\$	\$

- (1) Before deducting expenses of the offering payable by the Company, estimated at \$4,000,000.
- (2) The Company has granted the Underwriters a 30-day option to purchase up to 915,000 additional shares of Common Stock solely to cover over-allotments, if any. To the extent that the option is exercised, the Underwriters will offer the additional shares at the Price to Public as shown above. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be \$ _____, \$ _____ and \$ _____, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if delivered to and accepted by them, and subject to the right of the Underwriters to reject any order in whole or in part. It is expected that delivery of the shares of Common Stock will be made at the offices of Alex. Brown & Sons Incorporated, Baltimore, Maryland, on or about _____, 1997.

ALEX. BROWN & SONS
INCORPORATED
BEAR, STEARNS & CO. INC.
DONALDSON, LUFKIN & JENRETTE
Securities Corporation
SANDERS MORRIS MUNDY

THE DATE OF THIS PROSPECTUS IS _____, 1997.

Comfort Systems has entered into agreements to acquire twelve Founding Companies simultaneously with the closing of this Offering. In 1996, the Founding Companies, which have been in business an average of 39 years, had pro forma combined revenues of \$167 million and served customers in 27 states.

The Founding Companies are:

Tri-City Mechanical, Inc., Phoenix, Arizona. Founded in 1962.
Freeway Heating and Air Conditioning, Inc., Bountiful, Utah. Founded in 1947.
C.S.I./Bonneville, Salt Lake City, Utah. Founded in 1969.
Western Building Services, Inc., Denver, Colorado. Founded in 1980.
Accurate Air Systems, Inc., Houston, Texas. Founded in 1980.
Atlas Air Conditioning Co., Houston, Texas. Founded in 1947.
Quality Air Heating and Cooling, Inc., Grand Rapids, Michigan. Founded in 1968.
Eastern Heating and Cooling, Inc. Albany, New York. Founded in 1945.
Tech Heating and Air Conditioning, Inc., Solon, Ohio. Founded in 1979.
Seasonair, Inc., Rockville, Maryland. Founded in 1966.
S.M. Lawrence Co., Inc., Jackson, Tennessee. Founded in 1917.
Standard Heating and Air Conditioning Co., Birmingham, Alabama. Founded in 1939.

THE COMPANY INTENDS TO FURNISH ITS STOCKHOLDERS WITH ANNUAL REPORTS CONTAINING FINANCIAL STATEMENTS AUDITED BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS AND WITH QUARTERLY REPORTS CONTAINING UNAUDITED SUMMARY FINANCIAL INFORMATION FOR EACH OF THE FIRST THREE QUARTERS OF EACH FISCAL YEAR.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SPECIFICALLY, THE UNDERWRITERS MAY OVER-ALLOT IN CONNECTION WITH THIS OFFERING AND MAY BID FOR AND PURCHASE SHARES OF THE COMMON STOCK IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

[In Gatefold]

Comfort Systems served customers in 27 states (red borders) during 1996. Broad geographic presence and specialized technical and marketing strengths will position the Company to provide comprehensive services to large regional and national customers.

Comfort Systems USA employs specially trained engineers who use CAD/CAM technology to design cost-effective, energy-efficient HVAC systems.

Comfort Systems USA specializes in "design and build" projects in which it accepts responsibility for design, engineering, integration, installation and start up of HVAC systems. Our customers benefit from this single-source arrangement since costs as well as design and installation times are reduced.

Comfort Systems has full-service facilities for fabrication of ductwork, sheetmetal and piping, based on its own mechanical drawing specifications, thereby eliminating the need for subcontracted work.

As HVAC systems have become increasingly sophisticated, technicians are required to have more advanced training and skills. Many companies now outsource the maintenance, repair, replacement and renovation of their systems and controls to Comfort Systems.

Comfort Systems uses PC-based telecommunications to monitor HVAC systems remotely. This allows increased energy efficiency and faster diagnosis of problems.

PROSPECTUS SUMMARY

SIMULTANEOUSLY WITH AND AS A CONDITION TO THE CLOSING OF THE OFFERING MADE BY THIS PROSPECTUS (THIS "OFFERING"), COMFORT SYSTEMS USA, INC. WILL ACQUIRE, IN SEPARATE MERGER OR SHARE EXCHANGE TRANSACTIONS (THE "MERGERS") IN EXCHANGE FOR CASH AND SHARES OF ITS COMMON STOCK, 12 COMPANIES ENGAGED PRINCIPALLY IN THE HEATING, VENTILATION AND AIR CONDITIONING ("HVAC") BUSINESS (EACH A "FOUNDING COMPANY" AND, COLLECTIVELY, THE "FOUNDING COMPANIES"). UNLESS OTHERWISE INDICATED, ALL REFERENCES TO THE "COMPANY" HEREIN INCLUDE THE FOUNDING COMPANIES, AND REFERENCES HEREIN TO "COMFORT SYSTEMS" MEAN COMFORT SYSTEMS USA, INC. PRIOR TO THE CONSUMMATION OF THE MERGERS.

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY, AND SHOULD BE READ IN CONJUNCTION WITH, THE MORE DETAILED INFORMATION AND THE COMBINED, PRO FORMA COMBINED AND INDIVIDUAL HISTORICAL FINANCIAL STATEMENTS, INCLUDING THE NOTES THERETO, APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE INDICATED, (I) ALL SHARE, PER SHARE AND FINANCIAL INFORMATION SET FORTH HEREIN (A) HAVE BEEN ADJUSTED TO GIVE EFFECT TO ALL OF THE MERGERS; (B) ASSUME AN INITIAL PUBLIC OFFERING PRICE OF \$12.00 PER SHARE; AND (C) ASSUME NO EXERCISE OF THE UNDERWRITERS' OVER-ALLOTMENT OPTION; AND (II) ALL REFERENCES HEREIN TO COMMON STOCK INCLUDE BOTH COMMON STOCK, \$0.01 PAR VALUE, AND RESTRICTED VOTING COMMON STOCK, \$0.01 PAR VALUE (THE "RESTRICTED COMMON STOCK"), OF COMFORT SYSTEMS.

THE COMPANY

Comfort Systems was founded in 1996 to become a leading national provider of comprehensive HVAC installation services and maintenance, repair and replacement of HVAC systems, focusing primarily on the commercial and industrial markets. The Company's commercial and industrial applications include office buildings, retail centers, apartment complexes, hotels, manufacturing plants and government facilities. The Company also provides specialized HVAC applications such as process cooling, control systems, electronic monitoring and process piping. Approximately 90% of the Company's pro forma combined 1996 revenues of \$167.5 million was derived from commercial and industrial customers, with approximately 53% of combined revenues attributable to installation services and 47% attributable to maintenance, repair and replacement services. Combined revenues of the Founding Companies, which have been in business an average of 39 years, increased at a compound annual growth rate of approximately 16% from 1994 through 1996.

Based on available industry data, the Company believes that the HVAC industry is highly fragmented with over 40,000 companies, most of which are small, owner-operated businesses with limited access to capital for modernization and expansion. The overall HVAC industry, including the commercial, industrial and residential markets, is estimated to generate annual revenues in excess of \$75 billion, over \$35 billion of which is in the commercial and industrial markets. The Company believes there is a significant opportunity for a well-capitalized national company to provide comprehensive HVAC services and that the fragmented nature of the HVAC industry will provide it with significant opportunities to consolidate commercial, industrial and residential HVAC businesses.

The Company's commercial and industrial installation business targets "design and build" projects where the Company is responsible for designing, engineering and installing a cost-effective, energy-efficient system, customized to meet the specific needs of the building owner. Management believes that the "design and build" segment represents a faster growing and more profitable segment of the HVAC business than traditional "plan and spec" installation, which is generally awarded based on a bid process. In recent years, the Company has undertaken a shift from "plan and spec" to "design and build" projects with "design and build" revenues increasing from approximately 65% of installation revenues in 1994 to approximately 80% in 1996.

The Company also provides maintenance, repair and replacement of HVAC systems. Growth in this segment is driven by a number of factors, particularly (i) the aging of the installed base, (ii) the increasing energy efficiency, sophistication and complexity of HVAC systems and (iii) the increasing restrictions on the use of refrigerants commonly used in older HVAC systems. The energy efficiency and sophistication of new HVAC systems are encouraging building owners to upgrade and reconfigure their current HVAC systems. Moreover, the increasing sophistication and complexity of these HVAC systems are leading many

commercial and industrial building owners and property managers to outsource maintenance and repair through service agreements with HVAC service providers. Service agreements lead to better utilization of personnel, link the customer with the Company should a major repair or replacement be needed and result in recurring revenues. The Company believes there is also an opportunity to expand its presence in the highly-fragmented residential maintenance, repair and replacement market. The replacement segment of the residential HVAC market has grown significantly in recent years as a result of the aging of the installed base of residential HVAC systems, the introduction of more energy-efficient systems and the upgrading of older homes with central air conditioning.

The Company plans to achieve its goal of becoming a leading national provider of comprehensive HVAC services by improving operations, emphasizing continued internal growth and expanding through acquisitions.

OPERATING STRATEGY. The Company believes there are significant opportunities to increase the profitability of the Founding Companies and subsequently acquired businesses. The key elements of the Company's operating strategy are:

FOCUS ON COMMERCIAL AND INDUSTRIAL MARKETS. The Company believes that the commercial and industrial HVAC markets are attractive because of their growth opportunities, diverse customer base, attractive margins and potential for long-term relationships with building owners and managers, general contractors and architects.

OPERATE ON DECENTRALIZED BASIS. The Company believes that, while maintaining strong operating and financial controls, a decentralized operating structure will retain the entrepreneurial spirit present in each of the Founding Companies and will allow the Company to capitalize on the considerable local and regional market knowledge and customer relationships possessed by each Founding Company.

ACHIEVE OPERATING EFFICIENCIES. The Company intends to use its increased purchasing power to gain volume discounts in areas such as HVAC components, raw materials, service vehicles, advertising, bonding and insurance. In addition, the Company will identify "best practices" that can be successfully implemented throughout its operations.

ATTRACT AND RETAIN QUALITY EMPLOYEES. The Company intends to attract and retain quality employees by providing them (i) an enhanced career path from working for a larger public company, (ii) additional training, education and apprenticeships to allow talented employees to advance to higher-paying positions, (iii) the opportunity to realize a more stable income and (iv) improved benefits packages.

INTERNAL GROWTH. A key component of the Company's strategy is to continue the internal growth at the Founding Companies and subsequently acquired businesses. The key elements of the Company's internal growth strategy are:

CAPITALIZE ON SPECIALIZED TECHNICAL AND MARKETING STRENGTHS. The Company believes it will be able to expand the services it offers in its local markets by leveraging the specialized technical and marketing strengths of individual Founding Companies.

ESTABLISH NATIONAL MARKET COVERAGE. The Company believes that significant demand exists from large national companies to utilize the services of a single HVAC service provider and believes existing local and regional relationships can be expanded as it develops a nationwide network.

ACQUISITIONS. The Company believes that, due to the highly fragmented nature of the HVAC industry, it has a significant opportunity to achieve its acquisition strategy. The Company anticipates that acquisition candidates in the commercial and industrial markets will typically have annual revenues ranging from \$5 million to \$35 million. The key elements of the Company's acquisition strategy are:

ENTER NEW GEOGRAPHIC MARKETS. The Company will pursue acquisitions that are located in new geographic markets, are financially stable, and which will have the customer base, technical skills and infrastructure necessary to be a core business into which other HVAC service operations can be consolidated.

EXPAND WITHIN EXISTING MARKETS. Once the Company has entered a market, it will seek to acquire other well-established HVAC businesses operating within that region and will also pursue "tuck-in" acquisitions of smaller companies, whose operations can be integrated into an existing operation to leverage the Company's infrastructure.

ACQUIRE COMPLEMENTARY BUSINESSES. The Company will focus on the HVAC industry and may also acquire companies providing complementary services to the same customer base, such as commercial and industrial process piping and plumbing and electrical companies.

THE OFFERING

Common Stock offered by the Company.....	6,100,000 shares
Common Stock to be outstanding after the Offering.....	20,060,774 shares(1) (2)
Use of proceeds.....	To pay the cash portion of the purchase price for the Founding Companies, to repay expenses incurred in connection with the organization of Comfort Systems and the Offering and for general corporate purposes, including future acquisitions. See "Use of Proceeds."
NYSE symbol.....	FIX

- - - - -

- (1) Includes 9,720,927 shares of Common Stock to be issued in connection with the Mergers, but excludes 1,976,954 shares of Common Stock subject to options to be granted upon consummation of this Offering at an exercise price equal to the initial public offering price. See "Management -- 1997 Long-Term Incentive Plan" and " -- 1997 Non-Employee Directors' Stock Plan."
- (2) Includes 4,239,847 shares of Common Stock issued to Notre Capital Ventures II, L.L.C. ("Notre") and management of and consultants to Comfort Systems during 1996 and January and February 1997, of which 2,742,912 shares are Restricted Common Stock held by Notre. Each share of Restricted Common Stock is entitled to 0.55 of one vote on all matters submitted to stockholders. Restricted Common Stock is convertible into one share of Common Stock under certain circumstances. See "Description of Capital Stock -- Common Stock and Restricted Common Stock."

RECENT DEVELOPMENTS

During late 1996 and early 1997, members of the Company's management team and certain consultants were assembled to pursue the consolidation of the Founding Companies. Notre, a consolidator of highly-fragmented industries, provided the Company with expertise regarding the consolidation process and advanced the Company the funds needed to pay organizational and Offering expenses. In connection therewith, during 1996 and January and February 1997, Comfort Systems sold an aggregate of 1,269,935 shares of Common Stock to management of and consultants to the Company at a price of \$0.01 per share. As a result, the Company recorded a non-recurring, non-cash compensation charge of \$10.7 million (the "Compensation Charge") in the first quarter of 1997, representing the difference between the amount paid for the shares and the estimated fair value of the shares on the date of sale. This Compensation Charge of \$10.7 million is not included in pro forma combined net income.

The aggregate consideration to be paid by Comfort Systems in the Mergers consists of \$41.8 million in cash and 9,720,927 shares of Common Stock, plus \$12.5 million of existing debt of the Founding Companies. The consideration to be paid by Comfort Systems for each Founding Company was negotiated by the parties and was based primarily upon the pro forma adjusted net income of each Founding Company. For a more detailed description of these transactions, see "Certain Transactions -- Organization of the Company."

Between January 1, 1997 and the date of the Mergers, each Founding Company which is a C Corporation, except Atlas, will distribute to its stockholders an amount equal to its net income for the period from January 1, 1997 through the date of the Mergers (the "Interim Earnings Distributions"). These aggregate distributions would have been \$350,000 as of March 31, 1997 and are expected to be funded from the Founding Companies' cash and from borrowings from existing sources available to the Founding Companies.

Comfort Systems USA, Inc. was incorporated in 1996 in Delaware. The Company's executive offices are located at 4801 Woodway, Suite 300E, Houston, Texas 77056, and its telephone number is (800) 723-8431.

SUMMARY PRO FORMA COMBINED FINANCIAL DATA
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Comfort Systems will acquire the Founding Companies simultaneously with and as a condition to consummation of this Offering. For financial statement presentation purposes, Comfort Systems has been identified as the "accounting acquirer." The following table presents unaudited pro forma combined financial data for the Company, adjusted for (i) the effects of the Mergers, (ii) the effects of certain pro forma adjustments to the historical financial statements described below and (iii) the consummation of this Offering and the application of the net proceeds therefrom. See "Selected Financial Data," the Unaudited Pro Forma Combined Financial Statements and the Notes thereto and the historical Financial Statements for Comfort Systems and certain of the Founding Companies and the Notes thereto included elsewhere in this Prospectus.

	PRO FORMA COMBINED(1)	
	TWELVE MONTHS ENDED	THREE MONTHS ENDED
	DECEMBER 31, 1996	MARCH 31, 1997
INCOME STATEMENT DATA:		
Revenues.....	\$167,525	\$39,505
Gross profit.....	47,813	10,705
Selling, general and administrative expenses(2)....	27,814	7,599
Goodwill amortization(3).....	3,214	803
Income from operations.....	16,785	2,303
Interest and other income (expense), net(4).....	(961)	(250)
Income before income taxes.....	15,824	2,053
Net income(5).....	8,209	1,047
Net income per share.....	0.45	0.06
Shares used in computing pro forma net income per share(6).....	18,205,952	18,205,952
MARCH 31, 1997		
	PRO FORMA COMBINED	AS ADJUSTED(8)
BALANCE SHEET DATA:(7)		
Working capital(4).....	\$ (27,712) (9)	\$ 36,364
Total assets.....	177,421	196,813
Long-term debt, net of current maturities(4).....	14,292	14,292
Stockholders' equity(4).....	93,341	157,417

(1) The pro forma combined income statement data assume that the Mergers and the Offering were consummated on January 1, 1996 and are not necessarily indicative of the results the Company would have obtained had these events actually then occurred or of the Company's future results.

(2) The pro forma combined income statement data reflect an aggregate of \$6.6 million for the twelve months ended December 31, 1996 and \$428,000 for the three months ended March 31, 1997 in pro forma reductions in salaries, bonuses and benefits to the owners of the Founding Companies to which they have agreed prospectively (the "Compensation Differential") and does not include the non-recurring, non-cash Compensation Charge of \$10.7 million recorded in the first quarter of 1997.

(3) Consists of amortization of goodwill to be recorded as a result of the Mergers over a 40-year period and computed on the basis described in the Notes to the Unaudited Pro Forma Combined Financial Statements.

(4) Several of the Founding Companies are S Corporations. In connection with the Mergers, these Founding Companies will make distributions to their stockholders totalling \$16.8 million, representing substantially all of their previously taxed undistributed earnings (the "S Corporation Distributions"). In order to fund these distributions, the Founding Companies will borrow \$11.0 million from existing sources. Accordingly, pro forma interest expense has been increased by \$935,000 for the twelve months ended December 31, 1996 and \$207,000 for the three months ended March 31, 1997, pro forma working capital has been reduced by \$1.9 million, pro forma long-term debt has been increased by \$11.0 million and pro forma stockholders' equity has been reduced by \$12.9 million. Quality has declared S Corporation Distributions of \$3.9 million which have been recorded as a dividend payable to shareholder and reduction of stockholders' equity in the pro forma combined balance sheet data. This \$3.9 million is included in the \$16.8 million of S Corporation Distributions.

(5) Assuming a corporate income tax rate of 40% and the non-deductibility of goodwill.

(6) Includes (i) 2,969,912 shares issued to Notre, (ii) 1,269,935 shares issued to management of and consultants to Comfort Systems, (iii) 9,720,927 shares issued to owners of the Founding Companies and (iv) 4,245,178 of the 6,100,000 shares sold in the Offering necessary to pay the cash portion of the Merger consideration and expenses of this Offering.

(7) The pro forma combined balance sheet data assume that the Mergers were consummated on March 31, 1997.

(8) Adjusted for the sale of the 6,100,000 shares of Common Stock offered hereby and the application of the estimated net proceeds therefrom. See "Use of Proceeds."

(9) Includes a \$41.8 million note payable to owners of the Founding Companies, representing the cash portion of the Merger consideration to be paid from a portion of the net proceeds of this Offering.

SUMMARY INDIVIDUAL FOUNDING COMPANY FINANCIAL DATA
(IN THOUSANDS)

The following table presents summary income statement data for the Founding Companies for each of their three most recent fiscal years. Income from operations has not been adjusted for the Compensation Differential or to take into account increased costs associated with the Company's new corporate management and with being a public company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Introduction."

	FISCAL YEARS ENDED(1)			THREE MONTHS ENDED MARCH 31, (2)	
	1994	1995	1996	1996	1997
QUALITY:					
Revenues.....	\$ 24,434	\$ 32,594	\$ 29,597	\$ 6,315	\$ 8,766
Income from operations.....	2,154	4,953	4,490	416	1,300
ATLAS:					
Revenues.....	21,848	22,444	30,030	6,207	6,115
Income from operations.....	105	643	2,101	120	496
TRI-CITY:					
Revenues.....	16,883	25,030	24,237	6,482	6,791
Income from operations.....	393	2,539	1,773	374	278
LAWRENCE:					
Revenues.....	12,758	12,568	17,163	3,280	4,565
Income (loss) from operations.....	112	(51)	67	(93)	541
ACCURATE:					
Revenues.....	9,763	12,171	16,806	3,161	2,642
Income (loss) from operations.....	(122)	213	499	27	21
EASTERN:					
Revenues.....	7,348	6,067	7,944	1,525	1,284
Income (loss) from operations.....	274	117	431	20	(103)
CSI/BONNEVILLE:					
Revenues.....	6,502	6,361	7,842	1,369	1,562
Income from operations.....	881	448	981	75	59
TECH:					
Revenues.....	6,923	6,960	7,537	1,075	1,656
Income from operations.....	593	948	1,680	46	57
SEASONAIR:					
Revenues.....	5,168	5,942	6,737	1,128	1,831
Income (loss) from operations.....	189	451	134	(62)	22
WESTERN:					
Revenues.....	4,149	4,112	6,494	1,185	1,072
Income (loss) from operations.....	161	(151)	744	96	29
ALL OTHER FOUNDING COMPANIES (3):					
Revenues.....	8,934	12,264	13,138	3,072	3,221
Income (loss) from operations.....	266	321	531	48	(22)

(1) The fiscal years presented are as follows: Quality -- the fiscal years ended March 31, 1995 and 1996 and the year ended December 31, 1996; Atlas and Accurate -- the fiscal years ended June 30, 1994 and 1995 and the year ended December 31, 1996; Lawrence -- the fiscal years ended October 31, 1994, 1995 and 1996; and Tri-City, Eastern, CSI/Bonneville, Tech, Seasonair and Western -- the years ended December 31.

(2) Lawrence's revenues and income from operations are for the three months ended January 31, 1996 and 1997.

(3) The other Founding Companies are Standard and Freeway, and data presented are for the years ended December 31, 1994, 1995 and 1996, in the case of Standard, and the fiscal years ended March 31, 1995 and 1996 and the year ended December 31, 1996, in the case of Freeway.

RISK FACTORS

AN INVESTMENT IN THE SHARES OF COMMON STOCK OFFERED BY THIS PROSPECTUS INVOLVES A HIGH DEGREE OF RISK. IN ADDITION TO THE OTHER INFORMATION IN THIS PROSPECTUS, THE FOLLOWING RISK FACTORS SHOULD BE CONSIDERED CAREFULLY IN EVALUATING AN INVESTMENT IN THE COMMON STOCK. THIS PROSPECTUS CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF ANY NUMBER OF FACTORS, INCLUDING THE RISK FACTORS SET FORTH BELOW AND ELSEWHERE IN THIS PROSPECTUS.

ABSENCE OF COMBINED OPERATING HISTORY. Comfort Systems was founded in 1996 but has conducted no operations and generated no revenues to date. Comfort Systems has entered into definitive agreements to acquire the Founding Companies simultaneously with and as a condition to the closing of this Offering. The Founding Companies have been operating as separate independent entities, and there can be no assurance that the Company will be able to integrate the operations of these businesses successfully or to institute the necessary systems and procedures, including accounting and financial reporting systems, to manage the combined enterprise on a profitable basis. The Company's management group has been assembled only recently, and there can be no assurance that the management group will be able to manage the combined entity or to implement effectively the Company's operating strategy, internal growth strategy and acquisition program. The pro forma combined historical financial results of the Founding Companies cover periods when the Founding Companies and Comfort Systems were not under common control or management and may not be indicative of the Company's future financial or operating results. The inability of the Company to integrate the Founding Companies successfully would have a material adverse effect on the Company's business, financial condition and results of operations and would make it unlikely that the Company's acquisition program will be successful. See "Business -- Strategy" and "Management."

RISKS RELATED TO THE COMPANY'S ACQUISITION STRATEGY. The Company intends to grow significantly through the acquisition of additional HVAC and complementary businesses. The Company expects to face competition for acquisition candidates, which may limit the number of acquisition opportunities and may lead to higher acquisition prices. There can be no assurance that the Company will be able to identify, acquire or manage profitably additional businesses or to integrate successfully any acquired businesses into the Company without substantial costs, delays or other operational or financial problems. Further, acquisitions involve a number of special risks, including failure of the acquired business to achieve expected results, diversion of management's attention, failure to retain key personnel of the acquired business and risks associated with unanticipated events or liabilities, some or all of which could have a material adverse effect on the Company's business, financial condition and results of operations. Customer dissatisfaction or performance problems at a single acquired company could have an adverse effect on the reputation of the Company generally and render ineffective the Company's national sales and marketing initiatives. The Company may consider acquiring complementary businesses in the electrical, process piping and plumbing industries, and there can be no assurance that these complementary businesses can be successfully integrated. In addition, there can be no assurance that the Founding Companies or other businesses acquired in the future will achieve anticipated revenues and earnings. See "Business -- Strategy."

RISKS RELATED TO ACQUISITION FINANCING. The timing, size and success of the Company's acquisition efforts and the associated capital commitments cannot be readily predicted. The Company currently intends to finance future acquisitions by using shares of its Common Stock for all or a substantial portion of the consideration to be paid. If the Common Stock does not maintain a sufficient market value, or if potential acquisition candidates are otherwise unwilling to accept Common Stock as part of the consideration for the sale of their businesses, the Company may be required to utilize more of its cash resources, if available, in order to initiate and maintain its acquisition program. Upon completion of this Offering, the Company will have \$22.3 million of net proceeds remaining for future acquisitions and working capital after payment of Merger and Offering expenses and the cash portion of the purchase price for the Founding Companies. If the Company does not have sufficient cash resources, its growth could be limited unless it is able to obtain additional capital through debt or equity financings. The Company has received a commitment for a bank line of credit of \$75.0 million from Bank One, Texas, NA ("Bank One") for working capital and

acquisitions. The line of credit is subject to customary closing conditions and the completion of definitive documentation. In the event the Company does not close the commitment received from Bank One and does not otherwise obtain an acceptable line of credit, it is possible that the Company's operations and strategies could be adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Combined liquidity and capital resources."

RISKS RELATED TO OPERATING AND INTERNAL GROWTH STRATEGY. Key elements of the Company's strategy are to improve the profitability of the Founding Companies and subsequently acquired businesses and to continue to expand the revenues of the Founding Companies and any subsequently acquired businesses. The Company intends to seek to improve the profitability of the Founding Companies and any subsequently acquired businesses by various means, including increased purchasing efficiencies and a reduction, in some cases, of duplicative operating costs and overhead. The Company's ability to increase the revenues of the Founding Companies and any subsequently acquired company will be affected by various factors, including demand for new or replacement HVAC systems, the level of new construction, the Company's ability to expand the range of services offered to customers of individual Founding Companies and other acquired businesses, the Company's ability to develop national accounts and other marketing programs in order to attract new customers and the Company's ability to attract and retain a sufficient number of qualified HVAC technicians and other necessary personnel. Many of these factors are beyond the control of the Company, and there can be no assurance that the Company's operating and internal growth strategies will be successful or that it will be able to generate cash flow adequate for its operation and to support internal growth. See "Business -- Strategy."

COMPETITION. The HVAC industry is highly competitive and is served by small, owner-operated private companies and several large companies. Certain of these competitors may have lower overhead cost structures and may, therefore, be able to provide their services at lower rates than the Company. The HVAC industry is currently undergoing rapid consolidation on both a national and a regional level by other companies which have acquisition objectives the same as or similar to the Company's objectives. These companies and other consolidators may have greater financial resources than the Company to finance acquisition and internal growth opportunities and might be willing to pay higher prices than the Company for the same acquisition opportunities. Additionally, HVAC equipment manufacturers and certain public utilities are beginning to enter the maintenance, repair and replacement segment of the HVAC industry. These companies generally are better capitalized, have greater name recognition and may be able to provide these services at a lower cost. Consequently, the Company may encounter significant competition in its efforts to achieve both its acquisition and internal growth objectives as well as its operating strategy to increase the profitability of the Founding Companies and subsequently acquired companies. See "Business -- Competition."

AVAILABILITY OF HVAC TECHNICIANS. The timely provision of high-quality installation service and maintenance, repair and replacement of HVAC systems by the Company requires an adequate supply of skilled HVAC technicians. Accordingly, the Company's ability to increase its productivity and profitability will be limited by its ability to employ, train and retain the skilled technicians necessary to meet the Company's service requirements. From time to time, there are shortages of qualified HVAC technicians, and there can be no assurance that the Company will be able to maintain an adequate skilled labor force necessary to operate efficiently, that the Company's labor expenses will not increase as a result of a shortage in the supply of skilled technicians or that the Company will not have to curtail its planned internal growth as a result of labor shortages. See "Business -- Employees" and " -- Recruiting, Training and Safety."

SEASONAL AND CYCLICAL NATURE OF THE HVAC INDUSTRY. The HVAC industry is subject to seasonal variations. Specifically, the demand for new installations is generally lower during the winter months due to reduced construction activity during inclement weather and less use of air conditioning during colder months. Demand for HVAC maintenance, repair and replacement services is generally higher in the second and third calendar quarters due to the increased use of air conditioning during warmer months. Accordingly, the Company expects its revenues and operating results generally will be lower in the first and fourth

quarters. Historically, the construction industry has been highly cyclical. As a result, the Company's volume of business may be adversely affected by declines in new installation projects in various geographic regions of the United States.

REGULATION. HVAC systems are subject to various environmental statutes and regulations, including the Clean Air Act and those regulating the production, servicing and disposal of certain ozone depleting refrigerants used in HVAC systems. There can be no assurance that the regulatory environment in which the Company operates will not change significantly in the future. Various local, state and federal laws and regulations impose licensing standards on technicians who install and service HVAC systems. The Company's failure to comply with these laws and regulations could subject it to substantial fines and the loss of its licenses. See "Business -- Governmental Regulation and Environmental Matters."

RELIANCE ON KEY PERSONNEL. The Company will be highly dependent on the continuing efforts of its executive officers and the senior management of the Founding Companies, and the Company likely will depend on the senior management of any significant business it acquires in the future. The business or prospects of the Company could be affected adversely if any of these persons does not continue in his management role until the Company is able to attract and retain qualified replacements. See "Management."

CONTROL BY EXISTING MANAGEMENT AND STOCKHOLDERS. Following the completion of the Mergers and this Offering, the Company's executive officers and directors, former stockholders of the Founding Companies and entities affiliated with them will beneficially own approximately 69.6% of the outstanding shares of Common Stock (66.6% if the Underwriters' over-allotment option is exercised in full). These persons, if acting in concert, will be able to exercise control over the Company's affairs, to elect the entire Board of Directors and to control the outcome of any matter submitted to a vote of stockholders. See "Principal Stockholders."

SUBSTANTIAL PROCEEDS OF OFFERING PAYABLE TO AFFILIATES OF FOUNDING COMPANIES. Of the net proceeds of this Offering, \$41.8 million, or approximately 65%, will be paid as the cash portion of the purchase price for the Founding Companies. Some of the recipients of these funds will become directors of the Company or holders of more than 5% of the Common Stock. Additionally, as of May 29, 1997, Notre has advanced to Comfort Systems funds to pay organization expenses and Offering costs and will be reimbursed approximately \$1,127,000 from the proceeds of this Offering. See "Use of Proceeds" and "Certain Transactions."

BENEFITS TO NOTRE AND MANAGEMENT. Notre, management and certain consultants to the Company own in the aggregate 4,239,847 shares of Common Stock. These stockholders acquired their Common Stock at a price of \$0.01 per share. These parties will own, in the aggregate, approximately 21% of the outstanding Common Stock following the consummation of this Offering, which will have a value of approximately \$50.9 million. Of these shares of Common Stock, 2,742,912 shares are Restricted Common Stock, which are entitled to elect one member of the Company's Board of Directors and to 0.55 of one vote for each share held on all other matters on which they are entitled to vote. Holders of Restricted Common Stock are not entitled to vote on the election of any other directors and will control in the aggregate 10.2% of the votes of all shares of Common Stock. See "Principal Stockholders."

NO PRIOR PUBLIC MARKET AND DETERMINATION OF OFFERING PRICE. Prior to this Offering, there has been no public market for the Common Stock. Therefore, the initial public offering price for the Common Stock will be determined by negotiation between the Company and the Representatives of the Underwriters and may bear no relationship to the price at which the Common Stock will trade after the Offering. See "Underwriting" for the factors to be considered in determining the initial public offering price. The Common Stock has been approved for listing on The New York Stock Exchange, subject to official notice of issuance. However, there can be no assurance that an active trading market will develop subsequent to this Offering or, if developed, that it will be sustained. After this Offering, the market price of the Common Stock may be subject to significant fluctuations in response to numerous factors, including the timing of any acquisitions by the Company, variations in the Company's annual or quarterly financial results or those of its competitors, changes by financial research analysts in their estimates of the future earnings of the Company, conditions in the economy in general or in the Company's industry in particular, unfavorable

publicity or changes in applicable laws and regulations (or judicial or administrative interpretations thereof) affecting the Company or the HVAC, process piping and plumbing and electrical services industries. From time to time, the stock market experiences significant price and volume volatility, which may affect the market price of the Common Stock for reasons unrelated to the Company's performance.

POTENTIAL EFFECT OF SHARES ELIGIBLE FOR FUTURE SALE ON PRICE OF COMMON STOCK. Upon consummation of the Mergers and this Offering, 20,060,774 shares of Common Stock will be outstanding. The 6,100,000 shares sold in this Offering (other than shares that may be purchased by affiliates of the Company) will be freely tradable. The remaining outstanding shares may be resold publicly only following their registration under the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an available exemption from registration (such as provided by Rule 144 following a one year holding period for previously unregistered shares). The holders of these remaining shares have certain rights to have their shares registered in the future under the Securities Act, but may not exercise such registration rights, and have agreed with the Company that they will not sell, transfer or otherwise dispose of any of their shares for one year following the closing of this Offering. See "Shares Eligible for Future Sale." On completion of this Offering, the Company also will have outstanding options to purchase up to a total of 1,976,954 shares of Common Stock. The Company intends to register all the shares subject to these options under the Securities Act for public resale. The Company intends to register 8,000,000 additional shares of Common Stock under the Securities Act within 90 days after completion of its offering for issuance in connection with future acquisitions. These shares generally will be freely tradable after their issuance by persons not affiliated with the Company unless the Company contractually restricts their resale.

POSSIBLE ANTI-TAKEOVER EFFECT OF CERTAIN CHARTER PROVISIONS. Comfort Systems' Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"), authorizes the Board of Directors to issue, without stockholder approval, one or more series of preferred stock having such preferences, powers and relative, participating, optional and other rights (including preferences over the Common Stock respecting dividends and distributions and voting rights) as the Board of Directors may determine. The issuance of this "blank-check" preferred stock could render more difficult or discourage an attempt to obtain control of the Company by means of a tender offer, merger, proxy contest or otherwise. In addition, the Certificate of Incorporation provides for a classified Board of Directors, which may also have the effect of inhibiting or delaying a change in control of the Company. Certain provisions of the Delaware General Corporation Law may also discourage takeover attempts that have not been approved by the Board of Directors. See "Description of Capital Stock."

IMMEDIATE AND SUBSTANTIAL DILUTION. Purchasers of Common Stock in this Offering will experience immediate, substantial dilution in the net tangible book value of their stock of \$10.56 per share and may experience further dilution in that value from issuances of Common Stock in connection with future acquisitions. See "Dilution."

THE COMPANY

Comfort Systems was founded in 1996 to become a leading national provider of comprehensive HVAC installation services and maintenance, repair and replacement of HVAC systems, focusing primarily on the commercial and industrial markets. Comfort Systems has entered into agreements to acquire the Founding Companies simultaneously with and as a condition to the consummation of this Offering. In 1996, the Founding Companies, which have been in business an average of 39 years, had pro forma combined revenues of \$167.5 million and served customers in 27 states. For a description of the transactions pursuant to which these businesses will be acquired, see "Certain Transactions -- Organization of the Company." The following is a description of the Founding Companies:

QUALITY AIR HEATING AND COOLING, INC. -- Quality Air Heating and Cooling, Inc. ("Quality"), headquartered in Grand Rapids, Michigan, was founded in 1968 and operates primarily in western Michigan. Quality focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems, primarily for medium and large commercial facilities. Quality operates a sheet metal and ductwork fabrication facility for its installation services. Quality had 1996 revenues of \$29.6 million and currently has 216 employees. Robert J. Powers, the President of Quality, has been employed by Quality for 16 years, will sign a five-year employment agreement with Quality to continue his present position following consummation of this Offering and will become a director of the Company.

ATLAS AIR CONDITIONING CO. -- Atlas Comfort Services USA, Inc., which does business as Atlas Air Conditioning Co. ("Atlas"), and is headquartered in Houston, Texas, was founded in 1947 and operates primarily in the southwest, northeast and mid-Atlantic regions of the United States. Atlas is a leading provider of HVAC installation services for apartment complexes, condominiums, hotels and elder care facilities in the United States and also provides maintenance, repair and replacement of HVAC systems. Atlas had 1996 revenues of \$30.0 million and currently has 254 employees. Brian S. Atlas and Michael Atlas, the Chief Executive Officer and Chief Operating Officer of Atlas, respectively, have been employed by Atlas for 22 and 20 years, respectively. They will sign five-year employment agreements with Atlas to continue their present positions following consummation of this Offering. Brian S. Atlas will become a director of the Company.

TRI-CITY MECHANICAL, INC. -- Tri-City Mechanical, Inc. ("Tri-City"), headquartered in Tempe, Arizona, was founded in 1962 and operates in Arizona, California and Nevada. Tri-City focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems primarily for large commercial and industrial facilities, as well as process piping for industrial facilities. Tri-City operates a sheet metal and ductwork fabrication facility for its installation services. Tri-City had 1996 revenues of \$24.2 million and currently has 238 employees. Michael Nothum, Jr., the President of Tri-City, has been employed by Tri-City for 18 years, will sign a five-year employment agreement with Tri-City to continue his present position following consummation of this Offering and will become a director of the Company.

S. M. LAWRENCE CO., INC. -- S. M. Lawrence Co., Inc. and Lawrence Service, Inc. (together "Lawrence"), headquartered in Jackson, Tennessee, were founded in 1917 and operate primarily in Tennessee and the surrounding states. Lawrence focuses on providing "design and build" installation services and process piping primarily for industrial facilities and maintenance, repair and replacement of commercial and industrial HVAC systems. Lawrence operates a sheet metal and ductwork fabrication facility for its installation services. Lawrence had 1996 revenues of \$17.2 million and currently has 168 employees. Samuel M. Lawrence III and Frank F. Lawrence, the Chief Executive Officer and President of Lawrence, respectively, have been employed by Lawrence for 20 and 17 years, respectively, and will sign five-year employment agreements with Lawrence to continue their present positions following consummation of this Offering. Samuel M. Lawrence III will become a director of the Company.

ACCURATE AIR SYSTEMS, INC. -- Accurate Air Systems, Inc. ("Accurate"), headquartered in Houston, Texas, was founded in 1980 and operates primarily in Texas, Oklahoma and New Mexico. Accurate focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial facilities. Accurate operates a sheet metal and ductwork fabrication facility for its

installation services. Accurate had 1996 revenues of \$16.8 million and currently has 123 employees. Thomas J. Beaty, President and founder of Accurate, has been employed by Accurate for 16 years, will sign a five-year employment agreement with Accurate to continue his present position following consummation of this Offering and will become a director of the Company.

FREEWAY HEATING AND AIR CONDITIONING, INC. -- Freeway Heating and Air Conditioning, Inc. ("Freeway"), headquartered in Bountiful, Utah, was founded in 1947 and operates primarily in the Salt Lake City area. Freeway provides installation services and maintenance, repair and replacement of HVAC systems for commercial and residential facilities. Freeway had 1996 revenues of \$9.4 million and currently has 113 employees. Robert Arbuckle, President of Freeway, has been employed by Freeway for 22 years and will sign a five-year employment agreement with Freeway to continue his present position following consummation of this Offering.

EASTERN HEATING AND COOLING INC. -- Eastern Heating and Cooling Inc. ("Eastern"), headquartered in Albany, New York, was founded in 1945 and operates primarily within a 75-mile radius of Albany, New York. Eastern focuses on providing "design and build" installation and maintenance, repair and replacement of HVAC systems for commercial and industrial facilities. Eastern also offers continuous monitoring and control services for commercial facilities. Eastern had 1996 revenues of \$7.9 million and currently has 58 employees. Alfred J. Giardenelli, Jr., President of Eastern, has been employed by Eastern for 26 years, will sign a five-year employment agreement with Eastern to continue his present position following consummation of this Offering and will become a director of the Company.

CSI/BONNEVILLE -- Contract Service Inc., which does business as C. S. I. Heating and Air Conditioning and Bonneville Heating and Cooling ("CSI/Bonneville"), and is headquartered in Salt Lake City, Utah, was founded in 1969 and operates primarily in Utah. CSI/Bonneville focuses on providing maintenance, repair and replacement of HVAC systems for commercial and residential facilities. CSI/Bonneville had 1996 revenues of \$7.8 million and currently has 81 employees. John C. Phillips, President and co-founder of CSI/Bonneville, has been employed by CSI/Bonneville for 28 years, will sign a five-year employment agreement with CSI/Bonneville to continue his present position following consummation of this Offering and will become a director of the Company.

TECH HEATING AND AIR CONDITIONING, INC. -- Tech Heating and Air Conditioning, Inc. and Tech Mechanical, Inc. (together "Tech"), headquartered in Solon, Ohio, were founded in 1979 and operate primarily in the greater Cleveland, Ohio area. Tech focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial and industrial facilities. Tech also offers continuous monitoring and control services for commercial facilities. Tech had 1996 revenues of \$7.5 million and currently has 56 employees. Robert R. Cook, President and founder of Tech, has been employed by Tech for 18 years, will sign a five-year employment agreement with Tech to continue his present position following consummation of this Offering and will become a director of the Company.

SEASONAIR, INC. -- Seasonair, Inc. ("Seasonair"), headquartered in Rockville, Maryland, was founded in 1966 and operates primarily in Maryland, the District of Columbia and Virginia. Seasonair focuses on providing installation services and maintenance, repair and replacement of HVAC systems for light commercial facilities. Seasonair had 1996 revenues of \$6.7 million and currently has 65 employees. James C. Hardin, Sr., who will become Chief Executive Officer of Seasonair upon consummation of this Offering, has been employed by Seasonair for 11 years and will sign a five-year employment agreement with Seasonair following consummation of this Offering.

WESTERN BUILDING SERVICES, INC. -- Western Building Services, Inc. ("Western"), headquartered in Denver, Colorado, was founded in 1980 and operates primarily in Colorado. Western focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial facilities. Western also offers continuous monitoring and control services for commercial facilities. Western had 1996 revenues of \$6.5 million and currently has 52 employees. Charles W. Klapperich, President and founder of Western, has been employed by Western for 17 years, will sign a five-

year employment agreement with Western to continue his present position following consummation of this Offering and will become a director of the Company.

STANDARD HEATING AND AIR CONDITIONING CO. -- Standard Heating and Air Conditioning Co. ("Standard"), headquartered in Birmingham, Alabama, was founded in 1939 and operates primarily in Alabama. Standard focuses on providing comprehensive maintenance, repair and replacement of HVAC systems for residential and light commercial facilities. Standard had 1996 revenues of \$3.7 million and currently has 37 employees. Thomas B. Kime, President of Standard, has been employed by Standard for over 20 years and will sign a five-year employment agreement with Standard to continue his present position with Standard following consummation of this Offering.

USE OF PROCEEDS

The net proceeds from the sale of the 6,100,000 shares of Common Stock offered hereby, after deducting underwriting discounts and commissions and estimated Offering and Merger expenses, are estimated to be \$64.1 million (\$74.3 million if the Underwriters' over-allotment option is exercised in full).

Of the net proceeds, \$41.8 million will be used to pay the cash portion of the purchase price for the Founding Companies, some of which will be paid to stockholders who will become directors or holders of more than 5% of the Common Stock.

The remaining net proceeds of \$22.3 million will be used for working capital and other general corporate purposes, which are expected to include future acquisitions. The Company currently has no binding agreements to effect any future acquisitions. Pending such uses, the net proceeds will be invested in short-term, interest-bearing, investment grade securities.

The Company has received a commitment for a bank line of credit from Bank One for \$75.0 million for working capital and acquisitions, which is subject to customary closing conditions and the completion of definitive documentation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Combined Results of Operations."

DIVIDEND POLICY

The Company intends to retain all of its future earnings, if any, to finance the expansion of its business and for general corporate purposes, including future acquisitions, and does not anticipate paying any cash dividends on its Common Stock for the foreseeable future. In addition, if the Company is successful in obtaining a credit facility, it is likely that such facility will include restrictions on the ability of the Company to pay dividends without the consent of the lender.

In connection with the consummation of the Mergers, certain of the Founding Companies intend to make S Corporation Distributions to their former stockholders. As of March 31, 1997, the S Corporation Distributions to be made totalled \$16.8 million. In addition, the Founding Companies which are C Corporations, except Atlas, will make Interim Earnings Distributions prior to the Mergers. As of March 31, 1997, the Interim Earnings Distributions to be made totalled \$350,000.

CAPITALIZATION

The following table sets forth the current maturities of long-term obligations and capitalization at March 31, 1997 (i) of the Founding Companies combined; (ii) of Comfort Systems on a pro forma combined basis to give effect to the issuance of 1,269,935 shares of Common Stock to management of and consultants to Comfort Systems, the Mergers and the S Corporation Distributions; and (iii) of Comfort Systems, pro forma combined, as adjusted to give effect to the Mergers, the S Corporation Distributions, this Offering and the application of a portion of the estimated net proceeds therefrom. This table should be read in conjunction with the Unaudited Pro Forma Combined Financial Statements of the Company and the Notes thereto included elsewhere in this Prospectus.

	MARCH 31, 1997		
	COMBINED	PRO FORMA COMBINED	AS ADJUSTED
	(IN THOUSANDS)		
Current maturities of long-term debt obligations(1).....	\$ 9,230	\$ 47,173 (2)	\$ 5,355
Long-term obligations, less current maturities(1).....	\$ 3,267	\$ 14,292 (3)	\$ 14,292
Stockholders' equity:			
Preferred Stock: \$0.01 par value, 5,000,000 shares authorized; none issued or outstanding.....	--	--	--
Common Stock: \$0.01 par value, 52,969,912 shares authorized; 13,960,774 shares issued and outstanding pro forma combined; and 20,060,774 shares issued and outstanding, as adjusted(4).....	433	140	201
Additional paid-in capital.....	11,248	93,201	157,216
Retained earnings.....	9,061	--	--
Treasury stock.....	(1,201)	--	--
Total stockholders' equity.....	19,541	93,341	157,417
Total capitalization.....	\$22,808	\$ 107,633	\$ 171,709

- (1) For a description of the Company's debt, see the Notes to Unaudited Pro Forma Combined Financial Statements and Notes to the Founding Companies' Financial Statements.
- (2) Includes a \$41.8 million note payable to owners of the Founding Companies, representing the cash portion of the Merger consideration to be paid from a portion of the net proceeds of this Offering.
- (3) Includes \$11.0 million in long-term obligations to reflect that portion of the S Corporation Distributions that will be funded through borrowings.
- (4) Excludes 1,976,953 shares of Common Stock subject to options to be granted upon consummation of this Offering at an exercise price equal to the initial public offering price. See "Management -- 1997 Long-Term Incentive Plan" and "-- 1997 Non-Employee Directors' Stock Plan."

DILUTION

The deficit in pro forma combined net tangible book value of the Company at March 31, 1997 was \$35.2 million or \$2.52 per share of Common Stock. The deficit in pro forma combined net tangible book value per share represents the amount by which the Company's pro forma combined total liabilities exceeds the Company's pro forma combined net tangible assets, divided by the number of shares of Common Stock to be outstanding after giving effect to the Mergers. After giving effect to the sale of the 6,100,000 shares of Common Stock in this Offering and after deduction of the underwriting discounts and commissions and estimated Offering and Merger expenses, the pro forma combined net tangible book value of the Company at March 31, 1997 would have been approximately \$28.9 million or \$1.44 per share. This represents an immediate increase in pro forma combined net tangible book value of \$3.96 per share to existing stockholders and an immediate dilution of \$10.56 per share to purchasers of Common Stock in this Offering. The following table illustrates this pro forma dilution:

Assumed initial public offering price per share.....		\$ 12.00
Pro forma combined deficit in net tangible book value per share before this Offering.....	\$ (2.52)	
Increase in pro forma combined net tangible book value per share attributable to new investors.....	3.96	

Pro forma combined net tangible book value per share after this Offering...		1.44

Dilution per share to new investors.....	\$ 10.56	=====

The following table sets forth, on a pro forma combined basis to give effect to the Mergers at March 31, 1997, the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by existing stockholders and the new investors purchasing shares of Common Stock from the Company in this Offering, before deducting underwriting discounts and commissions and estimated Offering and Merger expenses:

	SHARES PURCHASED		TOTAL CONSIDERATION	AVERAGE PRICE PER SHARE
	NUMBER	PERCENT		
Existing stockholders.....	13,961	69.6%	\$ (35,182) (1)	\$ (2.52)
New investors.....	6,100	30.4	73,200	12.00
	-----	-----	-----	-----
Total.....	20,061	100.0%	\$ 38,018	
	=====	=====	=====	

- -----

(1) Total consideration paid by existing stockholders represents the combined stockholders' equity of the Founding Companies before this Offering, adjusted to reflect: (i) the cash portion of the consideration payable to the stockholders of the Founding Companies in connection with the Mergers and (ii) the S Corporation Distributions.

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

Comfort Systems will acquire the Founding Companies simultaneously with and as a condition to the consummation of this Offering. For financial statement presentation purposes, Comfort Systems has been identified as the "accounting acquirer." The following selected financial data for Comfort Systems as of December 31, 1996 has been derived from audited financial statements of Comfort Systems. The selected historical financial data as of March 31, 1997 and the three months ended March 31, 1997 have been derived from unaudited financial statements of Comfort Systems, which have been prepared on the same basis as the audited financial statements and, in the opinion of Comfort Systems, reflect all adjustments consisting of normal recurring adjustments, necessary for a fair presentation of such data. The selected unaudited pro forma combined financial data present data for the Company, adjusted for (i) the effects of the Mergers, (ii) the effects of certain pro forma adjustments to the historical financial statements described below and (iii) the consummation of this Offering and the application of the net proceeds therefrom. See the Unaudited Pro Forma Combined Financial Statements and the Notes thereto and the historical Financial Statements of Comfort Systems and certain of the Founding Companies and the Notes thereto included elsewhere in this Prospectus.

	TWELVE MONTHS ENDED DECEMBER 31, 1996	THREE MONTHS ENDED MARCH 31, 1997		
	-----	-----		
INCOME STATEMENT DATA:				
COMFORT SYSTEMS				
Revenues.....	\$ --	\$ --		
Gross profit.....	--	--		
Selling, general and administrative expenses(1).....	--	10,655		
	-----	-----		
Loss from operations.....	--	(10,655)		
Interest and other income (expense), net.....	--	--		
	-----	-----		
Net loss.....	\$ --	\$ (10,655)		
	=====	=====		
PRO FORMA COMBINED(2)				
Revenues.....	\$ 167,525	\$ 39,505		
Gross profit.....	47,813	10,705		
Selling, general and administrative expenses(3).....	27,814	7,599		
Goodwill amortization(4).....	3,214	803		
Income from operations.....	16,785	2,303		
Interest and other income (expense), net(5).....	(961)	(250)		
Income before income taxes.....	15,824	2,053		
Net income(6).....	8,209	1,047		
Net income per share.....	0.45	0.06		
Shares used in computing pro forma net income per share(7)...	18,205,952	18,205,952		
	COMFORT SYSTEMS		COMBINED COMPANIES	
	-----		-----	
	DECEMBER 31,	MARCH 31,	MARCH 31, 1997	
	-----	-----	-----	
	1996	1997	PRO FORMA COMBINED(8)	AS ADJUSTED(9)
	-----	-----	-----	-----
BALANCE SHEET DATA:				
Working capital(5).....	\$ 1	\$ 42	\$ (27,712) (10)	\$ 36,364
Total assets.....	178	2,908	177,421	196,813
Long-term debt, net of current maturities(5).....	--	--	14,292	14,292
Stockholders' equity(5).....	1	42	93,341	157,417

(FOOTNOTES ON FOLLOWING PAGE)

-
- (1) Represents the non-recurring, non-cash Compensation Charge of \$10.7 million.
 - (2) The pro forma combined income statement data assume that the Mergers and the Offering were consummated on January 1, 1996 and are not necessarily indicative of the results the Company would have obtained had these events actually then occurred or of the Company's future results.
 - (3) The pro forma combined income statement data reflect the Compensation Differential of \$6.6 million for the twelve months ended December 31, 1996 and \$428,000 for the three months ended March 31, 1997 and does not include the Compensation Charge of \$10.7 million recorded in the first quarter of 1997.
 - (4) Consists of amortization of goodwill to be recorded as a result of the Mergers over a 40-year period and computed on the basis described in the Notes to the Unaudited Pro Forma Combined Financial Statements.
 - (5) Several of the Founding Companies are S Corporations. In connection with the Mergers, these Founding Companies will make the S Corporation Distributions totalling \$16.8 million. In order to fund these distributions, the Founding Companies will borrow \$11.0 million from existing sources. Accordingly, pro forma interest expense has been increased by \$935,000 for the twelve months ended December 31, 1996 and \$207,000 for the three months ended March 31, 1997, pro forma working capital has been reduced by \$1.9 million, pro forma long-term debt has been increased by \$11.0 million and pro forma stockholders' equity has been reduced by \$12.9 million. Quality has declared S Corporation Distributions of \$3.9 million which have been recorded as a dividend payable to an affiliate and a reduction of stockholders' equity in the pro forma combined balance sheet data. This \$3.9 million is included in the \$16.8 million of S Corporation Distributions.
 - (6) Assuming a corporate income tax rate of 40% and the non-deductibility of goodwill.
 - (7) Includes (i) 2,969,912 shares issued to Notre, (ii) 1,269,935 shares issued to management of and consultants to Comfort Systems, (iii) 9,720,927 shares issued to owners of the Founding Companies and (iv) 4,245,178 of the 6,100,000 shares sold in the Offering necessary to pay the cash portion of the Merger consideration and expenses of this Offering.
 - (8) The pro forma combined balance sheet data assume that the Mergers were consummated on March 31, 1997.
 - (9) Adjusted for the sale of the 6,100,000 shares of Common Stock offered hereby and the application of the estimated net proceeds therefrom.
 - (10) Includes a \$41.8 million note payable to owners of the Founding Companies, representing the cash portion of the Merger consideration to be paid from a portion of the net proceeds of this Offering.

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

The following discussion should be read in conjunction with "Selected Financial Data" and the Founding Companies' Financial Statements and related Notes thereto appearing elsewhere in this Prospectus.

INTRODUCTION

The Company's revenues are derived from providing comprehensive HVAC installation services and maintenance, repair and replacement of HVAC systems primarily for commercial and industrial customers. The Company's commercial and industrial applications include office buildings, retail centers, apartment complexes, hotels, manufacturing plants and government facilities. The Company also provides specialized HVAC applications such as process cooling, control systems, electronic monitoring and process piping. Approximately 90% of the Company's pro forma combined 1996 revenues of \$167.5 million was derived from commercial and industrial customers, with approximately 53% of total revenues attributable to installation services and 47% attributable to maintenance, repair and replacement services.

Revenues related to commercial and industrial installation are of two types: "design and build" and "plan and spec." Approximately 80% of the commercial and industrial installation revenues for 1996 were generated from "design and build" projects, which generally yield higher margins than "plan and spec" projects because the Company is responsible for designing, engineering and installing a cost-effective, energy-efficient system that is customized to the specific needs of the building owner. This enables the Company to control the customer's cost and reduce overall design and installation time. Additionally, the costs and other terms of "design and build" projects are normally established through relationship-based negotiation with the building owner or its representative rather than through a competitive bid process. "Plan and spec" installation projects typically yield lower margins than "design and build" projects because the building's architect or consulting engineer designs the HVAC system and the installation project is put out for bid.

Most installation and reconfiguration projects are completed within one year. Generally, these contracts are accounted for under the percentage-of-completion method of accounting. Revenues are recorded based on the percentage of costs incurred during a particular period, in proportion to total estimated costs for each contract. Maintenance, repair and replacement service revenues are recorded as services are performed. Costs of services consist primarily of HVAC components, parts and materials related to new installation, equipment maintenance and rental, salaries and benefits payable to service and repair technicians, as well as supervisory and subcontract labor. Selling, general and administrative expenses consist primarily of compensation and benefits to owners as well as to sales and administrative employees, fees for professional services, depreciation of equipment and other general office expenses. Selling, general and administrative expenses also include incentive and discretionary bonuses paid to owners, significant portions of which were paid in lieu of S Corporation distributions to enable stockholders to meet their income tax obligations.

The Founding Companies have operated throughout the periods presented as independent, privately-owned entities, and their results of operations reflect varying tax structures (S Corporations or C Corporations) which have influenced the historical level of owners' compensation. Gross profit margins and selling, general and administrative expenses as a percentage of revenues may not be comparable among the individual Founding Companies. The owners of the Founding Companies have agreed to certain reductions in their compensation and benefits in connection with the organization of the Company. The Compensation Differential for 1996 of \$6.6 million has been reflected as a pro forma adjustment in the Unaudited Pro Forma Combined Statements of Operations.

The Company anticipates that following the Mergers it will realize savings from (i) greater volume discounts from suppliers of HVAC components, parts and raw materials; (ii) consolidation of insurance and bonding programs; (iii) other general and administrative areas such as training and advertising; and (iv) the Company's ability to borrow at lower interest rates than most of the Founding Companies. It is anticipated that these savings will be offset by costs related to the Company's new corporate management and by the

costs associated with being a public company. The Company believes that neither these savings nor the costs associated therewith can be quantified because the Mergers have not occurred, and there have been no combined operating results upon which to base any assumptions. As a result, they have not been included in the pro forma financial information included herein.

During January and February 1997, Comfort Systems sold an aggregate of 1,269,935 shares of Common Stock to management and consultants. As a result, the Company recorded a non-recurring, non-cash Compensation Charge of \$10.7 million in the first quarter of 1997, representing the difference between the amount paid for the shares and the estimated fair value of the shares on the date of sale. This Compensation Charge of \$10.7 million is not included in pro forma financial information or Combined Results of Operations.

In July 1996, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 97 ("SAB 97") relating to business combinations immediately prior to an initial public offering. SAB 97 requires that these combinations be accounted for using the purchase method of acquisition accounting. Under the purchase method, one of the companies must be designated as the accounting acquirer. For the remaining companies, \$128.6 million, representing the excess of the fair value of the Merger consideration received over the fair value of the net assets to be acquired, will be recorded as "goodwill" on the Company's balance sheet. Goodwill will be amortized as a non-cash charge to the income statement over a 40-year period. The pro forma impact of this amortization expense, which is non-deductible for tax purposes, is \$3.2 million per year on an after-tax basis. Prior to the issuance of SAB 97, goodwill and related amortization expense were not required to be recorded for most business combinations similar to the Mergers. The amount of goodwill to be recorded and the related amortization expense will depend in part on the actual Offering price. See "Certain Transactions -- Organization of the Company."

COMBINED RESULTS OF OPERATIONS

The combined results of operations of the Founding Companies for the periods presented do not represent combined results of operations presented in accordance with generally accepted accounting principles, but are only a summation of the revenues, cost of services and selling, general and administrative expenses of the individual Founding Companies on a historical basis. The combined results also exclude the effect of pro forma adjustments and may not be comparable to, and may not be indicative of, the Company's post-combination results of operations because (i) the Founding Companies were not under common control or management during the periods presented; (ii) the Founding Companies used different tax structures (S Corporations or C Corporations) during the periods presented; (iii) the Company will incur incremental costs related to its new corporate management and the costs of being a public company; (iv) the Company will use the purchase method to record the Mergers, resulting in the recording of goodwill which will be amortized over 40 years; and (v) the combined data do not reflect the Compensation Differential and potential benefits and cost savings the Company expects to realize when operating as a combined entity.

The following table sets forth the combined results of operations of the Founding Companies on a historical basis and such results as a percentage of revenues.

	FISCAL YEARS ENDED(1)						THREE MONTHS ENDED MARCH 31, (3)	
	1994		1995 (2)		1996 (2)		1996	
	(IN THOUSANDS)							
Revenues.....	\$ 124,710	100.0%	\$ 146,512	100.0%	\$ 167,525	100.0%	\$ 34,799	100.0%
Cost of services.....	92,318	74.0	105,043	71.7	119,712	71.5	25,759	74.0
Gross profit.....	32,392	26.0	41,469	28.3	47,813	28.5	9,040	26.0
Selling, general and administrative expenses.....	27,386	22.0	31,038	21.2	34,382	20.5	7,973	22.9
Income from operations.....	5,006	4.0	10,431	7.1	13,431	8.0	1,067	3.1
	THREE MONTHS ENDED MARCH 31, (3)							
	1997							
Revenues.....	\$ 39,505	100.0%						
Cost of services.....	28,800	72.9						
Gross profit.....	10,705	27.1						
Selling, general and administrative expenses.....	8,027	20.3						
Income from operations.....	2,678	6.8						

(1) The fiscal years presented are as follows: Quality -- the fiscal years ended March 31, 1995 and 1996 and the year ended December 31, 1996; Atlas and Accurate -- the fiscal years ended June 30, 1994 and 1995 and the year ended December 31, 1996; Lawrence -- the fiscal years ended October 31, 1994, 1995 and 1996; and Tri-City, Eastern, CSI/Bonneville, Tech, Seasonair and Western -- the years ended December 31 for all periods presented.

(2) The financial data for 1995 and 1996 both include Quality's results for the three months ended March 31, 1996 which were as follows: revenues of \$6.3 million, cost of services of \$4.3 million, and selling, general and administrative expenses of \$1.6 million.

(3) Lawrence's results of operations are presented for the three months ended January 31, 1996 and 1997.

COMBINED RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 1996

REVENUES. Combined revenues increased approximately \$4.7 million, or 13.5%, from \$34.8 million for the three months ended March 31, 1996 to \$39.5 million for the three months ended March 31, 1997. The increase in revenues occurred primarily at Quality, Lawrence and Tech. Revenues at Quality increased \$2.5 million due to a \$1.5 million increase in installation revenues and a \$1.0 million increase in maintenance, repair and replacement revenues. Revenues increased \$1.3 million at Lawrence due primarily to a "design and build" installation project for a manufacturing facility in North Carolina. Revenues at Tech increased \$0.6 million due to an increase in commercial installation services because there were fewer days of inclement weather in the first three months of 1997 as compared to the prior comparable period. Four of the other Founding Companies reported an increase in revenues from the first quarter of 1996 compared to the first quarter of 1997, partially offset by a decline in revenues at Accurate and Eastern.

GROSS PROFIT. Combined gross profit increased \$1.7 million, or 18.4%, from \$9.0 million for the three months ended March 31, 1996 to \$10.7 million for the three months ended March 31, 1997, due primarily to increases of \$1.4 million at Quality, \$0.5 million at Atlas and \$0.3 million at Lawrence. As a percentage of revenues, combined gross profit increased from 26.0% in the three months ended March 31, 1996 to 27.1% in the three months ended March 31, 1997. Gross profit as a percentage of revenues at Quality increased from 32.1% in the three months ended March 31, 1996 to 38.7% in the three months ended March 31, 1997 as a result of Quality's ability to be more selective in accepting projects. Gross profit as a percentage of revenues at Atlas increased from 12.1% for the three months ended March 31, 1996 to 20.4% for the three months ended March 31, 1997. This improvement resulted from Atlas's ability to be more selective in accepting projects.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general and administrative expenses increased \$0.1 million, or 0.7%, from \$7.9 million for the three months ended March 31, 1996 to \$8.0 million for the three months ended March 31, 1997 due primarily to an increase in infrastructure needed to support increased volume, partially offset by a decrease in compensation to owners and incentive compensation to key employees totalling \$1.2 million. As a percentage of revenues, selling, general and administrative expenses decreased from 22.9% in the three months ended March 31, 1996 to 20.3% in the three months ended March 31, 1997.

COMBINED RESULTS FOR 1996 COMPARED TO 1995

REVENUES. Combined revenues increased approximately \$21.0 million, or 14.3%, from \$146.5 million in 1995 to \$167.5 million in 1996. The increase in combined revenues occurred primarily at Atlas, Accurate and Lawrence. This increase in combined revenues was primarily attributable to an increase in commercial and industrial "design and build" revenues of approximately 15% and an increase in maintenance, repair and replacement revenues of approximately 30%. Revenues for Atlas increased \$7.6 million from 1995 to 1996 due to increasing demand by several large national customers for HVAC "design and build" installation services provided by Atlas for multi-unit facilities. Revenues for Accurate increased \$4.6 million from 1995 to 1996 reflecting the success of an increased marketing effort along with the addition of sales personnel and project managers. Revenues at Lawrence increased by \$4.6 million from 1995 to 1996 due to a management decision in 1995 to expand the number of general contractors for which Lawrence provides industrial installation services and due to a large "design and build" installation contract obtained in 1996 for a food processing facility. Seven of the other Founding Companies reported an increase in revenues from 1995 and 1996, partially offset by a decline in revenues at Quality and Tri-City.

GROSS PROFIT. Combined gross profit increased \$6.3 million, or 15.3%, from \$41.5 million in 1995 to \$47.8 million in 1996, due principally to increases in gross profit of \$2.2 million at Atlas, \$1.5 million at Lawrence and \$1.1 million at Western. As a percentage of revenues, combined gross profit increased from 28.3% in 1995 to 28.5% in 1996. Gross profit as a percentage of revenues at Atlas increased from 12.5% of revenues in 1995 to 16.5% of revenues in 1996 as increasing demand for Atlas' specialized installation services enabled Atlas to earn higher margins. Gross profit as a percentage of revenues at Accurate decreased from 26.1% of revenues in 1995 to 21.0% of revenues in 1996 as a result of an increase in

overtime and subcontract labor necessary to support the increased number of "design and build" projects. Gross profit as a percentage of revenues at Western increased from 17.1% to 28.2% from 1995 to 1996, which resulted in part from Western's participation in an incentive program sponsored by the Public Service Company of Colorado.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general and administrative expenses increased \$3.4 million, or 10.8%, from \$31.0 million in 1995 to \$34.4 million in 1996. Selling, general and administrative expenses increased \$1.4 million at Lawrence, approximately one-half of which was related to increases in salary and incentive compensation paid to the owners, and the other half of which was related to increases in incentive compensation and discretionary profit sharing contributions for employees. Selling, general and administrative expenses increased \$0.7 million at Tri-City as a result of a \$1.1 million increase in compensation to the owners in lieu of S Corporation distributions, offset by \$0.4 million of reductions in other overhead expenses. As a percentage of combined revenues, selling, general and administrative expenses decreased from 21.2% in 1995 to 20.5% in 1996.

COMBINED RESULTS FOR 1995 COMPARED TO 1994

REVENUES. Combined revenues increased approximately \$21.8 million, or 17.5%, from \$124.7 million in 1994 to \$146.5 million in 1995, primarily due to an increase in commercial and industrial "design and build" revenues of approximately 40% and an increase of approximately 10% in maintenance, repair and replacement revenues. Revenues at Quality increased \$8.2 million from 1994 to 1995 as a result of management's focus on obtaining more "design and build" projects and related service work. Revenues at Tri-City increased \$8.1 million from 1994 to 1995 as a result of a strategy implemented in late 1994 to focus on larger "design and build" projects and the related service relationships. To accomplish its strategy, Tri-City increased the size of its sales and project management staff.

GROSS PROFIT. Combined gross profit increased \$9.1 million, or 28.0%, from \$32.4 million in 1994 to \$41.5 million in 1995. Gross profit increased \$3.1 million at Tri-City and \$2.9 million at Quality. As a percentage of revenues, combined gross profit increased from 26.0% in 1994 to 28.3% in 1995. Gross profit as a percentage of revenues at Tri-City increased from 15.5% in 1994 to 22.9% in 1995 as a result of an increase in the number of higher-margin "design and build" installation projects. Gross profit as a percentage of revenues at Lawrence increased from 23.2% in fiscal 1994 to 27.3% in fiscal 1995 as management emphasized higher-margin "design and build" projects and successfully implemented an incentive program for project managers to control project costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Combined selling, general and administrative expenses increased \$3.6 million, or 13.3%, from \$27.4 million in 1994 to \$31.0 million in 1995. Selling, general and administrative expenses increased \$1.0 million at Tri-City from 1994 to 1995 primarily due to a \$0.8 million increase in compensation to its owners. Selling, general and administrative expenses at Lawrence increased \$0.6 million primarily due to an increase in salary and incentive compensation to its owners. As a percentage of combined revenues, combined selling, general and administrative expenses decreased from 22.0% in 1994 to 21.2% in 1995.

COMBINED LIQUIDITY AND CAPITAL RESOURCES

On a combined basis, the Founding Companies generated \$2.1 million of net cash from operating activities for the three months ended March 31, 1997, primarily at Quality, Tri-City and Seasonair. Net cash used in investing activities was \$0.8 million, primarily for equipment purchases. Net cash used in financing activities was \$0.4 million and consisted of increases in long-term debt of \$1.9 million offset by distributions to stockholders of \$2.3 million. At March 31, 1997, the combined Founding Companies had working capital of \$16.0 million and total debt of \$12.5 million, including \$5.1 million of debt to stockholders.

In connection with and prior to the Mergers, certain Founding Companies will make S Corporation Distributions to their owners of substantially all of their previously-taxed undistributed earnings. The pro forma combined financial statements as of March 31, 1997 and for the three months then ended, included elsewhere in this Prospectus, reflect pro forma adjustments for the estimated amount of these S Corporation

Distributions and additional debt needed to fund these distributions had they occurred in their entirety as of March 31, 1997. These pro forma adjustments reflect \$16.8 million of S Corporation Distributions and \$11.0 million of additional debt. The Founding Companies expect to borrow this \$11.0 million from their existing credit sources and use cash on hand to pay the remaining \$5.8 million.

On a combined basis, the Founding Companies generated \$9.0 million of net cash from operating activities during fiscal 1996, primarily at Quality, Tri-City and CSI/Bonneville. Net cash used in investing activities was \$3.0 million on a combined basis, primarily for equipment purchases. Net cash used in financing activities was \$7.3 million on a combined basis, consisting of net reductions in long-term debt of \$1.6 million and distributions to stockholders of \$5.7 million. At December 31, 1996, the combined Founding Companies had working capital of \$18.9 million and total debt of \$8.6 million, including debt to stockholders.

The Company intends to pursue acquisition opportunities. The Company expects to fund future acquisitions through the issuance of additional Common Stock, borrowings, including use of amounts available under the proposed credit facility and cash flow from operations. The Company anticipates that its cash flow from operations will provide cash in excess of the Company's normal working capital needs, debt service requirements and planned capital expenditures for equipment. On a combined basis, the Founding Companies made capital expenditures of \$2.3 million in fiscal 1996.

The Company has received a commitment for a revolving line of credit of \$75.0 million from Bank One. The facility will be used for acquisitions, capital expenditures, refinancing of debt not paid out of the proceeds of this Offering and for general corporate purposes. The Company expects that the credit facility will require the Company to comply with various loan covenants including (i) maintenance of certain financial ratios, (ii) restrictions on additional indebtedness, and (iii) restrictions on liens, guarantees, advances and dividends. The line of credit is subject to customary closing conditions and the completion of definitive documentation. In the event the Company does not close the line of credit and does not otherwise obtain an acceptable line of credit or additional financing, the Company's liquidity and capital resources could be adversely affected.

QUALITY RESULTS OF OPERATIONS

Quality, headquartered in Grand Rapids, Michigan, was founded in 1968 and operates primarily throughout western Michigan. Quality focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems, primarily for medium and large commercial facilities.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED MARCH 31,		YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,			
	1995	1996(1)	1996(1)	1996(1)	1995	1995		
	(IN THOUSANDS)							
Revenues.....	\$ 24,434	100.0%	\$ 32,594	100.0%	\$ 29,597	100.0%	\$ 26,279	100.0%
Cost of services.....	15,634	64.0	20,850	64.0	18,467	62.4	16,559	63.0
Gross profit.....	8,800	36.0	11,744	36.0	11,130	37.6	9,720	37.0
Selling, general and administrative expenses.....	6,646	27.2	6,791	20.8	6,640	22.4	5,183	19.7
Income from operations.....	2,154	8.8	4,953	15.2	4,490	15.2	4,537	17.3
	NINE MONTHS ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,					
	1996	1996	1996	1997				
Revenues.....	\$ 23,282	100.0%	\$ 6,315	100.0%	\$ 8,766	100.0%		
Cost of services.....	14,176	60.9	4,291	67.9	5,372	61.3		
Gross profit.....	9,106	39.1	2,024	32.1	3,394	38.7		
Selling, general and administrative expenses.....	5,032	21.6	1,608	25.5	2,094	23.9		
Income from operations.....	4,074	17.5	416	6.6	1,300	14.8		

(1) The financial data for the year ended December 31, 1996 and the year ended March 31, 1996 both include results for the three months ended March 31, 1996, which were as follows: revenues of \$6.3 million, cost of services of \$4.3 million and selling, general and administrative expenses of \$1.6 million.

ENDED MARCH 31, 1996

REVENUES. Revenues increased \$2.5 million, or 38.8%, from \$6.3 million for the three months ended March 31, 1996 to \$8.8 million for the three months ended March 31, 1997 due to a \$1.5 million increase in installation revenues and a \$1.0 million increase in maintenance, repair and replacement revenues.

GROSS PROFIT. Gross profit increased \$1.4 million, or 67.7%, from \$2.0 million for the three months ended March 31, 1996 to \$3.4 million for the three months ended March 31, 1997. As a percentage of revenues, gross profit increased from 32.1% to 38.7% as a result of Quality's ability to be more selective in accepting projects.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.5 million, or 30.2%, from \$1.6 million for the three months ended March 31, 1996 to \$2.1 million for the three months ended March 31, 1997. The increase in selling, general and administrative expenses was primarily attributable to an increase in administrative costs associated with the higher sales volume. As a percentage of revenues, selling, general and administrative expenses decreased from 25.5% to 23.9% as Quality was able to increase its sales volume without a commensurate increase in overhead expenses.

QUALITY RESULTS FOR NINE MONTHS ENDED DECEMBER 31, 1996 COMPARED TO NINE MONTHS ENDED DECEMBER 31, 1995

REVENUES. Revenues decreased \$3.0 million, or 11.4%, from \$26.3 million for the nine months ended December 31, 1995 to \$23.3 million for the nine months ended December 31, 1996 due to a decrease in Quality's volume of commercial "design and build" installation projects. Quality's decline in revenues from 1995 to 1996 resulted from management's decision to be more selective in accepting installation projects. Management continues to emphasize project selectivity and expansion of capacity through the addition of technical staff and management rather than through subcontract labor and employee overtime.

GROSS PROFIT. Gross profit decreased \$0.6 million, or 6.3%, from \$9.7 million for the nine months ended December 31, 1995 to \$9.1 million for the nine months ended December 31, 1996. As a percentage of revenues, gross profit increased from 37.0% to 39.1% due to management's emphasis on project selection and a decrease in the use of subcontract labor, employee overtime and outside services.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased \$0.2 million, or 2.9%, from \$5.2 million for the nine months ended December 31, 1995 to \$5.0 million for the nine months ended December 31, 1996. As a percentage of revenues, these expenses increased from 19.7% to 21.6% due to the decline in revenues.

QUALITY RESULTS FOR YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED MARCH 31, 1996

REVENUES. Revenues decreased \$3.0 million, or 9.2%, from \$32.6 million for the year ended March 31, 1996 to \$29.6 million for the year ended December 31, 1996, for the reasons described above.

GROSS PROFIT. Gross profit decreased \$0.6 million, or 5.2%, from \$11.7 million for the year ended March 31, 1996 to \$11.1 million for the year ended December 31, 1996. As a percentage of revenues, gross profit increased from 36.0% to 37.6% due to management's emphasis on project selection and a decrease in the use of subcontract labor, employee overtime and outside services.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased \$0.2 million, or 2.2%, from \$6.8 million for the year ended March 31, 1996 to \$6.6 million for the year ended December 31, 1996. As a percentage of revenues, selling, general and administrative expenses increased from 20.8% to 22.4% due to the decline in revenues.

QUALITY RESULTS FOR YEAR ENDED MARCH 31, 1996 COMPARED TO YEAR ENDED MARCH 31, 1995

REVENUES. Revenues increased \$8.2 million, or 33.4%, from \$24.4 million for the fiscal year ended March 31, 1995 to \$32.6 for the fiscal year ended March 31, 1996. This increase in revenues was primarily attributable to management's emphasis on obtaining more "design and build" installation projects and the related service work.

GROSS PROFIT. Gross profit increased \$2.9 million, or 33.5%, from \$8.8 million for the fiscal year ended March 31, 1995 to \$11.7 million for the fiscal year ended March 31, 1996. As a percentage of revenues, gross profit remained unchanged at 36.0% as the benefits associated with higher revenues were offset by an increase in subcontract labor, employee overtime and outside services.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.2 million, or 2.2%, from \$6.6 million for the fiscal year ended March 31, 1995 to \$6.8 million for the fiscal year ended March 31, 1996. As a percentage of revenues, selling, general and administrative expenses decreased from 27.2% to 20.8% as the Company successfully leveraged its infrastructure to support the significant increase in volume.

QUALITY LIQUIDITY AND CAPITAL RESOURCES

Quality generated \$1.5 million in net cash from operating activities for the three months ended March 31, 1997. Net cash used in investing activities was approximately \$0.1 million, principally for equipment purchases. Net cash used in financing activities was \$0.3 million, representing repayment of long-term debt.

At March 31, 1997, Quality had working capital of \$3.5 million and \$1.1 million of total debt outstanding.

Quality generated \$4.5 million in net cash from operating activities for the twelve months ended December 31, 1996. Net cash used in investing activities was approximately \$0.4 million, principally for equipment purchases. Net cash used in financing activities was \$4.4 million, of which \$3.5 million was distributed to shareholders and \$0.9 million was used to repay long-term debt.

At December 31, 1996, Quality had working capital of \$4.9 million and \$1.3 million of total debt outstanding.

ATLAS RESULTS OF OPERATIONS

Atlas, headquartered in Houston, Texas, was founded in 1947 and operates primarily in the southwest, northeast and mid-Atlantic regions of the United States. Atlas is a leading provider of HVAC installation services for apartment complexes, condominiums, hotels and elder care facilities in the United States and also provides maintenance, repair and replacement of HVAC systems.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED JUNE 30,						SIX MONTHS ENDED	
	1994		1995		1996		DECEMBER 31,	
								1995
	(IN THOUSANDS)							
Revenues.....	\$ 21,848	100.0%	\$ 22,444	100.0%	\$ 29,174	100.0%	\$ 14,689	100.0%
Cost of services.....	19,657	90.0	19,635	87.5	25,449	87.2	12,886	87.7
Gross profit.....	2,191	10.0	2,809	12.5	3,725	12.8	1,803	12.3
Selling, general and administrative expenses.....	2,086	9.5	2,166	9.6	2,843	9.8	1,417	9.6
Income from operations..	105	0.5	643	2.9	882	3.0	386	2.7
	SIX MONTHS ENDED		THREE MONTHS ENDED					
	DECEMBER 31,		MARCH 31,					
	1996		1996		1997			
Revenues.....	\$ 15,545	100.0%	\$ 6,207	100.0%	\$ 6,115	100.0%		
Cost of services.....	12,508	80.5	5,456	87.9	4,866	79.6		
Gross profit.....	3,037	19.5	751	12.1	1,249	20.4		
Selling, general and administrative expenses.....	1,432	9.2	631	10.2	753	12.3		
Income from operations..	1,605	10.3	120	1.9	496	8.1		

ATLAS RESULTS FOR THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

REVENUES. Revenues decreased \$0.1 million, or 1.5%, from \$6.2 million for the three months ended March 31, 1996 to \$6.1 million for the three months ended March 31, 1997.

GROSS PROFIT. Gross profit increased \$0.4 million, or 66.3%, from \$0.8 million for the three months ended March 31, 1996 to \$1.2 million for the three months ended March 31, 1997. As a percentage of revenues, gross profit increased from 12.1% to 20.4% due to management's ability to be more selective in accepting projects.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.2 million, or 19.3%, from \$0.6 million for the three months ended March 31, 1996 to \$0.8 million for the three months ended March 31, 1997. As a percentage of revenues, selling, general and administrative expenses increased from 10.2% to 12.3% due to the addition of administrative personnel and related costs.

ATLAS RESULTS FOR SIX MONTHS ENDED DECEMBER 31, 1996 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 1995

REVENUES. Revenues increased \$0.8 million, or 5.8%, from \$14.7 million for the six months ended December 31, 1995 to \$15.5 million for the six months ended December 31, 1996. This increase was primarily attributable to an increase in demand for Atlas' specialized services for multi-unit facilities.

GROSS PROFIT. Gross profit increased \$1.2 million, or 68.4%, from \$1.8 million for the six months ended December 31, 1995 to \$3.0 million for the six months ended December 31, 1996. As a percentage of revenues, gross profit increased from 12.3% to 19.5% due to an increase in the proportion of "design and build" projects and management's ability to be more selective in accepting projects.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses remained unchanged at \$1.4 million for the six months ended December 31, 1995 and the six months ended December 31, 1996. As a percentage of revenues, selling, general and administrative expenses decreased from 9.6% to 9.2% as Atlas was able to increase revenues without a commensurate increase in overhead expenses.

ATLAS RESULTS FOR YEAR ENDED JUNE 30, 1996 COMPARED TO YEAR ENDED JUNE 30, 1995

REVENUES. Revenues increased \$6.8 million, or 30.0%, from \$22.4 million for the year ended June 30, 1995 to \$29.2 million for the year ended June 30, 1996 due to an increase in demand for Atlas' specialized services for multi-unit facilities.

GROSS PROFIT. Gross profit increased \$0.9 million, or 32.6%, from \$2.8 million for the year ended June 30, 1995 to \$3.7 million for the year ended June 30, 1996. As a percentage of revenues, gross profit increased from 12.5% to 12.8%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.6 million, or 31.3%, from \$2.2 million for the year ended June 30, 1995 to \$2.8 million for the year ended June 30, 1996, as Atlas increased its infrastructure to support higher volume. As a percentage of revenues, selling, general and administrative expenses increased from 9.6% to 9.8%.

ATLAS RESULTS FOR JUNE 30, 1995 COMPARED TO YEAR ENDED JUNE 30, 1994

REVENUES. Revenues increased \$0.6 million, or 2.7%, from \$21.8 million for the year ended June 30, 1994 to \$22.4 million for the year ended June 30, 1995.

GROSS PROFIT. Gross profit increased \$0.6 million, or 28.2%, from \$2.2 million for the year ended June 30, 1994 to \$2.8 million for the year ended June 30, 1995. As a percentage of revenues, gross profit increased from 10.0% to 12.5%. The increase in the gross profit percentage from 1994 to 1995 was primarily related to higher demand for Atlas' specialized installation services for multi-unit facilities and a decrease in lower-margin "plan and spec" projects.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.1 million, or 3.8%, from \$2.1 million for the twelve months ended June 30, 1994 to \$2.2 million for the twelve months ended June 30, 1995. As a percentage of revenues, selling, general and administrative expenses increased from 9.5% to 9.6%.

ATLAS LIQUIDITY AND CAPITAL RESOURCES

Atlas generated \$0.2 million in net cash from operating activities for the three months ended March 31, 1997. Net cash used in investing activities was approximately \$0.1 million, primarily for equipment purchases. Net cash provided by financing activities was \$0.2 million, representing borrowings on the line of credit.

At March 31, 1997, Atlas had working capital of \$2.8 million and total debt of \$2.0 million.

Atlas used \$0.3 million in net cash from operating activities for the twelve months ended June 30, 1996 primarily due to an increase in accounts receivable which were collected in subsequent periods. Net cash used in investing activities was approximately \$0.1 million for equipment purchases. Net cash provided by financing activities was \$0.3 million for the twelve months ended June 30, 1996, principally as a result of a net increase in long-term debt and notes payable.

At December 31, 1996, Atlas had working capital of \$2.7 million and total debt of \$1.8 million.

TRI-CITY RESULTS OF OPERATIONS

Tri-City, headquartered in Tempe, Arizona, was founded in 1962 and operates in Arizona, California and Nevada. Tri-City focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems primarily for large commercial and industrial facilities, as well as process piping for industrial facilities.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED DECEMBER 31,						THREE MONTHS ENDED	
	1994		1995		1996		MARCH 31,	
							1996	
	(IN THOUSANDS)							
Revenues.....	\$ 16,883	100.0%	\$ 25,030	100.0%	\$ 24,237	100.0%	\$ 6,482	100.0%
Cost of services.....	14,271	84.5	19,298	77.1	18,561	76.6	5,082	78.4
Gross profit.....	2,612	15.5	5,732	22.9	5,676	23.4	1,400	21.6
Selling, general and administrative expenses.....	2,219	13.2	3,193	12.8	3,903	16.1	1,026	15.8
Income from operations.....	393	2.3	2,539	10.1	1,773	7.3	374	5.8
	THREE MONTHS ENDED							
	MARCH 31,							
	1997							
Revenues.....	\$ 6,791	100.0%						
Cost of services.....	5,946	87.6						
Gross profit.....	845	12.4						
Selling, general and administrative expenses.....	567	8.3						
Income from operations.....	278	4.1						

TRI-CITY RESULTS FOR THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

REVENUES. Revenues increased \$0.3 million, or 4.8%, from \$6.5 million for the three months ended March 31, 1996 to \$6.8 million for the three months ended March 31, 1997 due primarily to an increase in "design and build" installation activity for a large medical institution. Tri-City pursued this project to expand its presence in its regional healthcare HVAC market. Tri-City was selected as the lead mechanical contractor on this project. Installation of the HVAC and process piping systems on this project began in October 1996 and accounted for approximately 45% of the revenues in the three months ended March 31, 1997. This particular project is for a nationally-known healthcare organization, and represents the first major facility on what is expected to be a medical campus covering more than 100 acres.

GROSS PROFIT. Gross profit decreased \$0.6 million, or 39.6%, from \$1.4 million for the three months ended March 31, 1996 to \$0.8 million for the three months ended March 31, 1997. As a percentage of revenues, gross profit decreased from 21.6% to 12.4%. In its role as lead mechanical contractor on this major healthcare project Tri-City is responsible for arranging a significant amount of subcontract work as well as for procuring most of the HVAC equipment on this project. Margins on subcontract work and procured equipment are typically lower than margins on work performed directly by Tri-City.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased \$0.4 million, or 44.7%, from \$1.0 million for the three months ended March 31, 1996 to \$0.6 million for the three months ended March 31, 1997 due to a decrease in owners' compensation. As a percentage of revenues, selling, general and administrative expenses decreased from 15.8% to 8.3% due to the decrease in owners' compensation.

TRI-CITY RESULTS FOR YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

REVENUES. Revenues decreased \$0.8 million, or 3.2%, from \$25.0 million in 1995 to \$24.2 million in 1996, primarily due to a decrease in "plan and spec" revenues from 1995 to 1996 of approximately \$2.0 million, partially offset by an increase of approximately \$1.2 million in commercial HVAC maintenance, repair and replacement service revenues.

GROSS PROFIT. Gross profit remained constant at \$5.7 million for 1995 and 1996. As a percentage of revenues, gross profit increased from 22.9% to 23.4%, due to a decrease in lower margin "plan and spec" projects in 1996.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.7 million, or 22.2%, from \$3.2 million in 1995 to \$3.9 million in 1996 due to a \$1.1 million increase in compensation to owners in lieu of S Corporation distributions, offset by a \$0.4 million reduction in other overhead expenses. As a percentage of revenues, selling, general and administrative expenses increased from 12.8% in 1995 to 16.1% in 1996, primarily as a result of the increase in owners' compensation.

TRI-CITY RESULTS FOR YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

REVENUES. Revenues increased \$8.1 million, or 48.2%, from \$16.9 million in 1994 to \$25.0 million in 1995 as a result of a strategy implemented in 1994 to emphasize "design and build" projects. To implement its strategy, Tri-City increased its sales and project management staff.

GROSS PROFIT. Gross profit increased \$3.1 million, or 119.4%, from \$2.6 million in 1994 to \$5.7 million in 1995. As a percentage of revenues, gross profit increased from 15.5% in 1994 to 22.9% in 1995 as a result of an increase in the proportion of "design and build" installation projects.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$1.0 million, or 43.9%, from \$2.2 million in 1994 to \$3.2 million in 1995. The increase in selling, general and administrative expenses in 1995 was primarily attributable to a \$0.8 million increase in compensation to owners in lieu of S Corporation distributions and an increase in the number of the sales personnel and project managers. As a percentage of revenues, selling, general and administrative expenses decreased from 13.2% in 1994 to 12.8% in 1995 as Tri-City was able to substantially increase its volume without a commensurate increase in overhead expenses.

TRI-CITY LIQUIDITY AND CAPITAL RESOURCES

Tri-City generated \$0.7 million in net cash from operating activities for the three months ended March 31, 1997. Investing and financing activities were immaterial during this period.

At March 31, 1997, working capital was \$5.8 million and there was no debt outstanding.

Tri-City generated \$1.4 million in net cash from operating activities in 1996. Net cash used in investing activities was approximately \$0.7 million, of which \$0.5 million was used for investments in U.S. Treasury obligations and \$0.2 million for equipment purchases. Net cash used in financing activities was \$1.2 million, primarily for distributions to shareholders.

At December 31, 1996, working capital was \$5.5 million and there was no debt outstanding.

LAWRENCE RESULTS OF OPERATIONS

Lawrence, headquartered in Jackson, Tennessee, was founded in 1917 and operates primarily in Tennessee and the surrounding states. Lawrence focuses on providing "design and build" installation services and process piping primarily for industrial facilities and maintenance, repair and replacement of commercial and industrial HVAC systems.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED OCTOBER 31,						THREE MONTHS ENDED	
	1994		1995		1996		JANUARY 31,	
							1996	
	(IN THOUSANDS)							
Revenues.....	\$ 12,758	100.0%	\$ 12,568	100.0%	\$ 17,163	100.0%	\$ 3,280	100.0%
Cost of services.....	9,797	76.8	9,142	72.7	12,211	71.1	2,377	72.4
Gross profit.....	2,961	23.2	3,426	27.3	4,952	28.9	903	27.6
Selling, general and administrative expenses.....	2,849	22.3	3,477	27.7	4,885	28.5	996	30.4
Income (loss) from operations.....	112	0.9	(51)	(0.4)	67	0.4	(93)	(2.8)
	THREE MONTHS ENDED							
	JANUARY 31,							
	1997							
Revenues.....	\$ 4,565	100.0%						
Cost of services.....	3,326	72.9						
Gross profit.....	1,239	27.1						
Selling, general and administrative expenses.....	698	15.3						
Income (loss) from operations.....	541	11.8						

LAWRENCE RESULTS FOR THREE MONTHS ENDED JANUARY 31, 1997 COMPARED TO THREE MONTHS ENDED JANUARY 31, 1996

REVENUES. Revenues increased \$1.3 million, or 39.2%, from \$3.3 million for the three months ended January 31, 1996 to \$4.6 million for the three months ended January 31, 1997 due to an increase in "design and build" installation revenues of \$1.0 million related to a manufacturing facility in North Carolina and a \$0.3 million increase in maintenance, repair and replacement revenues.

GROSS PROFIT. Gross profit increased \$0.3 million, or 37.2%, from \$0.9 million for the three months ended January 31, 1996 to \$1.2 million for the three months ended January 31, 1997. As a percentage of revenues, gross profit decreased from 27.6% to 27.1%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased \$0.3 million, or 29.9%, from \$1.0 million for the three months ended January 31, 1996 to \$0.7 million for the three months ended January 31, 1997 primarily due to a decrease in compensation to the owners of \$0.4 million. As a percentage of revenues, selling, general and administrative expenses decreased from 30.4% to 15.3% due to the increase in revenues and the decrease in owners' compensation.

LAWRENCE RESULTS FOR YEAR ENDED OCTOBER 31, 1996 COMPARED TO YEAR ENDED OCTOBER 31, 1995

REVENUES. Revenues increased \$4.6 million, or 36.6%, from \$12.6 million for the year ended October 31, 1995 to \$17.2 million for the fiscal year ended October 31, 1996 due to a management decision in 1995 to expand the number of general contractors for which Lawrence provides industrial installation services and due to a large "design and build" installation contract obtained in 1996 for a food processing facility in Tennessee.

GROSS PROFIT. Gross profit increased \$1.5 million, or 44.5%, from \$3.5 million for the fiscal year ended October 31, 1995 to \$5.0 million for the fiscal year ended October 31, 1996. As a percentage of revenues, gross profit increased from 27.3% to 28.9%, primarily as a result of an increase in the volume of "design and build" installation projects.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$1.4 million, or 40.5%, from \$3.5 million for the fiscal year ended October 31, 1995 to \$4.9 million for the fiscal year ended October 31, 1996. The increase in selling, general and administrative expenses in fiscal 1996 was primarily attributable to a \$0.6 million increase in salary and incentive compensation paid to the owners and a \$0.7 million increase in incentive compensation to employees and discretionary profit sharing contributions. As a percentage of revenues, selling, general and administrative expenses increased from 27.7% in fiscal 1995 to 28.5% in fiscal 1996.

LAWRENCE RESULTS FOR FISCAL YEAR ENDED OCTOBER 31, 1995 COMPARED TO FISCAL YEAR ENDED OCTOBER 31, 1994

REVENUES. Revenues decreased \$0.2 million, or 1.5%, from \$12.8 million the fiscal year ended October 31, 1994 to \$12.6 million for the fiscal year ended October 31, 1995.

GROSS PROFIT. Gross profit increased \$0.4 million, or 15.7%, from \$3.0 million for the fiscal year ended October 31, 1994 to \$3.4 million for the fiscal year ended October 31, 1995. As a percentage of revenues, gross profit increased from 23.2% to 27.3% as management emphasized higher-margin "design and build" projects and successfully implemented an incentive program for project managers designed to control project costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.7 million, or 22.0%, from \$2.8 million in fiscal 1994 to \$3.5 million in fiscal 1995 primarily due to an increase in salary and incentive compensation paid to the owners. As a percentage of revenues, selling, general and administrative expenses increased from 22.3% in fiscal 1994 to 27.7% in fiscal 1995 and, as a result, Lawrence incurred an operating loss in fiscal 1995.

LAWRENCE LIQUIDITY AND CAPITAL RESOURCES

Lawrence used \$0.5 million in net cash from operating activities for the three months ended January 31, 1997 primarily due to a decrease in accounts payable and accrued expenses. Net cash used in investing

activities was approximately \$0.2 million, principally for equipment purchases. Net cash provided by financing activities of \$0.5 million consisted primarily of \$0.4 million of borrowings on the line of credit.

Working capital as of January 31, 1997 was \$1.5 million and there was \$0.5 million of debt outstanding as of that date.

Lawrence generated \$0.1 million in net cash from operating activities for the fiscal year ended October 31, 1996. Net cash used in investing activities was approximately \$0.4 million, principally for equipment purchases and leasehold improvements.

Working capital as of October 31, 1996 was \$1.4 million and there was no debt outstanding as of that date.

ACCURATE RESULTS OF OPERATIONS

Accurate, headquartered in Houston, Texas, was founded in 1980 and operates primarily in Texas and Oklahoma. Accurate focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial facilities.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED JUNE 30,		YEAR ENDED		THREE MONTHS ENDED			
	1994	1995	DECEMBER 31,	1996	MARCH 31,	1996		
	(IN THOUSANDS)							
Revenues.....	\$ 9,763	100.0%	\$ 12,171	100.0%	\$ 16,806	100.0%	\$ 3,161	100.0%
Cost of services.....	7,204	73.8	8,998	73.9	13,270	79.0	2,450	77.5
Gross profit.....	2,559	26.2	3,173	26.1	3,536	21.0	711	22.5
Selling, general and administrative expenses.....	2,681	27.5	2,960	24.3	3,037	18.0	684	21.6
Income (loss) from operations.....	(122)	(1.3)	213	1.8	499	3.0	27	0.9
	THREE MONTHS ENDED MARCH 31,							
	1997							
Revenues.....	\$ 2,642	100.0%						
Cost of services.....	2,095	79.3						
Gross profit.....	547	20.7						
Selling, general and administrative expenses.....	526	19.9						
Income (loss) from operations.....	21	0.8						

ACCURATE RESULTS FOR THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

REVENUES. Revenues decreased \$0.6 million, or 16.4%, from \$3.2 million for the three months ended March 31, 1996 to \$2.6 million for the three months ended March 31, 1997 due to a decrease in commercial installation services. This decrease resulted from a decrease in commercial installation services due to the greater number of days of inclement weather in Texas during the first three months of 1997 compared to the same period of the prior year.

GROSS PROFIT. Gross profit decreased \$0.2 million, or 23.1%, from \$0.7 million for the three months ended March 31, 1996 to \$0.5 million for the three months ended March 31, 1997. As a percentage of revenues, gross profit decreased from 22.5% to 20.7% due to the decrease in revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased \$0.2, or 23.1% from \$0.7 million for the three months ended March 31, 1996 to \$0.5 million for the three months ended March 31, 1997 primarily due to a decrease in owners' compensation. As a percentage of revenues, selling, general and administrative expenses decreased from 21.6% to 19.9%.

ACCURATE RESULTS FOR YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED JUNE 30, 1995

REVENUES. Revenues increased \$4.6 million, or 38.1%, from \$12.2 million for the year ended June 30, 1995 to \$16.8 million for the year ended December 31, 1996, reflecting the success of an increased marketing effort along with the addition of project management personnel who also have sales responsibility. These efforts resulted in an increase in commercial "design and build" installation revenues and an increase in replacement services.

GROSS PROFIT. Gross profit increased \$0.3 million, or 11.4%, from \$3.2 million for the year ended June 30, 1995 to \$3.5 million for the year ended December 31, 1996. As a percentage of revenues, gross

profit decreased from 26.1% to 21.0%, primarily as a result of an increase in subcontract labor and employee overtime necessary to support the increased number of "design and build" projects.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses remained constant at \$3.0 million for the fiscal year ended June 30, 1995 and the year ended December 31, 1996. As a percentage of revenues, selling, general and administrative expenses decreased from 24.3% to 18.0% as Accurate was able to increase revenues without a commensurate increase in overhead expenses.

ACCURATE RESULTS FOR YEAR ENDED JUNE 30, 1995 COMPARED TO YEAR ENDED JUNE 30, 1994

REVENUES. Revenues increased \$2.4 million, or 24.7%, from \$9.8 million for the year ended June 30, 1994 to \$12.2 million for the fiscal year ended June 30, 1995. This increase was primarily attributable to a new project for an existing customer to design and build an HVAC system for a correctional facility and an increase in maintenance and replacement services.

GROSS PROFIT. Gross profit increased \$0.6 million, or 24.0%, from \$2.6 million for the fiscal year ended June 30, 1994 to \$3.2 million for the fiscal year ended June 30, 1995. As a percentage of revenues, gross profit remained stable over these periods.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.3 million, or 10.4%, from \$2.7 million in fiscal 1994 to \$3.0 million in fiscal 1995. As a percentage of revenues, selling, general and administrative expenses decreased from 27.5% to 24.3% as Accurate was able to increase revenues without a commensurate increase in overhead expenses.

ACCURATE LIQUIDITY AND CAPITAL RESOURCES

Accurate used \$0.1 million of net cash for operating activities for the three months ended March 31, 1997. Net cash provided by financing activities of \$0.2 million resulted from an increase in long-term debt used to fund working capital needs.

Working capital at March 31, 1997 was \$0.2 million and total debt outstanding was \$1.5 million, of which \$0.6 million was owed to a shareholder.

Accurate generated \$0.2 million in net cash from operating activities for the year ended December 31, 1996. Net cash used in investing activities was approximately \$0.1 million for equipment purchases.

Working capital at December 31, 1996 was \$0.2 million and total debt outstanding was \$1.3 million, of which \$0.6 million was owed to a shareholder.

CSI/BONNEVILLE RESULTS OF OPERATIONS

CSI/Bonneville, headquartered in Salt Lake City, Utah, was founded in 1969 and operates primarily in Utah. CSI/Bonneville focuses on providing maintenance, repair and replacement of HVAC systems for commercial and residential facilities.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED DECEMBER 31,						THREE MONTHS ENDED	
	1994		1995		1996		MARCH 31,	
							1996	
	(IN THOUSANDS)							
Revenues.....	\$ 6,502	100.0%	\$ 6,361	100.0%	\$ 7,842	100.0%	\$ 1,369	100.0%
Cost of services.....	4,393	67.6	4,413	69.4	5,201	66.3	926	67.6
Gross profit.....	2,109	32.4	1,948	30.6	2,641	33.7	443	32.4
Selling, general and administrative expenses.....	1,228	18.9	1,500	23.6	1,660	21.2	368	26.9
Income from operations.....	881	13.5	448	7.0	981	12.5	75	5.5
	THREE MONTHS ENDED							
	MARCH 31,							
	1997							
Revenues.....	\$ 1,562	100.0%						
Cost of services.....	1,045	66.9						
Gross profit.....	517	33.1						
Selling, general and administrative expenses.....	458	29.3						
Income from operations.....	59	3.8						

CSI/BONNEVILLE RESULTS FOR THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

REVENUES. Revenues increased \$0.2 million, or 14.1%, from \$1.4 million for the three months ended March 31, 1996 to \$1.6 million for the three months ended March 31, 1997 primarily due to an increase in commercial and residential maintenance, repair and replacement services.

GROSS PROFIT. Gross profit increased \$0.1 million, or 16.7%, from \$0.4 million for the three months ended March 31, 1996 to \$0.5 million for the three months ended March 31, 1997. As a percentage of revenues, gross profit increased from 32.4% to 33.1%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.1 million, or 24.5%, from \$0.4 million for the three months ended March 31, 1996 to \$0.5 million for the three months ended March 31, 1997 as a result of an increase in administrative personnel. As a percentage of revenues, selling, general and administrative expenses increased from 26.9% to 29.3%.

CSI/BONNEVILLE RESULTS FOR YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

REVENUES. Revenues increased \$1.4 million, or 23.3%, from \$6.4 million in 1995 to \$7.8 million in 1996, primarily as a result of an increase in both commercial and residential maintenance, repair and replacement services due to an increase in the number of sales and marketing personnel in 1995 and 1996. Revenues declined in 1995 due to the deployment of operating personnel to a move to a new facility in that year.

GROSS PROFIT. Gross profit increased \$0.7 million, or 35.6%, from \$1.9 million for 1995 to \$2.6 million in 1996. As a percentage of revenues, gross profit increased from 30.6% in 1995 to 33.7% in 1996. The lower gross profit in 1995 was due to the deployment of operating personnel to a move to a new facility.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.2 million, or 10.7%, from \$1.5 million in 1995 to \$1.7 million in 1996. As a percentage of revenues, selling, general and administrative expenses decreased from 23.6% in 1995 to 21.2% in 1996.

CSI/BONNEVILLE RESULTS FOR YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

REVENUES. Revenues decreased from \$6.5 million in 1994 to \$6.4 million in 1995 as a result of CSI/Bonneville's move into a new facility during 1995.

GROSS PROFIT. Gross profit decreased \$0.2 million, or 7.6%, from \$2.1 million in 1994 to \$1.9 million in 1995. As a percentage of revenues, gross profit declined from 32.4% in 1994 to 30.6% in 1995 as a result of CSI/Bonneville's move into a new facility during 1995.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.3 million, or 22.1%, from \$1.2 million in 1994 to \$1.5 million in 1995. As a percentage of revenues, selling, general and administrative expenses increased from 18.9% in 1994 to 23.6% in 1995. This percentage increase was primarily attributable to rent, depreciation and related costs associated with the new facility occupied in 1995.

CSI/BONNEVILLE LIQUIDITY AND CAPITAL RESOURCES

CSI/Bonneville's operating activities were breakeven on a cash-flow basis for the three months ended March 31, 1997. Net cash used in investing activities was \$0.1 million, principally for equipment purchases.

Working capital at March 31, 1997 was \$0.5 million and total debt outstanding was \$0.5 million, all of which was owed to shareholders.

CSI/Bonneville generated \$1.1 million in net cash from operating activities in 1996. Net cash used in investing activities was \$0.2 million, principally for equipment purchases. Net cash used in financing activities was \$0.8 million, primarily for distributions to shareholders.

Working capital at December 31, 1996 was \$0.5 million and total debt outstanding was \$0.5 million, all of which was owed to shareholders.

TECH RESULTS OF OPERATIONS

Tech, headquartered in Solon, Ohio, was founded in 1979 and operates primarily in the greater Cleveland, Ohio area. Tech focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial and industrial facilities.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED DECEMBER 31,				THREE MONTHS ENDED MARCH 31,			
	1995		1996		1996		1997	
(IN THOUSANDS)								
Revenues.....	\$ 6,960	100.0%	\$ 7,537	100.0%	\$ 1,075	100.0%	\$ 1,656	100.0%
Cost of services.....	4,212	60.5	3,996	53.0	639	59.4	1,034	62.4
Gross profit.....	2,748	39.5	3,541	47.0	436	40.6	622	37.6
Selling, general and administrative expenses.....	1,800	25.9	1,861	24.7	390	36.3	565	34.1
Income from operations.....	948	13.6	1,680	22.3	46	4.3	57	3.5

TECH RESULTS FOR THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

REVENUES. Revenues increased \$0.6 million, or 54.0%, from \$1.1 million for the three months ended March 31, 1996 to \$1.7 million for the three months ended March 31, 1997 due primarily to an increase in commercial installation services because there were fewer days of inclement weather in the first three months of 1997 as compared to the prior comparable period.

GROSS PROFIT. Gross profit increased \$0.2 million, or 42.7%, from \$0.4 million for the three months ended March 31, 1996 to \$0.6 million for the three months ended March 31, 1997. As a percentage of revenues, gross profit decreased from 40.6% to 37.6% due to a decrease in the proportion of maintenance, repair and replacement revenues, which typically have higher margins than installation.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.2 million, or 44.9%, from \$0.4 million for the three months ended March 31, 1996 to \$0.6 million for the three months ended March 31, 1997 due to an increased marketing effort, including an increase in marketing personnel. As a percentage of revenues, selling, general and administrative expenses declined from 36.3% to 34.1% as Tech was able to substantially increase its volume without a commensurate increase in overhead expenses.

TECH RESULTS FOR YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

REVENUES. Revenues increased \$0.5 million, or 8.3%, from \$7.0 million in 1995 to \$7.5 million in 1996. This increase was primarily attributable to an increase in commercial "design and build" installation projects and related service work.

GROSS PROFIT. Gross profit increased \$0.8 million, or 28.9%, from \$2.7 million in 1995 to \$3.5 million in 1996. As a percentage of revenues, gross profit increased from 39.5% to 47.0%, primarily due to an increase in "design and build" versus "plan and spec" installation projects.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses remained relatively unchanged from 1995 to 1996. As a percentage of revenues, selling, general and administrative expenses decreased from 25.9% in 1995 to 24.7% in 1996 as Tech successfully leveraged its infrastructure to achieve revenue growth.

TECH LIQUIDITY AND CAPITAL RESOURCES

Tech generated \$0.6 million in net cash from operating activities for the three months ended March 31, 1997. Net cash used in financing activities was \$0.9 million, principally for distributions to shareholders of \$1.6 million offset by borrowings of long-term debt of \$0.7 million.

Total debt outstanding at March 31, 1997 was \$1.0 million.

Tech generated \$0.9 million in net cash from operating activities in 1996. Net cash used in investing activities was \$0.3 million for equipment purchases. Net cash used in financing activities was \$0.4 million, principally for distributions to shareholders.

Working capital at December 31, 1996 was \$1.6 million and total debt outstanding was \$0.3 million.

WESTERN RESULTS OF OPERATIONS

Western, headquartered in Denver, Colorado, was founded in 1980 and operates primarily in Colorado. Western focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial facilities.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED DECEMBER 31,				THREE MONTHS ENDED MARCH 31,			
	1995		1996		1996		1997	
(IN THOUSANDS)								
Revenues.....	\$ 4,112	100.0%	\$ 6,494	100.0%	\$ 1,185	100.0%	\$ 1,072	100.0%
Cost of services.....	3,408	82.9	4,662	71.8	857	72.3	812	75.7
Gross profit.....	704	17.1	1,832	28.2	328	27.7	260	24.3
Selling, general and administrative expenses.....	855	20.8	1,088	16.7	232	19.6	231	21.6
Income (loss) from operations.....	(151)	(3.7)	744	11.5	96	8.1	29	2.7

WESTERN RESULTS FOR THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

REVENUES. Revenues decreased \$0.1 million, or 9.5%, from \$1.2 million for the three months ended March 31, 1996 to \$1.1 million for the three months ended March 31, 1997.

GROSS PROFIT. Gross profit was \$0.3 million for the three months ended March 31, 1996 and the three months ended March 31, 1997. As a percentage of revenues, gross profit decreased from 27.7% to 24.3% due primarily to the decline in revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses remained constant at \$0.2 million for the three months ended March 31, 1996 and the three months ended March 31, 1997. As a percentage of revenues, selling, general and administrative expenses increased from 19.6% to 21.6% due to the decline in revenues.

WESTERN RESULTS FOR YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

REVENUES. Revenues increased \$2.4 million, or 57.9%, from \$4.1 million in 1995 to \$6.5 million in 1996. This increase was primarily attributable to an increase in commercial replacement revenues of \$1.5 million related to the Demand Side Management ("DSM") incentive program developed by the Public Service Company of Colorado ("PSC"). This program provided incentives for commercial PSC customers to replace existing HVAC systems with more energy-efficient systems and ended in November 1996. Management believes that a significant portion of the revenues generated under the DSM program can be replaced by redeploing Western's sales force to emphasize installation of commercial control systems and commercial maintenance, repair and replacement services. Western also intends to bid for participation in another PSC incentive program commencing in the second half of 1997.

GROSS PROFIT. Gross profit increased \$1.1 million, or 160.2%, from \$0.7 million in 1995 to \$1.8 million in 1996. As a percentage of revenues, gross profit increased from 17.1% in 1995 to 28.2% in 1996, primarily due to an increase in maintenance, repair and replacement revenues, including revenues generated under the DSM program.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.2 million in 1995, or 27.3%, from \$0.9 million in 1995 to \$1.1 million in 1996. As a percentage of

revenues, selling, general and administrative expenses decreased from 20.8% to 16.7% as a result of the substantial revenue increase without a commensurate increase in overhead expenses.

WESTERN LIQUIDITY AND CAPITAL RESOURCES

Western used \$0.1 million in net cash from operating activities in the three months ended March 31, 1997 primarily due to a decrease in accounts payable and accrued expenses.

Working capital at March 31, 1997 was \$0.3 million and total long-term debt outstanding was \$0.2 million.

Western generated \$0.6 million in net cash from operating activities in 1996. Net cash used in investing activities was approximately \$0.1 million, principally for equipment purchases. Net cash used in financing activities was \$0.4 million, as a result of distributions to shareholders and net repayments of long-term debt.

Working capital at December 31, 1996 was \$0.4 million and total long-term debt outstanding was \$0.3 million.

SEASONAIR RESULTS OF OPERATIONS

Seasonair, headquartered in Rockville, Maryland, was founded in 1966 and operates primarily in Maryland, the District of Columbia and Virginia. Seasonair focuses on providing installation services and maintenance, repair and replacement of HVAC systems for light commercial facilities.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED		THREE MONTHS ENDED			
	DECEMBER 31,		MARCH 31,		MARCH 31,	
	1996		1996		1997	
Revenues.....	\$ 6,737	100.0%	\$ 1,128	100.0%	\$ 1,831	100.0%
Cost of services.....	4,006	59.5	586	52.0	1,165	63.6
Gross profit.....	2,731	40.5	542	48.0	666	36.4
Selling, general and administrative expenses.....	2,597	38.5	604	53.5	644	35.2
Income (loss) from operations.....	134	2.0	(62)	(5.5)	22	1.2

SEASONAIR RESULTS FOR THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

REVENUES. Revenues increased \$0.7 million, or 62.3%, from \$1.1 million for the three months ended March 31, 1996 to \$1.8 million for the three months ended March 31, 1997 due to an increase in maintenance, repair and replacement services resulting from management's decision to expand the business more rapidly.

GROSS PROFIT. Gross profit increased \$0.2 million, or 22.9%, from \$0.5 million for the three months ended March 31, 1996 to \$0.7 million from the three months ended March 31, 1997. As a percentage of revenues, gross profit decreased from 48.0% to 36.4%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were \$0.6 million for the three months ended March 31, 1996 and the three months ended March 31, 1997. As a percentage of revenues, selling, general and administrative expenses decreased from 53.5% to 35.2% due to management's ability to increase revenues without a commensurate increase in overhead expenses.

SEASONAIR LIQUIDITY AND CAPITAL RESOURCES

Seasonair generated \$0.1 million in net cash from operating activities for the three months ended March 31, 1997 due to a decrease in prepaid expenses and other current assets and an increase in accounts payable and accrued expenses. Net cash provided by financing activities was \$0.1 million from borrowings on the line of credit.

Working capital at March 31, 1997 was \$0.5 million and total debt outstanding was \$0.2 million.

Seasonair used \$0.2 million in net cash from operating activities in 1996 primarily due to an increase in prepaid expenses and other current assets. Net cash provided by investing activities was \$0.1 million from proceeds on sale of equipment. Net cash used in financing activities was \$0.1 million to repay long-term debt.

Working capital at December 31, 1996 was \$0.5 million and total debt outstanding was \$0.1 million.

EASTERN RESULTS OF OPERATIONS

Eastern, headquartered in Albany, New York, was founded in 1945 and operates primarily within a 75 mile radius of Albany, New York. Eastern focuses on providing "design and build" installation and maintenance, repair and replacement of HVAC systems for commercial and industrial facilities. Eastern also offers continuous monitoring and control services for commercial facilities.

The following table sets forth selected statement of operations data and such data as a percentage of revenues for the periods indicated:

	YEAR ENDED		THREE MONTHS ENDED			
	DECEMBER 31,		MARCH 31,			
	1996		1996		1997	
Revenues.....	\$ 7,944	100.0%	\$ 1,525	100.0%	\$ 1,284	100.0%
Cost of services.....	5,276	66.4	973	63.8	805	62.7
Gross profit.....	2,668	33.6	552	36.2	479	37.3
Selling, general and administrative expenses.....	2,237	28.2	532	34.9	582	45.3
Income (loss) from operations.....	431	5.4	20	1.3	(103)	(8.0)

EASTERN RESULTS FOR THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

REVENUES. Revenues decreased \$0.2 million, or 15.8% from \$1.5 million for the three months ended March 31, 1996 to \$1.3 million for the three months ended March 31, 1997 due primarily to a decrease in maintenance, repair and replacement services. As a result of a mild winter season in the first three months of 1997 in the Albany, New York area, the need for service work on heating equipment decreased.

GROSS PROFIT. Gross profit decreased \$0.1 million, or 13.2%, from \$0.6 million for the three months ended March 31, 1996 to \$0.5 million for the three months ended March 31, 1997. As a percentage of revenues, gross profit increased from 36.2% to 37.3%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased \$0.1 million, or 9.4%, from \$0.5 million for the three months ended March 31, 1996 to \$0.6 million for the three months ended March 31, 1997. As a percentage of revenues, selling, general and administrative expenses increased from 34.9% to 45.3% due to the higher expenses and the decrease in revenues.

EASTERN LIQUIDITY AND CAPITAL RESOURCES

Eastern generated \$0.1 million in net cash from operating activities primarily from a net decrease in accounts receivables of \$0.3 million. Cash flows used for financing activities were \$0.1 million for distributions to shareholders and \$0.1 million for repayment of long-term debt. Cash flows used in financing activities was \$0.2 million of borrowings on the line of credit.

As of March 31, 1997, Eastern had a working capital deficit of \$0.2 million and total debt outstanding of \$1.0 million. Eastern has historically funded its operations with cash flow from operations and debt from lenders and shareholders. The Company believes that Eastern has adequate financing alternatives to fund its operations.

Eastern generated \$0.5 million in net cash from operating activities in 1996 primarily due to \$0.4 million in net income. Net cash used in investing activities was \$0.2 million for the purchase of property and equipment. Net cash used in financing activities in 1996 was \$0.3 million for distributions to shareholders.

Working capital at December 31, 1996 was \$0.1 million and total debt outstanding was \$0.9 million of which \$0.3 million is payable to the former owner.

SEASONAL AND CYCLICAL NATURE OF THE HVAC INDUSTRY

The HVAC industry is subject to seasonal variations. Specifically, the demand for new installations is generally lower during the winter months due to reduced construction activities during inclement weather and less use of air conditioning during the colder months. Demand for HVAC services is generally higher in the second and third quarters due to the increased use of air conditioning during the warmer months. Accordingly, the Company expects its revenues and operating results generally will be lower in the first and fourth quarters. Historically, the construction industry has been highly cyclical. As a result, the Company's volume of business may be adversely affected by declines in new installation projects in various geographic regions of the United States.

INFLATION

Inflation did not have a significant effect on the results of operations of the combined Founding Companies for 1994, 1995 or 1996 or the three months ended March 31, 1997.

BUSINESS

Comfort Systems was founded in 1996 to become a leading national provider of comprehensive HVAC installation services and maintenance, repair and replacement of HVAC systems, focusing primarily on the commercial and industrial markets. The Company's commercial and industrial applications include office buildings, retail centers, apartment complexes, hotels, manufacturing plants and government facilities. The Company also provides specialized HVAC applications such as process cooling, control systems, electronic monitoring and process piping. Approximately 90% of the Company's pro forma combined 1996 revenues of \$167.5 million was derived from commercial and industrial customers, with approximately 53% of combined revenues attributable to installation services and 47% attributable to maintenance, repair and replacement services. Combined revenues of the Founding Companies, which have been in business an average of 39 years, increased at a compound annual growth rate of approximately 16% from 1994 through 1996.

INDUSTRY OVERVIEW

Based on available industry data, the Company believes that the HVAC industry is highly fragmented with over 40,000 companies, most of which are small, owner-operated businesses with limited access to capital for modernization and expansion. The overall HVAC industry, including the commercial, industrial and residential markets, is estimated to generate annual revenues in excess of \$75 billion, over \$35 billion of which is in the commercial and industrial markets. HVAC systems have become a necessity in virtually all commercial and industrial buildings as well as homes. Because most commercial buildings are sealed, HVAC systems provide the primary method of addressing air quality concerns and injecting fresh air. Older industrial facilities often have poor air quality as well as inadequate air conditioning, factors which are causing industrial facility owners to consider replacement options. Operation of older HVAC systems represents a significant cost due to their energy inefficiency. In many instances, the replacement of an aging system with a modern, energy-efficient system will significantly reduce a building's operating costs while also improving the effectiveness of the HVAC system and air quality.

Growth in the HVAC industry is being positively affected by a number of factors, particularly (i) the aging of the installed base, (ii) the increasing efficiency, sophistication and complexity of HVAC systems and (iii) the increasing restrictions on the use of refrigerants commonly used in older HVAC systems. These factors are expected to increase demand for the reconfiguration or replacement of existing HVAC systems. These factors also mitigate the effect on the HVAC industry of the cyclicity inherent in the traditional construction industry.

The HVAC industry can be broadly divided into the installation segment and the maintenance, repair and replacement segment.

INSTALLATION SEGMENT. The installation segment consists of "design and build" and "plan and spec" projects. In "design and build" projects, the commercial HVAC firm is responsible for designing, engineering and installing a cost-effective, energy-efficient system customized to meet the specific needs of the building owner. Costs and other project terms are normally negotiated between the building owner or its representative and the HVAC firm. Firms which specialize in "design and build" projects generally have specially-trained HVAC engineers, CAD/CAM design systems, in-house sheet metal and prefabrication capabilities. These firms utilize a consultative approach with customers and tend to develop long-term relationships with building owners and developers, general contractors, architects and property managers. "Plan and spec" installation refers to projects where an architect or a consulting engineer designs the HVAC system and the installation project is put out for bid. The Company believes that "plan and spec" projects usually take longer to complete than "design and build" projects because the preparation of the system design and the bid process often take months to complete. Furthermore, in "plan and spec" projects, the HVAC firm is not responsible for project design and changes must be approved by several parties, thereby increasing overall project time and cost.

MAINTENANCE, REPAIR AND REPLACEMENT SEGMENT. This segment includes the maintenance, repair, replacement, reconfiguration and monitoring of previously installed HVAC systems and controls. Growth in

this segment has been fueled by the aging of the installed base of HVAC systems and the increasing demand for more efficient, sophisticated and complex systems and controls. The increasing sophistication and complexity of these HVAC systems is leading many commercial and industrial building owners and property managers to outsource maintenance and repair, often through service agreements with HVAC service providers. In addition, increasing restrictions are being placed on the use of certain types of refrigerants used in HVAC systems, which, along with air quality concerns, are expected to increase demand for the reconfiguration and replacement of existing HVAC systems. State-of-the-art control and monitoring systems feature electronic sensors and microprocessors and require specialized training to install, maintain and repair, which the typical building engineer does not have. Increasingly, HVAC systems in commercial and industrial buildings are being remotely monitored through PC-based communications systems to improve energy efficiency and expedite problem diagnosis and correction.

The Company believes that the majority of business owners in the HVAC industry have limited access to capital for expansion of their businesses and that few have attractive liquidity options. In addition, the increasing complexity of HVAC systems has led to a need for better trained technicians to install, monitor and service these systems. The cost of recruiting, training and retaining a sufficient number of qualified technicians makes it more difficult for smaller HVAC companies to expand their businesses. The Company believes that significant opportunities exist for a well-capitalized, national company operating in the commercial, industrial and residential markets of the HVAC industry and that the highly fragmented nature of this industry should allow it to consolidate existing HVAC businesses.

STRATEGY

The Company plans to achieve its goal of becoming a leading national provider of comprehensive HVAC services by implementing its operating strategy, emphasizing continued internal growth and expanding through acquisitions.

OPERATING STRATEGY. The Company believes there are significant opportunities to increase the profitability of the Founding Companies and subsequently acquired businesses. The key elements of the Company's operating strategy are:

FOCUS ON COMMERCIAL AND INDUSTRIAL MARKETS. The Company intends to focus principally on the commercial and industrial markets with particular emphasis on the "design and build" installation and the maintenance, repair and replacement segments. The Company believes that the commercial and industrial HVAC markets are attractive because of their growth opportunities, diverse customer base, attractive margins and potential for long-term relationships with building owners and managers, general contractors and architects.

OPERATE ON DECENTRALIZED BASIS. The Company intends to manage the Founding Companies on a decentralized basis, with local management assuming responsibility for the day-to-day operations, profitability and growth of the business. The Company believes that, while maintaining strong operating and financial controls, a decentralized operating structure will retain the entrepreneurial spirit present in each of the Founding Companies and will allow the Company to capitalize on the considerable local and regional market knowledge and customer relationships possessed by each Founding Company.

ACHIEVE OPERATING EFFICIENCIES. The Company believes there are significant opportunities to achieve operating efficiencies and cost savings through purchasing economies and the adoption of "best practices" operating programs. The Company intends to use its increased purchasing power to gain volume discounts in areas such as HVAC components, raw materials, service vehicles, advertising, bonding and insurance. Moreover, the Company will review its operations and training programs at the local and regional operating levels in order to identify those "best practices" that can be successfully implemented throughout its operations.

ATTRACT AND RETAIN QUALITY EMPLOYEES. The Company intends to attract and retain quality employees by providing them (i) an enhanced career path from working for a larger public company, (ii) additional training, education and apprenticeships to allow talented employees to advance to

higher-paying positions, (iii) the opportunity to realize a more stable income and (iv) improved benefits packages.

INTERNAL GROWTH. A key component of the Company's strategy is to continue the internal growth at the Founding Companies and subsequently acquired businesses. The key elements of the Company's internal growth strategy are:

CAPITALIZE ON SPECIALIZED TECHNICAL AND MARKETING STRENGTHS. The Company believes it will be able to expand the services it offers in its markets by leveraging the specialized technical and marketing strengths of individual Founding Companies. For example, one of the Founding Companies has developed significant industry recognition for its technical expertise within apartment complexes, condominiums, hotels and elder care facilities which may be transferable to other Founding Companies. A number of Founding Companies currently focus primarily on installation and, therefore, have only limited maintenance, repair and replacement operations. The Company believes there are significant opportunities for these Founding Companies to provide maintenance, repair and replacement services, particularly by offering those services to its "design and build" customers. Several of the Founding Companies have specific expertise in HVAC control and monitoring systems, process cooling, replacement and other service strengths, many of which can be shared with other Founding Companies and subsequently acquired businesses.

ESTABLISH NATIONAL MARKET COVERAGE. The Company believes that significant demand exists from large national companies to utilize the services of a single HVAC service company capable of providing comprehensive commercial and industrial services on a regional or national basis. Many of the Founding Companies already provide local or regional coverage to companies with nationwide locations, such as commercial real estate developers and managers, retailers and manufacturers. The Company believes these existing relationships can be expanded as it develops a nationwide network since these customers often desire a single source for all of their HVAC needs to promote consistency, improve control and reduce cost.

ACQUISITIONS. The Company believes the HVAC industry is highly fragmented with over 40,000 companies, most of which are small, owner-operated businesses with limited access to adequate capital for modernization and expansion. The Company anticipates that acquisition candidates in the commercial and industrial markets will typically have annual revenues ranging from \$5 million to \$35 million. The key elements of the Company's acquisition strategy are:

ENTER NEW GEOGRAPHIC MARKETS. In new markets, the Company intends to target one or more leading local or regional companies providing HVAC or complementary services. The acquisition target will have the customer base, technical skills and infrastructure necessary to be a core business into which other HVAC service operations can be consolidated. The Company will choose businesses that are located in attractive markets, are financially stable, are experienced in the industry and have management willing to participate in the future growth of the Company.

EXPAND WITHIN EXISTING MARKETS. Once the Company has entered a market, it will seek to acquire other well-established HVAC businesses to expand its market penetration and range of services offered. The Company also will pursue "tuck-in" acquisitions of smaller companies, whose operations can be integrated into an existing Company operation to leverage the existing infrastructure.

ACQUIRE COMPLEMENTARY BUSINESSES. The Company will focus on its traditional markets in the HVAC industry and may acquire companies providing complementary services to the same customer base, such as commercial and industrial process piping and plumbing as well as electrical companies. This will enable the Company to offer, on a comprehensive basis and from a single provider, HVAC, mechanical and electrical services in certain markets.

ACQUISITION PROGRAM

The Company believes it will be regarded by acquisition candidates as an attractive acquirer because of: (i) the Company's strategy for creating a national, comprehensive and professionally managed HVAC

service provider that capitalizes on cross-marketing and business development opportunities; (ii) the Company's decentralized operating strategy; (iii) the Company's increased visibility and access to financial resources as a public company; (iv) the potential for increased profitability due to certain centralized administrative functions, enhanced systems capabilities and access to increased marketing resources; and (v) the potential for the owners of the businesses being acquired to participate in the Company's planned internal growth and growth through acquisitions, while realizing liquidity.

The Company believes the management teams of the Founding Companies will be instrumental in identifying and completing future acquisitions. The Company's visibility within the HVAC industry will increase the awareness and interest of acquisition candidates in the Company and its acquisition program. Within the past several months, the Company has contacted the owners of a number of acquisition candidates, several of whom have expressed interest in having their business acquired by the Company. The Company currently has no binding agreements to effect any acquisition other than the Founding Companies.

As consideration for future acquisitions, the Company intends to use various combinations of its Common Stock, cash and notes. The consideration for each future acquisition will vary on a case-by-case basis. The major factors in establishing the purchase price for each acquisition will be historical operating results, future prospects of the acquiree and the ability of that business to complement the services offered by the Company. Management believes that companies providing commercial and industrial HVAC services are larger than those providing residential services, with commercial and industrial companies generating annual revenues ranging from \$5 million to \$35 million, compared to companies providing residential HVAC services which generally have annual revenues ranging from \$500,000 to \$3 million. The Company intends to register 8,000,000 additional shares of Common Stock under the Securities Act for its use in connection with future acquisitions.

OPERATIONS AND SERVICES PROVIDED

The Company provides a wide range of installation, maintenance, repair and replacement services for HVAC systems in commercial, industrial and residential properties. Daily operations are managed on a local basis by the management team at each Founding Company. In addition to senior management, the Founding Companies' personnel generally include design engineers, sales personnel, customer service personnel, installation service technicians, sheet metal and prefabrication technicians, estimators and administrative personnel. Upon consummation of the Mergers, the Company will manage the Founding Companies on a decentralized basis, with local management being responsible for day-to-day operating decisions. The Company intends to centralize certain administrative functions to enable the management of each Founding Company to focus on pursuing new business opportunities and to improve operating efficiencies. Administrative functions which the Company expects to centralize include Company-wide training and safety programs, accounting programs, risk management programs, purchasing programs and employee benefits.

INSTALLATION SEGMENT. The Company's installation business comprised approximately 53% of the Company's 1996 revenues. This segment consists of the design, engineering, integration, installation and start-up of HVAC systems. The commercial and industrial installation services performed by the Company consist primarily of "design and build" systems for office buildings, retail centers, apartment complexes, hotels, manufacturing plants and government facilities. In a "design and build" project, the customer typically has an overall design for the facility prepared by an architect or a consulting engineer who then enlists the Company's sales and engineering personnel to prepare a specific design for the HVAC system. The Company determines the needed capacity, energy efficiency and type of controls that best suit the proposed facility. The Company's engineer then estimates the amount of time, labor, materials and equipment needed to build the specified system. Materials and equipment for a typical commercial or industrial project include ductwork, compressors, blowers, chillers, cooling towers, air handling equipment and the associated pumps and piping necessary to complete the system. The Company utilizes CAD/CAM systems in the design and engineering phases of the project to calculate the material and labor costs of the project based on previously established Company standards and to generate mechanical drawings for each project. The drawings are prepared in a format appropriate for submission to local building inspectors. The

final design, terms, price and timing of the project are then negotiated with the customer or its representatives, after which any necessary modifications are made to the system.

Once an agreement has been reached, the Company orders the necessary materials and equipment for delivery to meet the project schedule. In most instances, the Company fabricates in its own facilities the ductwork and piping and assembles certain components for the system based on the mechanical drawing specifications, thereby eliminating the need to subcontract ductwork or piping fabrication. The Company's CAD/CAM systems are capable of automatically cutting ductboard, sheet metal and piping, thereby reducing the amount of labor necessary to produce the ductwork and piping for the system. Project specific components are then fabricated at the Company's facilities in sections small enough to be transported to the job site. This enables the Company to limit the amount of field work required for installation, reduce the labor associated with the actual installation process and meet the shorter time requirements increasingly demanded by commercial and industrial customers. The Company installs the system at the project site, working closely with the general contractor. Most commercial and industrial installation projects last from two weeks to one year and generate revenues from \$25,000 to \$2,000,000 per project. These projects are generally billed periodically as costs are incurred throughout the project, with a 10% retainage until completion and successful start-up of the HVAC system.

Atlas, one of the Founding Companies, specializes in the design and installation of HVAC systems for apartment complexes, condominiums, hotels and elder care facilities. Because the room layouts in these types of buildings are typically very similar, Atlas is able to design a single HVAC system, or a few systems, suitable for installation in all units within the project. This permits Atlas to prepare a "kit" containing all parts for an individual unit and ship all of the kits for a particular project to the job site, thereby significantly decreasing installation time.

The Company also performs selected "plan and spec" installation services when a bidder prequalification process has been used by the customer to limit the number of potential bidders for an attractive project. The Company may use these projects when "design and build" projects are in lower demand and to provide additional on-the-job training to apprentice or less-experienced technicians.

The Company also installs process cooling systems, control and monitoring systems and industrial process piping. Process cooling systems are utilized primarily in industrial facilities to provide heating and/or cooling to precise temperature and climate standards for products being manufactured and for the manufacturing equipment. Control systems are used in HVAC and process cooling systems in order to maintain pre-established temperature or climate standards for commercial or industrial facilities. These systems use direct digital technology integrated with computer terminals. HVAC control systems are capable not only of controlling a facility's entire HVAC system, often on a room-by-room basis, but can be programmed to integrate energy management, security, fire, card key access, lighting and overall facility monitoring. Monitoring can be performed on-site or remotely through a PC-based communications system. The monitoring system will sound an alarm when the HVAC system is operating outside pre-established parameters. Diagnosis of potential problems can be performed from the computer terminal which often can remotely adjust the control system. Industrial process piping is utilized in manufacturing facilities to convey required raw materials, support utilities and finished products.

The Company's residential services consist of installing complete central HVAC systems in new and existing homes, often through agreements with housing developers. In 1996, residential installation comprised approximately 2% of the Company's revenues.

The Founding Companies generally warrant their labor for the first year after installation on new HVAC systems and for 30 days after servicing of existing HVAC systems. A reserve for warranty costs is recorded based on a percentage of material costs.

MAINTENANCE, REPAIR AND REPLACEMENT SEGMENT. The Company's maintenance, repair and replacement segment comprised approximately 47% of the Company's 1996 combined revenues and includes the maintenance, repair, replacement, reconfiguration and monitoring of HVAC systems and industrial process piping. Over one-half of the Company's maintenance, repair and replacement segment revenues were

derived from reconfiguring existing HVAC systems for commercial and industrial customers. Reconfiguration often utilizes consultative expertise similar to that provided in the "design and build" installation market. The Company believes that the reconfiguration of an existing system results in a more cost-effective, energy-efficient system that better meets the specific needs of the building owner. The reconfiguration also enables the Company to utilize its design and engineering personnel as well as its sheet metal and pre-fabrication facilities.

Maintenance and repair services are provided either in response to service calls or pursuant to a service agreement. Service calls are coordinated by customer service representatives or dispatchers that use computer and communications technology to process orders, arrange service calls, communicate with customers, dispatch technicians and invoice customers. Service technicians work out of service vans equipped with commonly used parts, supplies and tools to complete a variety of jobs.

Commercial and industrial service agreements usually have terms of one to three years, with automatic annual renewals, and typically provide fees from \$3,000 to \$20,000 per year. The Company also provides remote monitoring of temperature, pressure, humidity and air flow for HVAC systems for commercial and industrial customers. If the system is not operating within the specifications set forth by the customer and cannot be remotely adjusted, a service crew is dispatched to analyze and repair the system, as appropriate. Residential service agreements generally have one year terms, automatic renewal provisions and provide annual fees between \$100 and \$200 per system.

SOURCES OF SUPPLY

The raw materials and components used by the Company include HVAC system components, ductwork, steel, sheet metal and copper tubing and piping. These raw materials and components are generally available from a variety of domestic or foreign suppliers at competitive prices. Delivery times are typically short for most raw materials and standard components, but during periods of peak demand may take a month or more to obtain. Chillers for large units typically have the longest delivery time and generally have lead times of up to six months. The major components of HVAC systems are compressors and chillers that are manufactured primarily by York Heating and Air Conditioning Corporation ("York"), Carrier Corporation and Trane Air Conditioning Company. The major suppliers of control systems are Honeywell Inc., Johnson Controls Inc., York and Andover Control Corporation. The Company believes that it will be able to reduce costs on raw materials and components through volume purchases. The Company does not currently have any significant contracts for the supply of raw materials or components.

SALES AND MARKETING

The Company has a diverse customer base, with no single customer accounting for more than 4% of the Company's pro forma combined 1996 revenues. Management and a dedicated sales force at the Founding Companies have been responsible for developing and maintaining successful long-term relationships with key customers. Customers of the Founding Companies generally include building owners and developers and property managers, as well as general contractors, architects and consulting engineers. The Company intends to continue its emphasis on developing and maintaining long-term relationships with its customers by providing superior, high-quality service in a professional manner. Moreover, the dedicated sales force will receive additional technical and sales training to enhance the comprehensive selling skills necessary to serve the HVAC needs of its customers.

The Company also intends to capitalize on cross-marketing and business development opportunities that management believes will be available to the Company as a national provider of comprehensive commercial, industrial and residential HVAC services. Management believes that it will be able to leverage the diverse technical and marketing strengths of individual Founding Companies to expand the services offered in other local markets. Eventually, the Company intends to offer comprehensive services from many of its regional locations.

EMPLOYEES

As of March 31, 1997, the Company had 1,436 employees, including 70 management personnel, 1,144 engineers and service and installation technicians, 70 sales personnel and 152 administrative personnel. The Company does not anticipate any reductions in staff as a result of the consolidation of the Founding Companies. Rather, as it implements its internal growth and acquisition strategies, the Company expects that the number of employees will increase. Three of the Founding Companies have collective bargaining agreements which cover, in the aggregate, fewer than 50 employees. Under these agreements, these Founding Companies make payments to multi-employer pension plans. The Company has not experienced any strikes or work stoppages and believes its relationship with its employees and union representatives is satisfactory.

RECRUITING, TRAINING AND SAFETY

The Company's future success will depend, in part, on its ability to continue to attract, retain and motivate qualified service technicians, field supervisors and project managers. The Company believes that its success in retaining qualified employees will be based on the quality of its recruiting, training, compensation, employee benefits programs and opportunities for advancement. The Company recruits at local technical schools and community colleges where students focus on learning basic HVAC and related skills, and provides on-the-job training, apprenticeship programs, improved benefit packages, steady employment and opportunities for advancement.

The Company intends to establish "best practices" throughout its operations to ensure that all technicians comply with safety standards established by the Company, its insurance carriers and federal, state and local laws and regulations. The Company's employment screening process seeks to determine that prospective employees have the requisite skills, sufficient background references and acceptable driving records, if applicable. The Company believes that these employment criteria effectively identify potential employees committed to safety and quality. Additionally, the Company intends to implement a "best practices" safety program throughout its operations, which will provide employees with incentives to improve safety performance and decrease workplace accidents. The Company intends to implement job site safety meetings and instruct personnel in proper lifting techniques and eye safety in an effort to reduce the number of preventable accidents.

FACILITIES AND VEHICLES

All of the Company's facilities will be leased. Prior to the Mergers, Accurate owned the building it uses for its offices and operations. As part of the agreement pursuant to which Accurate is being acquired, it will transfer ownership of that building to its stockholder who will enter into a long-term lease of the building to the Company. See "Certain Transactions -- Leases of Real Property by Founding Companies."

The Founding Companies collectively lease approximately 250,000 square feet of commercial property, which they utilize for office, warehouse, fabrication and storage space. Leased premises range in size from 50,200 square feet, in the case of Quality, to 7,000 square feet and 6,500 square feet in the case of Eastern and Seasonair, respectively. In addition, Atlas currently leases 14 one-bedroom apartments for technicians and installation crews working on projects around the country. After consummation of the Mergers, the Company believes that the opportunities for some of the Founding Companies to use fabrication and storage facilities of other Founding Companies for sheet metal cutting, equipment fabrication and inventory storage will increase operating efficiencies for the Company as a whole. The Company believes that its facilities are sufficient for its current needs.

The Company operates a fleet of approximately 600 owned or leased service trucks, vans and support vehicles. It believes these vehicles generally are well-maintained and adequate for the Company's current operations. The Company expects it will be able to purchase vehicles at lower prices due to its increased purchasing volume.

After the consummation of this Offering, the Company will lease its principal executive and administrative offices in Houston, Texas and is currently in the process of obtaining office space for this purpose.

RISK MANAGEMENT, INSURANCE AND LITIGATION

The primary risks in the Company's operations are bodily injury, property damage and injured workers' compensation. Upon completion of the Offering, the Company intends to obtain and maintain liability insurance for bodily injury and third party property damage which it considers sufficient to insure against these risks, subject to self-insured amounts. The workers' compensation insurance policies held by the Founding Companies generally provide for first dollar coverage.

The Company is, from time to time, a party to litigation arising in the normal course of its business, most of which involves claims for personal injury and property damage incurred in connection with its operations. The Company is not currently involved in any litigation, nor is the Company aware of any threatened litigation, that the Company believes is likely to have a material adverse effect on its financial condition or results of operations.

The Company generally offers one year warranties on labor it performs and passes to the customer warranties on equipment purchased from manufacturers. The Company does not expect warranty claims to have a material effect on its results of operations or financial condition.

COMPETITION

The HVAC industry is highly competitive. The Company believes that purchasing decisions in the commercial and industrial markets are based on (i) long-term customer relationships, (ii) quality, timeliness and reliability of services provided, (iii) competitive price, (iv) range of services provided, and (v) scale of operation. The Company believes its strategy of becoming a leading national provider of comprehensive HVAC installation services as well as maintenance, repair and replacement of HVAC systems directly addresses these factors. Specifically, the Company's strategy to focus on the highly consultative "design and build" installation segment and the maintenance, repair and replacement segment, as well as its strategy to operate on a decentralized basis, should promote the development and strengthening of long-term customer relationships. In addition, the Company's focus on attracting, training and retaining quality employees by utilizing professionally managed recruiting, training and benefits programs should allow it to offer high quality, comprehensive HVAC services at a competitive price.

Most of the Company's competitors are small, owner-operated companies that typically operate in a limited geographic area. There are a few public companies focused on providing HVAC services in some of the same services lines provided by the Company. In addition, there are a number of private companies attempting to consolidate HVAC companies on a regional or national basis. In the future, competition may be encountered from new entrants, such as public utilities and HVAC manufacturers. Certain of the Company's competitors and potential competitors may have greater financial resources than the Company to finance acquisition and development opportunities, to pay higher prices for the same opportunities or to develop and support their own operations.

GOVERNMENTAL REGULATION AND ENVIRONMENTAL MATTERS

The Company's operations are subject to various federal, state and local laws and regulations, including, (i) licensing requirements applicable to service technicians, (ii) building and HVAC codes and zoning ordinances, (iii) regulations relating to consumer protection, including those governing residential service agreements and (iv) regulations relating to worker safety and protection of the environment. The Company believes it has all required licenses to conduct its operations and is in substantial compliance with applicable regulatory requirements. Failure of the Company to comply with applicable regulations could result in substantial fines or revocation of the Company's operating licenses.

Many state and local regulations governing the HVAC services trades require permits and licenses to be held by individuals. In some cases, a required permit or license held by a single individual may be

sufficient to authorize specified activities for all the Company's service technicians who work in the state or county that issued the permit or license. The Company intends to implement a policy to ensure that, where possible, any such permits or licenses that may be material to the Company's operations in a particular geographic region are held by at least two Company employees within that region.

The Company's operations are subject to the federal Clean Air Act, as amended (the "Clean Air Act"), which governs air emissions and imposes specific requirements on the use and handling of chlorofluorocarbons ("CFCs") and certain other refrigerants. Clean Air Act regulations require the certification of service technicians involved in the service or repair of equipment containing these refrigerants and also regulate the containment and recycling of these refrigerants. These requirements have increased the Company's training expenses and expenditures for containment and recycling equipment. The Clean Air Act is intended ultimately to eliminate the use of CFCs in the United States and to require alternative refrigerants to be used in replacement HVAC systems. As a result, the number of conversions of existing HVAC systems which use CFCs to systems using alternative refrigerants is expected to increase.

Prior to entering into the agreements relating to the Mergers, the Company evaluated the properties owned or leased by the Founding Companies and engaged an independent environmental consulting firm to conduct or review assessments of environmental conditions at these properties. No material environmental problems were discovered in these reviews, and the Company is not aware of any material environmental liabilities associated with these properties.

MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The following table sets forth information concerning the Company's directors, executive officers and key employees upon completion of this Offering.

NAME	AGE	POSITION
Fred M. Ferreira.....	54	Chairman of the Board, Chief Executive Officer and President
Michael Nothum, Jr.....	42	Chief Operating Officer (acting), President of Tri-City, Director
J. Gordon Beittenmiller.....	38	Senior Vice President, Chief Financial Officer and Director
Reagan S. Busbee.....	33	Senior Vice President
William George, III.....	31	Vice President, General Counsel and Secretary
Milburn E. Honeycutt.....	33	Vice President and Controller
S. Craig Lemmon.....	45	Vice President -- Acquisitions
Brian J. Vensel.....	36	Vice President -- Acquisitions
Brian S. Atlas.....	45	Chief Executive Officer of Atlas, Director
Thomas J. Beaty.....	43	President of Accurate, Director
Robert R. Cook.....	42	President of Tech, Director
Alfred J. Giardenelli, Jr.....	49	President of Eastern, Director
Charles W. Klapperich.....	50	President of Western, Director
Samuel M. Lawrence III.....	45	Chief Executive Officer of Lawrence, Director
John C. Phillips.....	55	President of CSI/Bonneville, Director
Robert J. Powers.....	57	President of Quality, Director
Steven S. Harter.....	34	Director
Larry Martin.....	55	Director
John Mercadante, Jr.....	52	Director
Robert Arbuckle.....	47	President of Freeway
James C. Hardin, Sr.....	35	Chief Executive Officer of Seasonair
Thomas B. Kime.....	50	President of Standard

Fred M. Ferreira has served as Chairman of the Board, Chief Executive Officer and President of Comfort Systems since January 1997. Mr. Ferreira was responsible for introducing the consolidation opportunity in the commercial and industrial HVAC industry to Notre and has been primarily responsible for the organization of Comfort Systems, the acquisition of the Founding Companies and this Offering. From 1995 through 1996, Mr. Ferreira was a private investor. He served as Chief Operating Officer and a director of Allwaste, Inc., a publicly-traded environmental services company ("Allwaste"), from 1994 to 1995, and was President of Allwaste Environmental Services, Inc., the largest division of Allwaste, from 1991 to 1994. From 1989 to 1990, Mr. Ferreira served as President of Allied Waste Industries, Inc., an environmental services company. Prior to that time, Mr. Ferreira served as Vice President -- Southern District and in various other positions with Waste Management, Inc., an environmental services company.

Michael Nothum, Jr. will become a director of the Company and will also become its Chief Operating Officer (acting) upon consummation of this Offering. He has been employed by Tri-City since 1979, serving as President since 1992, and will continue in that capacity after consummation of this Offering. Mr. Nothum currently serves on the Education and Training Committee of Associated Builders and Contractors and on the Legislative Committee of the Air Conditioning Contractors Association. It is anticipated that Mr. Nothum will return full-time to his duties at Tri-City when a permanent Chief Operating Officer joins the Company.

J. Gordon Beittenmiller has served as Senior Vice President, Chief Financial Officer and a director of Comfort Systems since February 1997. From 1994 to February 1997, Mr. Beittenmiller was Corporate

Controller of Keystone International, Inc. ("Keystone"), a publicly-traded manufacturer of industrial valves and actuators, and served Keystone in other financial positions from 1991 to 1994. From 1987 to 1991, he was Vice President -- Finance of Critical Industries, Inc., a publicly-traded manufacturer and distributor of specialized safety equipment. From 1982 to 1987, he held various positions with Arthur Andersen LLP. Mr. Beittenmiller is a Certified Public Accountant.

Reagan S. Busbee has served as Senior Vice President of Comfort Systems since January 1997. From 1992 through 1996, Mr. Busbee served as Vice President of Chas. P. Young Co., a financial printer and a wholly-owned subsidiary of Consolidated Graphics Inc., a publicly-traded company. From August 1986 to May 1992, he was a certified public accountant with Arthur Andersen LLP.

William George, III has served as Vice President, General Counsel and Secretary of Comfort Systems since March 1997. From October 1995 to March 1997, Mr. George was Vice President and General Counsel of American Medical Response, Inc., a publicly-traded consolidator of the healthcare transportation industry. From September 1992 to September 1995, Mr. George practiced corporate and antitrust law at Ropes & Gray, a law firm.

Milburn E. Honeycutt has served as Vice President and Controller of Comfort Systems since February 1997. From 1994 to January 1997, Mr. Honeycutt was Financial Accounting Manager -- Corporate Controllers Group for Browning-Ferris Industries, Inc., a publicly-traded waste services company. From 1986 to 1994, he held various positions with Arthur Andersen LLP. Mr. Honeycutt is a Certified Public Accountant.

S. Craig Lemmon will become Vice President -- Acquisitions upon the closing of this Offering. Mr. Lemmon has been a consultant to Comfort Systems since its inception in December 1996. From 1993 to 1996, he served as Manager of Mergers and Acquisitions of Allwaste Environmental Services, Inc. From 1992 to 1993, he served as Vice President -- Acquisitions and Vice President -- Southern Region of United Waste Systems, Inc., an environmental services company. Prior thereto, Mr. Lemmon held various positions in the transportation and solid waste industries.

Brian J. Vensel has served as Vice President -- Acquisitions of the Company since February 1997. From September 1996 through January 1997, Mr. Vensel served as Projects Director of the Liquids Business Unit of NGC Corporation, a publicly-traded gas marketer and processor. From April 1996 through August 1996, Mr. Vensel served as Corporate Controller and an officer of Phoenix Energy Products, Inc., a privately-owned, oilfield service company. From 1982 through March 1996, Mr. Vensel held various positions, primarily with Price Waterhouse LLP and Arthur Andersen LLP. Mr. Vensel is a Certified Public Accountant.

Brian S. Atlas will become a director of the Company upon consummation of this Offering. He has been employed by Atlas since 1974, serving as its Chief Executive Officer since 1983, and will continue in that capacity after consummation of this Offering.

Thomas J. Beaty will become a director of the Company upon consummation of this Offering. He founded and has served as President of Accurate since 1980 and will continue in that capacity after consummation of this Offering.

Robert R. Cook will become a director of the Company upon consummation of this Offering. He founded and has served as President of Tech since 1979 and will continue in that capacity after consummation of this Offering.

Alfred J. Giardenelli, Jr. will become a director of the Company on consummation of this Offering. He has been the President of Eastern since 1982 and will continue in that capacity after consummation of this Offering.

Charles W. Klapperich will become a director of the Company upon consummation of this Offering. He founded and has served as President of Western since 1980 and will continue in that capacity after consummation of this Offering.

Samuel M. Lawrence III will become a director of the Company upon consummation of this Offering. He has been employed by Lawrence since 1977, serving as its Chairman and Chief Executive Officer since 1991 and will continue in that capacity after consummation of this Offering.

John C. Phillips will become a director of the Company upon consummation of this Offering. He co-founded CSI/Bonneville in 1969, serving as President and General Manager since 1969, and will continue in that capacity after consummation of this Offering. Mr. Phillips was President of the Utah Heating and Air Conditioning Contractors Association from 1981 to 1982 and is currently a director of that association.

Robert J. Powers will become a director of the Company upon consummation of this Offering. He has been employed by Quality since 1977, serving as President since 1988 and will continue in that capacity after consummation of this Offering.

Steven S. Harter has been a director of the Company since December 1996 and is the director elected by the holders of the Restricted Common Stock. Mr. Harter is President of Notre, a consolidator of highly-fragmented industries. Prior to becoming the President of Notre, Mr. Harter was Senior Vice President of Notre Capital Ventures, Ltd. ("Notre I") from June 1993 through July 1995 and was the Notre I principal primarily responsible for the initial public offerings of US Delivery Systems, Inc., a consolidator of the local delivery industry, and Physicians Resource Group, Inc., a consolidator of eye care physician management companies. From April 1989 to June 1993, Mr. Harter was Director of Mergers and Acquisitions for Allwaste. From May 1984 to April 1989, Mr. Harter was a certified public accountant with Arthur Andersen LLP. Mr. Harter also serves as a director of Coach USA, Inc. ("Coach").

Larry Martin will become a director upon consummation of this Offering. Mr. Martin, a co-founder of Sanifill, Inc., an environmental services provider ("Sanifill"), served as its Vice Chairman from March 1992 through August 1996. From July 1991 to February 1992, he was President of Sanifill, and from October 1989 to July 1991, he served as its President and Co-Chief Executive Officer. Prior to that time, Mr. Martin served in various positions in the environmental services and contracting industries. Mr. Martin currently serves on the Board of Directors of USA Waste Services, Inc., an environmental services company.

John Mercadante, Jr. will become a director of the Company upon consummation of this Offering. Mr. Mercadante co-founded Leisure Time Tours, Inc. in 1970 and was President of Cape Transit Corp. both of which are motor coach companies that were acquired by Coach at the time of Coach's initial public offering in May 1996. Mr. Mercadante has served as President, Chief Operating Officer and a director of Coach since its initial public offering.

Robert Arbuckle has been employed by Freeway since 1975, serving as its President since 1987 and will continue in that capacity after consummation of this Offering.

James C. Hardin, Sr. has been employed by Seasonair since 1986, serving initially as a service technician, as field supervisor from 1988 to 1990, as service manager from 1990 to 1993 and as Vice President of Operations from 1993 to March 1997. Mr. Hardin currently serves as Chief Executive Officer of Seasonair and will continue in that capacity after consummation of this Offering.

Thomas B. Kime has been employed by Standard since 1977, serving as its President since 1996 and will continue in that capacity after consummation of this Offering.

Effective upon consummation of this Offering, the Board of Directors will be divided into three classes of four, five and five directors, respectively, with directors serving staggered three-year terms, expiring at the annual meeting of stockholders in 1998, 1999 and 2000, respectively. At each annual meeting of stockholders, one class of directors will be elected for a full term of three years to succeed that class of directors whose terms are expiring. All officers serve at the discretion of the Board of Directors.

The Board of Directors has established an Audit Committee, a Compensation Committee and an Executive Committee. Effective as of the consummation of this Offering, the members of the Audit Committee and the Compensation Committee will be Messrs. Harter, Mercadante and Martin. The members

of the Executive Committee will be selected following the consummation of this Offering and will include at least one outside director.

DIRECTORS' COMPENSATION

Directors who are also employees of the Company or one of its subsidiaries will not receive additional compensation for serving as directors. Each director who is not an employee of the Company or one of its subsidiaries will receive a fee of \$2,000 for attendance at each Board of Directors' meeting and \$1,000 for each committee meeting (unless held on the same day as a Board of Directors' meeting). In addition, under the Company's 1997 Non-Employee Directors' Stock Plan, each non-employee director will automatically be granted an option to acquire 10,000 shares of Common Stock upon such person's initial election as a director, and an annual option to acquire 5,000 shares at each annual meeting of the Company's stockholders thereafter at which such director is re-elected or remains a director, unless such annual meeting is held within three months of such person's initial election as a director. Each non-employee director also may elect to receive shares of Common Stock or credits representing "deferred shares" in lieu of cash directors' fees. See " -- 1997 Non-Employee Directors' Stock Plan." Directors are also reimbursed for out-of-pocket expenses incurred in attending meetings of the Board of Directors or committees thereof.

EXECUTIVE COMPENSATION; EMPLOYMENT AGREEMENTS; COVENANTS-NOT-TO-COMPETE

The Company was incorporated in December 1996, has conducted limited operations and generated no revenue to date and did not pay any of its executive officers compensation during 1996. The Company anticipates that during 1997 its five most highly compensated executive officers will be Messrs. Ferreira, Beittenmiller, George, Nothum and Powers.

Each of Messrs. Ferreira, Beittenmiller and George will enter into an employment agreement upon consummation of this Offering with the Company providing for an annual base salary of \$150,000. Each employment agreement will be for a term of three years, and unless terminated or not renewed by the Company or not renewed by the employee, the term will continue thereafter on a year-to-year basis on the same terms and conditions existing at the time of renewal. Each of these agreements will provide that, in the event of a termination of employment by the Company without cause, the employee will be entitled to receive from the Company an amount equal to one year's salary, payable in one lump sum on the effective date of termination. In the event of a change in control of the Company (as defined in the agreement) during the initial three-year term, if the employee is not given at least five days' notice of such change in control, the employee may elect to terminate his employment and receive in one lump sum three times the amount he would receive pursuant to a termination without cause during such initial term. The non-competition provisions of the employment agreement do not apply to a termination without such notice. In the event the employee is given at least five days' notice of such change in control, the employee may elect to terminate his employment and receive in one lump sum three times the amount he would receive pursuant to a termination without cause during such initial term. In such event, the non-competition provisions of the employment agreement would apply for two years from the effective date of termination. Each employment agreement contains a covenant not to compete with the Company for a period of two years immediately following termination of employment or, in the case of a termination by the Company without cause in the absence of a change in control, for a period of one year following termination of employment.

Each of Messrs. Nothum and Powers will enter into an employment agreement with their respective Founding Company providing for an annual base salary of \$150,000. Each employment agreement will be for a term of five years, and unless terminated or not renewed by the Founding Company or not renewed by the employee, the term will continue thereafter on a year-to-year basis on the same terms and conditions existing at the time of renewal. Each of these agreements will provide that, in the event of a termination of employment by the Founding Company without cause during the first three years of the employment term (the "Initial Term"), the employee will be entitled to receive from the Founding Company an amount equal to his then current salary for the remainder of the Initial Term or for one year, whichever is greater. In the event of a termination of employment with cause during the final two years of the initial five year term of the employment agreement, the employee will be entitled to receive an amount equal to his then current

salary for one year. In either case, payment is due in one lump sum on the effective date of termination. In the event of a change in control of the Company (as defined in the agreement) during the Initial Term, if the employee is not given at least five days' notice of such change in control, the employee may elect to terminate his employment and receive in one lump sum three times the amount he would receive pursuant to a termination without cause during the Initial Term. The non-competition provisions of the employment agreement do not apply to a termination without such notice. In the event the employee is given at least five days' notice of such change in control, the employee may elect to terminate his employment agreement and receive in one lump sum two times the amount he would receive pursuant to a termination without cause during the Initial Term. In such event, the non-competition provisions of the employment agreement would apply for two years from the effective date of termination. Each employment agreement contains a covenant not to compete with the Company for a period of two years immediately following termination of employment or, in the case of a termination by the Company without cause in the absence of a change in control, for a period of one year following termination of employment.

At least one principal executive officer of each of the other Founding Companies will enter into an employment agreement, containing substantially the same provisions, including a covenant not to compete, as Messrs. Nothum's and Power's employment agreements.

1997 LONG-TERM INCENTIVE PLAN

No stock options were granted to, or exercised by or held by any executive officer in 1996. In March 1997, the Board of Directors and the Company's stockholders approved the Company's 1997 Long-Term Incentive Plan (the "Plan"). The purpose of the Plan is to provide directors, officers, key employees, consultants and other service providers with additional incentives by increasing their ownership interests in the Company. Individual awards under the Plan may take the form of one or more of: (i) either incentive stock options ("ISOs") or non-qualified stock options ("NQSOs"), (ii) stock appreciation rights ("SARs"), (iii) restricted or deferred stock, (iv) dividend equivalents and (v) other awards not otherwise provided for, the value of which is based in whole or in part upon the value of the Common Stock.

The Compensation Committee will administer the Plan and select the individuals who will receive awards and establish the terms and conditions of those awards. The maximum number of shares of Common Stock that may be subject to outstanding awards, determined immediately after the grant of any award, may not exceed the greater of 2,500,000 shares or 13% of the aggregate number of shares of Common Stock outstanding. Shares of Common Stock which are attributable to awards which have expired, terminated or been canceled or forfeited are available for issuance or use in connection with future awards.

The Plan will remain in effect until terminated by the Board of Directors. The Plan may be amended by the Board of Directors without the consent of the stockholders of the Company, except that any amendment, although effective when made, will be subject to stockholder approval if required by any Federal or state law or regulation or by the rules of any stock exchange or automated quotation system on which the Common Stock may then be listed or quoted.

At the closing of this Offering, NQSOs to purchase a total of 675,000 shares of Common Stock will be granted as follows: 200,000 shares to Mr. Ferreira, 100,000 shares to Mr. Beittenmiller, 100,000 shares to Mr. Busbee, 100,000 shares to Mr. Lemmon, 75,000 shares to Mr. George, 50,000 shares to Mr. Honeycutt and 50,000 shares to Mr. Vensel. In addition, at the closing of this Offering, options to purchase 1,271,953 shares will be granted to certain employees of the Founding Companies. Each of the foregoing options will have an exercise price equal to the initial public offering price per share. These options will vest at the rate of 20% per year, commencing on the first anniversary of this Offering and will expire at the earlier of seven years from the date of grant or three months following termination of employment.

1997 NON-EMPLOYEE DIRECTORS' STOCK PLAN

The Company's 1997 Non-Employee Directors' Stock Plan (the "Directors' Plan"), which was adopted by the Board of Directors and approved by the Company's stockholders in March 1997, provides for (i) the automatic grant to each non-employee director serving at the commencement of this Offering of

an option to purchase 10,000 shares, (ii) the automatic grant to each non-employee director of an option to purchase 10,000 shares upon such person's initial election as a director and (iii) an automatic annual grant to each non-employee director of an option to purchase 5,000 shares at each annual meeting of stockholders thereafter at which such director is re-elected or remains a director, unless such annual meeting is held within three months of such person's initial election as a director. All options will have an exercise price per share equal to the fair market value of the Common Stock on the date of grant and are immediately vested and expire on the earlier of ten years from the date of grant or one year after termination of service as a director. The Directors' Plan also permits non-employee directors to elect to receive, in lieu of cash directors' fees, shares or credits representing "deferred shares" at future settlement dates, as selected by the director. The number of shares or deferred shares received will equal the number of shares of Common Stock which, at the date the fees would otherwise be payable, will have an aggregate fair market value equal to the amount of such fees.

CERTAIN TRANSACTIONS

ORGANIZATION OF THE COMPANY

In connection with the formation of Comfort Systems, Comfort Systems issued to Notre a total of 2,969,912 shares of Common Stock for an aggregate cash consideration of \$29,699. Mr. Harter is the President of Notre and a director of the Company. In March 1997, Notre exchanged 2,742,912 shares of Common Stock for an equal number of shares of Restricted Common Stock. Notre has agreed to advance whatever funds are necessary to effect the Mergers and this Offering. As of May 29, 1997, Notre had outstanding advances to the Company in the aggregate amount of approximately \$1,127,000 all of which are non-interest-bearing. All of Notre's advances will be repaid from the net proceeds of this Offering.

In January and February 1997, the Company issued a total of 902,435 shares of Common Stock at \$.01 per share to various members of management, as follows: Mr. Ferreira -- 479,435 shares, Mr. Beittenmiller -- 116,000 shares, Mr. Busbee -- 116,000 shares, Mr. George -- 75,000 shares, Mr. Honeycutt -- 58,000 shares and Mr. Vensel -- 58,000 shares. The Company also issued 116,000 shares to Mr. Lemmon and 251,500 shares of Common Stock to other consultants to the Company at \$0.01 per share. The Company also granted options to purchase 10,000 shares of Common Stock under the Directors' Plan, effective upon the consummation of this Offering, to Mr. Harter, a Director of the Company, and to Messrs. Mercadante and Martin, who will become directors of the Company upon the closing of this Offering.

Simultaneously with the consummation of this Offering, Comfort Systems will acquire by merger or share exchange all of the issued and outstanding stock of the Founding Companies, at which time each Founding Company will become a wholly-owned subsidiary of the Company. The aggregate consideration to be paid by Comfort Systems in the Mergers consists of \$41.8 million in cash and 9,720,927 shares of Common Stock. In addition, immediately prior to the Mergers certain of the Founding Companies will make the S Corporation Distributions of \$16.8 million and the Interim Earnings Distributions. Also, prior to the Mergers, Accurate will distribute to Thomas J. Beaty real property having a net book value of approximately \$370,000.

The consummation of each Merger is subject to customary conditions. These conditions include, among others, the continuing accuracy on the closing date of the Mergers of the representations and warranties of the Founding Companies and the principal stockholders thereof and of Comfort Systems, the performance by each of them of all covenants included in the agreements relating to the Mergers and the nonexistence of a material adverse change in the results of operations, financial condition or business of each Founding Company.

There can be no assurance that the conditions to closing of the Mergers will be satisfied or waived or that the acquisition agreements will not be terminated prior to consummation. If any of the Mergers is terminated for any reason, the Company does not intend to consummate this Offering on the terms described herein.

The following table sets forth the consideration to be paid and total debt to be assumed by Comfort Systems as of March 31, 1997 for each of the Founding Companies:

	CASH	SHARES OF COMMON STOCK	S CORPORATION DISTRIBUTIONS	TOTAL DEBT
	(DOLLARS IN THOUSANDS)			
Quality.....	\$ 9,306	2,207,158	\$ 8,708	\$ 4,932
Tri-City.....	8,012	1,557,962	6,331	--
Atlas.....	6,336	1,432,000	--	2,049
Lawrence.....	4,154	1,197,796	--	450
Tech.....	3,690	717,408	482	1,001
Accurate.....	2,903	564,537	--	1,495
CSI/Bonneville.....	1,674	493,672	735	535
Western.....	1,867	362,939	371	338
Freeway.....	959	319,698	--	126
Seasonair.....	1,399	272,084	--	168
Standard.....	874	291,457	--	443
Eastern.....	644	304,216	158	960
Total.....	\$ 41,818	9,720,927	\$ 16,785	\$12,497

Additionally, prior to the Mergers, the Founding Companies which are C Corporations, except Atlas, will make Interim Earnings Distributions to their stockholders. As of March 31, 1997 the distributions to be made totalled \$350,000.

In connection with the Mergers, and as consideration for their interests in the Founding Companies, certain officers, directors, key employees and holders of more than 5% of the outstanding shares of the Company, together with their spouses and trusts for which they act as trustees, will receive cash and shares of Common Stock of the Company as follows:

NAME	CASH	SHARES OF COMMON STOCK
	(DOLLARS IN THOUSANDS)	
Robert J. Powers.....	\$ 7,516	1,461,915
Michael Nothum, Jr.....	4,006	760,287
Robert R. Cook.....	3,690	717,408
Brian S. Atlas.....	3,168	716,000
Thomas J. Beaty.....	2,903	564,537
John C. Phillips.....	1,209	403,305
Samuel M. Lawrence III.....	952	317,307
Alfred J. Giardenelli, Jr.....	644	304,216
Charles W. Klapperich.....	1,314	255,401

Pursuant to the agreements to be entered into in connection with the Mergers, the stockholders of the Founding Companies have agreed not to compete with the Company for five years, commencing on the date of consummation of this Offering.

Certain of the Founding Companies have incurred indebtedness which has been personally guaranteed by their stockholders or by entities controlled by their stockholders. At March 31, 1997, the aggregate amount of indebtedness of these Founding Companies that was subject to personal guarantees was approximately \$4.9 million. The Company intends to use its best efforts to have the personal guarantees of

this indebtedness released within 60 days after the closing of this Offering and, in the event that any guarantee cannot be released, to repay such indebtedness. See "Use of Proceeds."

LEASES OF REAL PROPERTY BY FOUNDING COMPANIES

Following the Mergers, Atlas will continue to lease its office space in Houston, Texas, as well as mobile homes located in Austin, Texas; Phoenix, Arizona; and Antioch, Tennessee. These properties are owned by M & B Interests, Inc. ("M & B"), a corporation wholly-owned by Mr. Brian S. Atlas, who will become a director of the Company upon consummation of this Offering, and Mr. Michael Atlas. The lease for the real property in Houston expires on September 30, 1997 and provides for an annual rental of \$90,000. The three single family residences are leased on a month-to-month basis, at an annual aggregate rental of \$36,780. In March 1997, Atlas entered into an agreement with M & B to lease a newly constructed office and warehouse facility to be constructed by M & B in Houston for an annual rental of \$204,000. When construction is completed, this new office and warehouse facility will replace Atlas' existing facility. The Company believes that the rent for these properties does not exceed fair market value.

Following the Mergers, Tri-City will continue to lease its office space in Tempe, Arizona from Mr. Nothum, Jr. and his father. Mr. Nothum, Jr. is a trustee of a family trust that is a stockholder of Tri-City and will become a director of the Company upon consummation of this Offering. The lease expires on June 30, 1998 and provides for an annual rental of \$120,000. Additionally, Tri-City provides liability insurance on the property and is responsible for any increases in real property taxes due to its improvement of the leased property. Tri-City has a verbal commitment with a limited liability corporation owned by Mr. Nothum, Jr. and his father to construct new office, operations and warehouse facilities. The Company believes that the rent for these properties does not and will not exceed fair market value.

Following the Mergers, Lawrence will continue to lease its office space and fabrication facility in Jackson, Tennessee from the father of Mr. Samuel M. Lawrence III, who is Lawrence's Chief Executive Officer and who will become a director of the Company upon consummation of this Offering. The lease expires on October 31, 1997 and provides for an annual rental of \$110,400. Additionally, Lawrence provides liability insurance on the property and pays its proportionate share of ad valorem taxes, utilities and maintenance costs. The Company believes that the rent for this property does not exceed fair market value.

Following the Mergers, Accurate will lease two parcels of real property in Houston, Texas owned by Mr. Beaty, who will become a director of the Company upon consummation of this Offering. One of the leased premises is used by Accurate for office and warehouse space. The lease on one of these premises expires on May 31, 2002 and provides for an annual rental of \$38,000. The other leased premise is used by Accurate as a sheet metal shop under a lease, effective upon the consummation of this Offering, that will expire on May 31, 2002 and will provide for an annual rental of \$46,700. The rental rate on these premises in subsequent years of the lease term will be adjusted in accordance with the Consumer Price Index. Additionally, Accurate will pay all utility, taxes and insurance costs on both leased premises. Accurate has options to renew each lease for two additional five-year terms. The Company believes that the rent for both properties does not and will not exceed fair market value. Accurate previously owned the property it uses for its sheet metal shop. Prior to the Mergers, Accurate will distribute this property having a net book value of approximately \$370,000 to Mr. Beaty.

Following the Mergers, Eastern will continue to lease its office and warehouse space in Albany, New York, owned by 60 Loudonville Road Associates ("Loudonville"), a partnership of Mr. Alfred J. Giardenelli, Jr., who will become a director of the Company upon consummation of this Offering, and his brother. The lease provides for annual rental of \$55,000 and payment by Eastern of taxes, maintenance, repairs, utilities and insurance costs on the leased premises. The Company believes that the rent for this property does not exceed the fair market value. The lease expires on December 31, 1999. Prior to expiration, however, Eastern intends to enter into a 10-year lease with Loudonville for a new building and to terminate the existing lease. Eastern has agreed to install the HVAC systems in the new building at a

price which the Company believes to be at a fair market value. The Company's annual rental in the new building will be at fair market value, as determined by an appraisal.

Following the Mergers, CSI/Bonneville will continue to lease its office and warehouse space in Salt Lake Valley, Utah from J & J Investments, a joint venture partly owned by Mr. Phillips, who will become a director of the Company upon consummation of this Offering. This lease expires on February 28, 2002 and provides for an annual rental in 1997 of \$120,720, increasing annually by 5%. CSI/Bonneville is responsible for ad valorem taxes, maintenance, insurance and third-party management costs related thereto. CSI/Bonneville has options to renew the lease for two additional five-year terms at a fair market value, as determined by an appraisal. The Company believes that the rent for this property does not exceed fair market value.

Following the Mergers, Tech will continue to lease its office and warehouse space in Solon, Ohio from Mr. Cook, who will become a director of the Company upon consummation of this Offering. The lease expires on April 2, 2000, and provides for an annual rental of \$84,000. Tech is responsible for its utility costs, 15% of common utility costs and 50% of the landlord's cost of servicing and maintaining the premises and providing comprehensive liability insurance for the leased premises. The Company believes that the rent for such property does not exceed fair market value.

Following the Mergers, Quality will continue to lease its warehouse facility in Grand Rapids, Michigan from Mr. Powers, who will become a director of the Company upon consummation of this Offering. Construction of the warehouse facility was financed with the proceeds of a public bond issue. The lease expires on April 30, 2005, and provides for an annual rental of the greater of \$216,000 or Mr. Powers' costs for the leased warehouse, including bond debt service or mortgage payments, utilities, insurance, ad valorem taxes, maintenance and repairs. Quality has an option to renew the lease for one additional three-year term on the same terms. The Company believes that the rent for such property does not exceed fair market value. Quality has guaranteed the payment of two series of public bonds issued in 1985 and 1990, respectively, by the Michigan Strategic Fund on behalf of two real property development entities owned by Mr. Powers, the proceeds of which were used to fund the construction of Quality's leased warehouse facility and a second adjacent warehouse. As of March 1997, approximately \$1.6 million of the bond debt remained outstanding.

The Company has adopted a policy that, whenever possible, it will not own any real estate. Accordingly, in connection with future acquisitions, the Company may require the distribution of real property owned by acquired companies to its stockholders and the leaseback of such property at fair market value.

OTHER TRANSACTIONS

Atlas owes \$78,000 to Sid Atlas, the father of Brian and Michael Atlas, payable in monthly installments of \$5,500, including interest at the rate of 10%, through March 1998. Atlas is also the obligor on two promissory notes payable to Brian S. Atlas and Michael Atlas in the outstanding principal amount of \$63,537 to each, providing for aggregate monthly installments of \$4,812, including interest at the rate of 10%, through June 1999.

On October 31, 1996, Lawrence loaned \$75,000 to Charles Lawrence at an interest rate of 8%. This note is due on demand or October 31, 2001, whichever occurs first. Charles Lawrence is a brother of Samuel M. Lawrence III, who will become a director of the Company on consummation of this Offering.

On December 27, 1996, Accurate borrowed \$630,000 from Mr. Beaty. Interest is payable monthly at the rate of 9% on the outstanding balance. The note matures on June 30, 1997.

CSI/Bonneville owed Messrs. Phillips and another stockholder of CSI/Bonneville \$424,000 and \$105,000, respectively. Two of the promissory notes, payable to Mr. Phillips and the other stockholder, are in the principal amount of \$80,000 and \$20,000, respectively, and are payable on demand. The remaining eight promissory notes are each payable ten years from the date of the note, and mature at various times from 2002 to 2006. All of the notes bear interest at 10%, with interest payable monthly and principal

payable at maturity. In 1996, CSI/Bonneville made interest payments to Mr. Phillips and the other stockholder in the amount of \$35,000 and \$6,000, respectively.

During 1996, Mr. Klapperich, who will become a director of the Company upon consummation of this Offering, received advances from Western aggregating \$173,500. On December 31, 1996, Western credited against this amount a portion of a dividend payable in the amount of \$210,315, discharging the indebtedness of Mr. Klapperich to Western.

On January 2, 1996, Standard loaned Mr. Kime \$480,000 under a promissory note at an interest rate of 7.67%. Payments of \$18,427 are due quarterly over a five-year term. Mr. Kime anticipates paying off the balance of this note shortly after consummation of the Mergers. The note was formerly secured by a pledge of his shares of stock in Standard; however, Standard released its security interest in such stock on March 6, 1997 in anticipation of consummation of the Mergers.

The Company has agreed to pay up to an aggregate of \$150,000 of the legal fees of the owners of the Founding Companies.

COMPANY POLICY

Any future transactions with directors, officers, employees or affiliates of the Company or its subsidiaries are anticipated to be minimal and will be approved in advance by a majority of disinterested members of the Board of Directors.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of the Common Stock, after giving effect to the Mergers and this Offering, by (i) each person known to own beneficially more than 5% of the outstanding shares of Common Stock; (ii) each Company director and person who has consented to be named as a director ("named directors"); (iii) each named executive officer; and (iv) all executive officers, directors and named directors as a group. All persons listed have an address c/o the Company's principal executive offices and have sole voting and investment power with respect to their shares unless otherwise indicated.

NAME	SHARES BENEFICIALLY OWNED AFTER OFFERING (1)	
	NUMBER	PERCENT
Notre Capital Ventures II, L.L.C.....	2,969,912	14.8%
Steven S. Harter(2).....	2,979,912	14.8
Robert J. Powers.....	1,461,915	7.3
Michael Nothum, Jr.(3).....	778,981	3.9
Robert R. Cook.....	717,408	3.6
Brian S. Atlas.....	716,000	3.6
Thomas J. Beaty.....	564,537	2.8
Fred M. Ferreira.....	479,435	2.4
John C. Phillips.....	403,305	2.0
Samuel M. Lawrence III.....	317,307	1.6
Alfred J. Giardenelli, Jr.....	304,216	1.5
Charles W. Klapperich.....	255,401	1.3
J. Gordon Beittenmiller.....	116,000	*
Reagan S. Busbee.....	116,000	*
William George, III.....	75,000	*
Larry Martin(4) (5).....	27,692	*
John Mercadante, Jr.(4).....	20,000	*
All executive officers, directors and named directors as a group (16 persons).....	9,333,109	46.5

* Less than 1%.

- (1) Shares shown do not include shares that could be acquired upon exercise of options outstanding immediately after the Offering and which do not vest within 60 days.
- (2) Includes 10,000 shares of Common Stock issuable upon exercise of options granted under the Directors' Plan and 2,969,912 shares of Common Stock issued to Notre. Mr. Harter is the President of Notre.
- (3) Includes an aggregate of 18,694 shares which are held in irrevocable trusts for Mr. Nothum's minor children and of which he is trustee.
- (4) Includes 10,000 shares of Common Stock issuable upon exercise of options granted under the Directors' Plan.
- (5) Includes 7,692 shares of Common Stock issuable on conversion of a convertible note issued by Notre which is convertible into Common Stock of the Company owned by Notre.

DESCRIPTION OF CAPITAL STOCK

GENERAL

The authorized capital stock of the Company consists of 57,969,912 shares of capital stock, consisting of 50,000,000 shares of Common Stock, 2,742,912 shares of Restricted Common Stock and 5,000,000 shares of Preferred Stock. Upon completion of the Mergers and this Offering, the Company will have outstanding 20,060,774 shares of Common Stock, which includes 2,742,912 shares of Restricted Common Stock and no shares of Preferred Stock. The following discussion is qualified in its entirety by reference to the Restated Certificate of Incorporation of Comfort Systems, which is included as an exhibit to the Registration Statement of which this Prospectus is a part.

COMMON STOCK AND RESTRICTED COMMON STOCK

The holders of Common Stock are each entitled to one vote for each share held on all matters to which they are entitled to vote, including the election of directors. The holders of Restricted Common Stock, voting together as a single class, are entitled to elect one member of the Company's Board of Directors and to 0.55 of one vote for each share held on all other matters on which they are entitled to vote. Holders of Restricted Common Stock are not entitled to vote on the election of any other directors. Upon consummation of this Offering, the Board of Directors will be classified into three classes as nearly equal in number as possible, with the term of each class expiring on a staggered basis. The classification of the Board of Directors may make it more difficult to change the composition of the Board of Directors and thereby may discourage or make more difficult an attempt by a person or group to obtain control of the Company. Cumulative voting for the election of directors is not permitted. Any director, or the entire Board of Directors, may be removed at any time, with cause, by a majority of the aggregate number of votes which may be cast by the holders of all of the outstanding shares of Common Stock and Restricted Common Stock entitled to vote for the election of directors, except that only the holder of the Restricted Common Stock may remove the director such holder is entitled to elect.

Subject to the rights of any then outstanding shares of Preferred Stock, holders of Common Stock and Restricted Common Stock are together entitled to participate pro rata in such dividends as may be declared in the discretion of the Board of Directors out of funds legally available therefor. Holders of Common Stock and Restricted Common Stock together are entitled to share ratably in the net assets of the Company upon liquidation after payment or provision for all liabilities and any preferential liquidation rights of any Preferred Stock then outstanding. Holders of Common Stock and holders of Restricted Common Stock have no preemptive rights to purchase shares of stock of the Company. Shares of Common Stock are not subject to any redemption provisions and are not convertible into any other securities of the Company. Shares of Restricted Common Stock are not subject to any redemption provisions and are convertible into Common Stock as described below. All outstanding shares of Common Stock and Restricted Common Stock are, and the shares of Common Stock to be issued pursuant to this Offering and the Mergers will be, upon payment therefor, fully paid and non-assessable.

Each share of Restricted Common Stock will automatically convert to Common Stock on a share-for-share basis (i) in the event of a disposition of such share of Restricted Common Stock by the holder thereof (other than a distribution by a holder to its partners or beneficial owners, or a transfer to a related party of such holders (as defined in Sections 267, 707, 318 and/or 4946 of the Internal Revenue Code of 1986, as amended)), (ii) in the event any person acquires beneficial ownership of 15% or more of the total number of outstanding shares of Common Stock, or (iii) in the event any person offers to acquire 15% or more of the total number of outstanding shares of Common Stock. After July 1, 1998, the Board of Directors may elect to convert any remaining shares of Restricted Common Stock into shares of Common Stock in the event 80% or more of the originally outstanding shares of Restricted Common Stock have been previously converted into shares of Common Stock.

The Common Stock has been approved for listing on The New York Stock Exchange under the symbol "FIX," subject to official notice of issuance. The Restricted Common Stock will not be listed on any exchange.

PREFERRED STOCK

The Preferred Stock may be issued from time to time by the Board of Directors in one or more series. Subject to the provisions of the Company's Certificate of Incorporation and limitations prescribed by law, the Board of Directors is expressly authorized to adopt resolutions to issue the shares, to fix the number of shares and to change the number of shares constituting any series and to provide for or change the voting powers, designations, preferences and relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, including dividend rights (including whether dividends are cumulative), dividend rates, terms of redemption (including sinking fund provisions), redemption prices, conversion rights and liquidation preferences of the shares constituting any series of the Preferred Stock, in each case without any further action or vote by the stockholders. The Company has no current plans to issue any shares of Preferred Stock.

One of the effects of undesignated Preferred Stock may be to enable the Board of Directors to render more difficult or to discourage an attempt to obtain control of the Company by means of a tender offer, proxy contest, merger or otherwise, and thereby to protect the continuity of the Company's management. The issuance of shares of the Preferred Stock pursuant to the Board of Directors' authority described above may adversely affect the rights of the holders of Common Stock. For example, Preferred Stock issued by the Company may rank prior to the Common Stock and Restricted Common Stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of Common Stock. Accordingly, the issuance of shares of Preferred Stock may discourage bids for the Common Stock or may otherwise adversely affect the market price of the Common Stock.

STATUTORY BUSINESS COMBINATION PROVISION

The Company is subject to Section 203 of the DGCL which, with certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested stockholder" for a period of three years following the date that such stockholder became an interested stockholder, unless: (i) prior to such date, the Board of Directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (a) by persons who are directors and officers and (b) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer, or (iii) on or after such date, the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder. An "interested stockholder" is defined as any person that is (a) the owner of 15% or more of the outstanding voting stock of the corporation or (b) an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder.

CERTAIN PROVISIONS OF THE CERTIFICATE OF INCORPORATION AND BYLAWS

Pursuant to the Company's Certificate of Incorporation and as permitted by Delaware law, directors of the Company are not liable to the Company or its stockholders for monetary damages for breach of fiduciary duty, except for liability in connection with a breach of duty of loyalty, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, for dividend payments or stock repurchases illegal under Delaware law or any transaction in which a director has derived an improper personal benefit.

Additionally, the Certificate of Incorporation of the Company provides that directors and officers of the Company shall be, and at the discretion of the Board of Directors non-officer employees and agents may be, indemnified by the Company to the fullest extent authorized by Delaware law, as it now exists or may in

the future be amended, against all expenses and liabilities actually and reasonably incurred in connection with service for or on behalf of the Company, and further permits the advancing of expenses incurred in defense of claims.

The Certificate of Incorporation also provides that any action required or permitted to be taken by the stockholders of the Company at an annual or special meeting of stockholders must be effected at a duly called meeting and may not be taken or effected by a written consent of stockholders in lieu thereof. The Company's Bylaws provide that a special meeting of stockholders may be called only by the Chief Executive Officer, by a majority of the Board of Directors, or by a majority of the Executive Committee of the Board of Directors. The Bylaws provide that only those matters set forth in the notice of the special meeting may be considered or acted upon at that special meeting. To amend or repeal the Company's Bylaws, an amendment or repeal thereof must first be approved by the Board of Directors or by affirmative vote of the holders of at least 66 2/3% of the total votes eligible to be cast by holders of voting stock with respect to such amendment or repeal.

The Company's Bylaws establish an advance notice procedure with regard to the nomination, other than by or at the direction of the Board of Directors or a committee thereof, of candidates for election as directors (the "Nomination Procedure") and with regard to other matters to be brought by stockholders before an annual meeting of stockholders of the Company (the "Business Procedure"). The Nomination Procedure requires that a stockholder give prior written notice, in proper form, of a planned nomination for the Board of Directors to the Secretary of the Company. The requirements as to the form and timing of that notice are specified in the Company's Bylaws. If the Chairman of the Board of Directors determines that a person was not nominated in accordance with the Nomination Procedure, such person will not be eligible for election as a director. Under the Business Procedure, a stockholder seeking to have any business conducted at an annual meeting must give prior written notice, in proper form, to the Secretary of the Company. The requirements as to the form and timing of that notice are specified in the Company's Bylaws. If the Chairman of the Board of Directors determines that the other business was not properly brought before such meeting in accordance with the Business Procedure, such business will not be conducted at such meeting.

Although the Company's Bylaws do not give the Board of Directors any power to approve or disapprove stockholder nominations for the election of directors or of any other business desired by stockholders to be conducted at an annual or any other meeting, the Company's Bylaws (i) may have the effect of precluding a nomination for the election of directors or precluding the conduct of business at a particular meeting if the proper procedures are not followed or (ii) may discourage or deter a third party from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the Company, even if the conduct of such solicitation or such attempt might be beneficial to the Company and its stockholders.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is American Stock Transfer & Trust Company, 40 Wall Street, New York, New York, 10005.

SHARES ELIGIBLE FOR FUTURE SALE

Upon consummation of the Mergers and completion of this Offering, the Company will have outstanding 20,060,774 shares of Common Stock. The 6,100,000 shares sold in this Offering (plus any additional shares sold upon exercise of the Underwriters' over-allotment option) will be freely tradeable without restriction unless acquired by affiliates of the Company. None of the remaining outstanding shares of Common Stock or Restricted Common Stock have been registered under the Securities Act, which means that they may be resold publicly only upon registration under the Securities Act or in compliance with an exemption from the registration requirements of the Securities Act, including the exemption provided by Rule 144 thereunder.

In general, under Rule 144, if a period of at least one year has elapsed between the later of the date on which restricted securities were acquired from the Company or the date on which they were acquired from an affiliate, the holder of such restricted securities (including an affiliate) is entitled to sell a number of shares within any three-month period that does not exceed the greater of (i) one percent of the then outstanding shares of the Common Stock (approximately 200,608 shares upon completion of this Offering) or (ii) the average weekly reported volume of trading of the Common Stock during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to certain requirements pertaining to the manner of such sales, notices of such sales and the availability of current public information concerning the Company. Affiliates may sell shares not constituting restricted securities in accordance with the foregoing volume limitations and other requirements but without regard to the one year holding period. Under Rule 144(k), if a period of at least two years has elapsed between the later of the date on which restricted securities were acquired from the Company and the date on which they were acquired from an affiliate, a holder of such restricted securities who is not an affiliate at the time of the sale and has not been an affiliate for a least three months prior to the sale is entitled to sell the shares immediately without regard to the volume limitations and other conditions described above.

The Company and its officers, directors and certain stockholders, who beneficially own 4,239,847 shares in the aggregate, have agreed not to sell or otherwise dispose of any shares of Common Stock or Restricted Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of Alex. Brown & Sons Incorporated, except that the Company may issue Common Stock in connection with acquisitions, in connection with its 1997 Long-Term Incentive Plan and its 1997 Non-Employee Directors' Stock Plan (the "Plans") or upon conversion of shares of the Restricted Common Stock. See "Underwriting." In addition, all of the stockholders of the Founding Companies, the Company's officers and directors and certain stockholders, holding in the aggregate 13,960,774 shares of Common Stock, have agreed with the Company that they will not sell any of their shares for a period of one year after the closing of this Offering. These stockholders, however, have the right, in the event the Company proposes to register under the Securities Act any Common Stock for its own account or for the account of others, subject to certain exceptions, to require the Company to include their shares in the registration, subject to the right of the Company to exclude some or all of the shares in the offering upon the advice of the managing underwriter. In addition, certain of such stockholders have certain limited demand registration rights to require the Company to register shares held by them following the first anniversary of the closing of this Offering.

Within 90 days after the closing of this Offering, the Company intends to register 8,000,000 shares of its Common Stock under the Securities Act for use by the Company in connection with future acquisitions. Upon such registration, these shares will generally be freely tradeable after their issuance. In some instances, however, the Company may contractually restrict the sale of shares issued in connection with future acquisitions. The piggyback registration rights described above do not apply to the registration statement relating to these 8,000,000 shares.

Prior to this Offering, there has been no public market for the Common Stock, and no prediction can be made as to the effect, if any, that the sale of shares or the availability of shares for sale will have on the market price for the Common Stock prevailing from time to time. Nevertheless, sales, or the availability for sale of, substantial amounts of the Common Stock in the public market could adversely affect prevailing market prices and the future ability of the Company to raise equity capital and complete any additional acquisitions for Common Stock.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the underwriters named below (the "Underwriters"), through their representatives, Alex. Brown & Sons Incorporated, Bear, Stearns & Co. Inc., Donaldson, Lufkin & Jenrette Securities Corporation and Sanders Morris Mundy Inc. (together, the "Representatives"), have severally agreed to purchase from the Company the following respective number of shares of Common Stock at the initial public offering price less the underwriting discounts and commissions set forth on the cover page of this Prospectus:

UNDERWRITERS	NUMBER OF SHARES
Alex. Brown & Sons Incorporated.....	
Bear, Stearns & Co. Inc.....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
Sanders Morris Mundy Inc.....	
Total.....	6,100,000 =====

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will purchase all of the shares of Common Stock offered hereby if any of such shares are purchased.

The Company has been advised by the Representatives that the Underwriters propose to offer the shares of Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of \$ per share. The Underwriters may allow, and such dealers may re-allow, a concession not in excess of \$ per share to certain other dealers. After commencement of the initial public offering, the offering price and other selling terms may be changed by the Representatives.

The Company has granted the Underwriters an option, exercisable not later than 30 days after the date of this Prospectus, to purchase up to 915,000 additional shares of Common Stock at the initial public offering price less the underwriting discounts and commissions set forth on the cover page of this Prospectus. To the extent that the Underwriters exercise such option, each of the Underwriters will have a firm commitment to purchase approximately the same percentage thereof that the number of shares of Common Stock to be purchased by it in the above table bears to 6,100,000, and the Company will be obligated, pursuant to the option, to sell such shares to the Underwriters. The Underwriters may exercise such option only to cover over-allotments made in connection with the sale of the Common Stock offered hereby. If purchased, the Underwriters will offer such additional shares on the same terms as those on which the 6,100,000 shares are being offered.

The Underwriting Agreement contains covenants of indemnity and contribution between the Underwriters and the Company regarding certain liabilities, including liabilities under the Securities Act.

To facilitate the Offering of the Common Stock, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of the Common Stock. Specifically, the Underwriters

may over-allot shares of the Common Stock in connection with this Offering, thereby creating a short position in the Underwriters' syndicate account. Additionally, to cover such over-allotments or to stabilize the market price of the Common Stock, the Underwriters may bid for, and purchase, shares of the Common Stock in the open market. Any of these activities may maintain the market price of the Common Stock at a level above that which might otherwise prevail in the open market. The Underwriters are not required to engage in these activities, and, if commenced, any such activities may be discontinued at any time. The Representatives, on behalf of the Underwriters, also may reclaim selling concessions allowed to an Underwriter or dealer, if the syndicate repurchases shares distributed by that Underwriter or dealer.

The Company has agreed that it will not sell or offer any shares of Common Stock or options, rights or warrants to acquire any Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of Alex. Brown & Sons Incorporated, except for shares issued (i) in connection with acquisitions, (ii) pursuant to the exercise of options granted under the Plans, and (iii) upon conversion of shares of Restricted Common Stock. Further, the Company's directors, officers and certain stockholders, who beneficially own 4,239,847 shares in the aggregate, have agreed not to directly or indirectly sell or offer for sale or otherwise dispose of any Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of Alex. Brown & Sons Incorporated.

The Representatives have advised the Company that the Underwriters do not intend to confirm sales to any account over which they exercise discretionary authority.

Certain employees of Donaldson, Lufkin & Jenrette Securities Corporation, one of the Representatives, are investors in Notre, and as a result beneficially own an aggregate of less than 1% of the Common Stock to be outstanding after this Offering. A principal of Sanders Morris Mundy Inc., one of the Representatives, is also an investor in Notre. In February 1997, that principal and an investment fund affiliated with Sanders Morris Mundy Inc. each purchased notes from Notre which are convertible into shares of Common Stock upon consummation of this Offering. That principal has agreed that he will not sell or offer any shares of Common Stock received upon conversion of the note for a period of one year after the date of conversion. The shares of Common Stock beneficially owned by that principal and that investment fund also represent less than 1% of the Common Stock to be outstanding after this Offering.

Prior to this Offering, there has been no public market for the Common Stock. Consequently, the initial public offering price for the Common Stock has been determined by negotiations between the Company and the Representatives. Among the factors considered in such negotiations were prevailing market conditions, the results of operations of the Founding Companies in recent periods, the market capitalization and stages of development of other companies which the Company and the Representatives believed to be comparable to the Company, estimates of the business potential of the Company, the present state of the Company's development and other factors deemed relevant by the Company and the Representatives.

LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed on for the Company by Bracewell & Patterson, L.L.P., Houston, Texas. Certain legal matters related to this Offering will be passed on for the Underwriters by Piper & Marbury, L.L.P., Baltimore, Maryland.

EXPERTS

The audited financial statements included in this Prospectus and elsewhere in the registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

ADDITIONAL INFORMATION

The Company has filed with the SEC a Registration Statement (which term shall encompass any and all amendments thereto) on Form S-1 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Common Stock offered hereby. This Prospectus, which is part of the Registration Statement, does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto, certain items of which are omitted in accordance with the rules and regulations of the SEC. Statements made in this Prospectus as to the contents of any contract,

agreement or other document referred to are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is hereby made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. For further information with respect to the Company, reference is hereby made to the Registration Statement and such exhibits and schedules filed as a part thereof, which may be inspected, without charge, at the Public Reference Section of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the SEC located at Seven World Trade Center, 13th Floor, New York, New York 10048 and at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. The SEC maintains a web site that contains reports, proxy and information statements regarding registrants that file electronically with the SEC. The address of this web site is (<http://www.sec.gov>). Copies of all or any portion of the Registration Statement may be obtained from the Public Reference Section of the SEC, upon payment of the prescribed fees.

INDEX TO FINANCIAL STATEMENTS

	PAGE

COMFORT SYSTEMS USA, INC. (UNAUDITED)	
PRO FORMA COMBINED FINANCIAL	
STATEMENTS	
Introduction to Unaudited Pro	
Forma Combined Financial	
Statements.....	F-3
Unaudited Pro Forma Combined	
Balance Sheet.....	F-4
Unaudited Pro Forma Combined	
Statements of Operations.....	F-5
Notes to Unaudited Pro Forma	
Combined Financial	
Statements.....	F-7
COMFORT SYSTEMS USA, INC.	
Report of Independent Public	
Accountants.....	F-11
Balance Sheets.....	F-12
Statement of Operations.....	F-13
Statement of Stockholders'	
Equity.....	F-14
Statement of Cash Flows.....	F-15
Notes to Financial Statements...	F-16
FOUNDING COMPANIES	
QUALITY AIR HEATING & COOLING, INC.	
Report of Independent Public	
Accountants.....	F-19
Balance Sheets.....	F-20
Statements of Operations.....	F-21
Statements of Shareholders'	
Equity.....	F-22
Statements of Cash Flows.....	F-23
Notes to Financial Statements...	F-24
ATLAS COMFORT SERVICES USA, INC.	
AND SUBSIDIARY	
Report of Independent Public	
Accountants.....	F-29
Consolidated Balance Sheets....	F-30
Consolidated Statements of	
Operations.....	F-31
Consolidated Statements of	
Shareholders' Equity.....	F-32
Consolidated Statements of Cash	
Flows.....	F-33
Notes to Consolidated Financial	
Statements.....	F-34
TRI-CITY MECHANICAL, INC.	
Report of Independent Public	
Accountants.....	F-42
Balance Sheets.....	F-43
Statements of Operations.....	F-44
Statements of Shareholders'	
Equity.....	F-45
Statements of Cash Flows.....	F-46
Notes to Financial Statements...	F-47
S.M. LAWRENCE INC. AND RELATED	
COMPANY	
Report of Independent Public	
Accountants.....	F-52
Combined Balance Sheets.....	F-53
Combined Statements of	
Operations.....	F-54
Combined Statements of	
Shareholders' Equity.....	F-55
Combined Statements of Cash	
Flows.....	F-56
Notes to Combined Financial	
Statements.....	F-57

	PAGE

ACCURATE AIR SYSTEMS, INC.	
Report of Independent Public	
Accountants.....	F-63
Balance Sheets.....	F-64
Statements of Operations.....	F-65
Statements of Shareholder's	
Equity.....	F-66
Statements of Cash Flows.....	F-67
Notes to Financial Statements...	F-68
EASTERN HEATING AND COOLING, INC.	
Report of Independent Public	
Accountants.....	F-75
Balance Sheets.....	F-76
Statements of Operations.....	F-77
Statements of Shareholder's	
Equity.....	F-78
Statements of Cash Flows.....	F-79
Notes to Financial Statements...	F-80
CONTRACT SERVICE, INC.	
Report of Independent Public	
Accountants.....	F-85
Balance Sheets.....	F-86
Statements of Operations.....	F-87
Statements of Shareholders'	
Equity.....	F-88
Statements of Cash Flows.....	F-89
Notes to Financial Statements...	F-90
TECH HEATING AND AIR CONDITIONING, INC. AND RELATED COMPANY	
Report of Independent Public	
Accountants.....	F-95
Combined Balance Sheets.....	F-96
Combined Statements of	
Operations.....	F-97
Combined Statements of	
Shareholders' Equity.....	F-98
Combined Statements of Cash	
Flows.....	F-99
Notes to Combined Financial	
Statements.....	F-100
SEASONAIR, INC.	
Report of Independent Public	
Accountants.....	F-105
Balance Sheets.....	F-106
Statements of Operations.....	F-107
Statements of Shareholders'	
Equity.....	F-108
Statements of Cash Flows.....	F-109
Notes to Financial Statements...	F-110
WESTERN BUILDING SERVICES, INC.	
Report of Independent Public	
Accountants.....	F-115
Balance Sheets.....	F-116
Statements of Operations.....	F-117
Statements of Shareholders'	
Equity.....	F-118
Statements of Cash Flows.....	F-119
Notes to Financial Statements...	F-120

COMFORT SYSTEMS USA, INC. AND FOUNDING COMPANIES
UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS
BASIS OF PRESENTATION

The following unaudited pro forma combined financial statements give effect to the acquisitions by Comfort Systems USA, Inc. ("Comfort Systems") of the outstanding capital stock of Quality, Atlas, Tri-City, Lawrence, Accurate, Eastern, CSI/Bonneville, Seasonair, Tech, Western, Freeway and Standard (together, the "Founding Companies"). These acquisitions (the "Mergers") will occur simultaneously with the closing of Comfort Systems' initial public offering (the "Offering") and will be accounted for using the purchase method of accounting. Comfort Systems has been identified as the accounting acquirer for financial statement presentation purposes.

The unaudited pro forma combined balance sheet gives effect to the Mergers and the Offering as if they had occurred on March 31, 1997. The unaudited pro forma combined statements of operations give effect to these transactions as if they had occurred on January 1, 1996.

Comfort Systems has preliminarily analyzed the savings that it expects to be realized from reductions in salaries and certain benefits to the owners. To the extent the owners of the Founding Companies have agreed prospectively to reductions in salary, bonuses and benefits, these reductions have been reflected in the pro forma combined statements of operations. With respect to other potential cost savings, Comfort Systems has not and cannot quantify these savings until completion of the combination of the Founding Companies. It is anticipated that these savings will be offset by costs related to Comfort Systems' new corporate management and by the costs associated with being a public company. However, because these costs cannot be accurately quantified at this time, they have not been included in the pro forma financial information of Comfort Systems.

The pro forma adjustments are based on estimates, available information and certain assumptions and may be revised as additional information becomes available. The pro forma financial data do not purport to represent what Comfort Systems' financial position or results of operations would actually have been if such transactions in fact had occurred on those dates and are not necessarily representative of the Comfort Systems' financial position or results of operations for any future period. Since the Founding Companies were not under common control or management, historical combined results may not be comparable to, or indicative of, future performance. The unaudited pro forma combined financial statements should be read in conjunction with the other financial statements and notes thereto included elsewhere in this Prospectus. See "Risk Factors" included elsewhere herein.

expenses.....	866	437	1,548	2,866	--	18,371	(2,866)	15,505
Payable to shareholder/affiliate.....	--	--	--	--	37,943	42,448	(41,818)	630
Billings in excess of costs and earnings.....	134	21	44	--	--	3,450	--	3,450
Deferred income taxes.....	--	--	49	--	--	266	--	266
Other.....	--	--	120	--	--	511	--	511
Total current liabilities.....	1,091	555	1,960	2,866	37,943	69,771	(44,684)	25,087
Deferred income taxes.....	17	--	--	--	--	17	--	17
Long-term debt, net of current maturities.....	9	241	370	--	11,025	13,719	--	13,719
Payable to shareholder/affiliate.....	68	--	--	--	--	573	--	573
Total liabilities.....	1,185	796	2,330	2,866	48,968	84,080	(44,684)	39,396
Commitments and contingencies.....	--	--	--	--	--	--	--	--
Stockholders' equity:								
Common stock.....	78	1	42	42	(293)	140	61	201
Additional paid-in-capital.....	1	62	419	10,655	81,953	93,201	64,015	157,216
Retained earnings.....	745	371	458	(10,655)	(9,061)	--	--	--
Treasury stock.....	(235)	--	(50)	--	1,201	--	--	--
Total stockholders' equity.....	589	434	869	42	73,800	93,341	64,076	157,417
Total liabilities and stockholders' equity.....	\$ 1,774	\$1,230	\$ 3,199	\$2,908	\$ 122,768	\$177,421	\$ 19,392	\$196,813

COMFORT SYSTEMS USA, INC.
 UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS
 YEAR ENDED DECEMBER 31, 1996
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	QUALITY	ATLAS	TRI-CITY	LAWRENCE	ACCURATE	EASTERN	CSI/BONNEVILLE
REVENUES.....	\$29,597	\$ 30,030	\$24,237	\$17,163	\$16,806	\$7,944	\$ 7,842
COST OF SERVICES.....	18,467	25,071	18,561	12,211	13,270	5,276	5,201
Gross profit.....	11,130	4,959	5,676	4,952	3,536	2,668	2,641
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	6,640	2,858	3,903	4,885	3,037	2,237	1,660
GOODWILL AMORTIZATION.....	--	--	--	--	--	--	--
INCOME FROM OPERATIONS.....	4,490	2,101	1,773	67	499	431	981
OTHER INCOME (EXPENSE):							
Interest income.....	--	--	152	47	--	--	--
Interest expense.....	(154)	(292)	--	--	(80)	(87)	(29)
Other.....	97	65	89	8	14	40	51
INCOME BEFORE INCOME TAXES.....	4,433	1,874	2,014	122	433	384	1,003
PROVISION FOR INCOME TAXES.....	--	750	--	60	--	--	--
NET INCOME.....	\$ 4,433	\$ 1,124	\$ 2,014	\$ 62	\$ 433	\$ 384	\$ 1,003
NET INCOME PER SHARE.....							
SHARES USED IN COMPUTING PRO FORMA NET INCOME PER SHARE(1).....							

	TECH	SEASONAIR	WESTERN	OTHER FOUNDING COMPANIES	COMFORT SYSTEMS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
REVENUES.....	\$ 7,537	\$6,737	\$6,494	\$ 13,138	\$--	\$ --	\$ 167,525
COST OF SERVICES.....	3,996	4,006	4,662	8,991	--	--	119,712
Gross profit.....	3,541	2,731	1,832	4,147	--	--	47,813
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	1,861	2,597	1,088	3,616	--	(6,568)	27,814
GOODWILL AMORTIZATION.....	--	--	--	--	--	3,214	3,214
INCOME FROM OPERATIONS.....	1,680	134	744	531	--	3,354	16,785
OTHER INCOME (EXPENSE):							
Interest income.....	--	--	--	17	--	--	216
Interest expense.....	(18)	(21)	(51)	--	--	(935)	(1,667)
Other.....	31	82	(21)	34	--	--	490
INCOME BEFORE INCOME TAXES.....	1,693	195	672	582	--	2,419	15,824
PROVISION FOR INCOME TAXES.....	--	69	--	49	--	6,687	7,615
NET INCOME.....	\$ 1,693	\$ 126	\$ 672	\$ 533	\$--	\$ (4,268)	\$ 8,209
NET INCOME PER SHARE.....							\$ 0.45
SHARES USED IN COMPUTING PRO FORMA NET INCOME PER SHARE(1).....							18,205,952

(1) Includes (i) 2,969,912 shares issued to Notre, (ii) 1,269,935 shares issued to management of and consultants to Comfort Systems, (iii) 9,720,927 shares issued to owners of the Founding Companies and (iv) 4,245,178 of the 6,100,000 shares sold in the Offering necessary to pay the cash portion of the Merger consideration and expenses of this Offering. The 1,854,822 shares excluded reflects the net cash proceeds to Comfort Systems.

COMFORT SYSTEMS USA, INC.
 UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS
 THREE MONTHS ENDED MARCH 31, 1997
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	QUALITY	ATLAS	TRI-CITY	LAWRENCE	ACCURATE	EASTERN	CSI/BONNEVILLE
REVENUES.....	\$ 8,766	\$ 6,115	\$ 6,791	\$ 4,565	\$ 2,642	\$1,284	\$ 1,562
COST OF SERVICES.....	5,372	4,866	5,946	3,326	2,095	805	1,045
Gross profit.....	3,394	1,249	845	1,239	547	479	517
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	2,094	753	567	698	526	582	458
GOODWILL AMORTIZATION.....	--	--	--	--	--	--	--
INCOME (LOSS) FROM OPERATIONS.....	1,300	496	278	541	21	(103)	59
OTHER INCOME (EXPENSE):							
Interest income.....	38	--	25	--	1	--	2
Interest expense.....	(29)	(54)	--	--	(33)	(20)	(17)
Other.....	(34)	17	9	2	7	--	9
INCOME (LOSS) BEFORE INCOME TAXES....	1,275	459	312	543	(4)	(123)	53
PROVISION FOR INCOME TAXES.....	--	188	--	217	--	--	--
NET INCOME (LOSS).....	\$ 1,275	\$ 271	\$ 312	\$ 326	\$ (4)	\$ (123)	\$ 53
NET INCOME PER SHARE.....							
SHARES USED IN COMPUTING PRO FORMA							
NET INCOME PER SHARE(1).....							

	TECH	SEASONAIR	WESTERN	OTHER FOUNDING COMPANIES	COMFORT SYSTEMS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
REVENUES.....	\$ 1,656	\$1,831	\$1,072	\$ 3,221	\$ --	\$ --	\$ 39,505
COST OF SERVICES.....	1,034	1,165	812	2,334	--	--	28,800
Gross profit.....	622	666	260	887	--	--	10,705
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	565	644	231	909	10,655	(11,083)	7,599
GOODWILL AMORTIZATION.....	--	--	--	--	--	803	803
INCOME (LOSS) FROM OPERATIONS.....	57	22	29	(22)	(10,655)	10,280	2,303
OTHER INCOME (EXPENSE):							
Interest income.....	--	--	--	6	--	--	72
Interest expense.....	(10)	(3)	(11)	--	--	(207)	(384)
Other.....	11	28	(2)	15	--	--	62
INCOME (LOSS) BEFORE INCOME TAXES....	58	47	16	(1)	(10,655)	10,073	2,053
PROVISION FOR INCOME TAXES.....	--	23	--	--	--	578	1,006
NET INCOME (LOSS).....	\$ 58	\$ 24	\$ 16	\$ (1)	\$ (10,655)	\$ 9,495	\$ 1,047
NET INCOME PER SHARE.....							\$ 0.06
SHARES USED IN COMPUTING PRO FORMA							
NET INCOME PER SHARE(1).....							18,205,952

(1) Includes (i) 2,969,912 shares issued to Notre, (ii) 1,269,935 shares issued to management of and consultants to Comfort Systems, (iii) 9,720,927 shares issued to owners of the Founding Companies and (iv) 4,245,178 of the 6,100,000 shares sold in the Offering necessary to pay the cash portion of the Merger consideration and expenses of this Offering. The 1,854,822 shares excluded reflects the net cash proceeds to Comfort Systems.

COMFORT SYSTEMS USA, INC. AND FOUNDING COMPANIES
 NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

1. GENERAL:

Comfort Systems USA, Inc. ("Comfort Systems") was founded to become a leading national provider of comprehensive heating, ventilation and air conditioning ("HVAC") installation services as well as maintenance, repair and replacement of HVAC systems, focusing primarily on commercial and industrial markets. Comfort Systems has conducted no operations to date and will acquire the Founding Companies concurrently and as a condition with the closing of this Offering.

The historical financial statements reflect the financial position and results of operations of the Founding Companies and were derived from the respective Founding Companies' financial statements where indicated. The periods included in these financial statements for the individual Founding Companies are as of and for the three months ended March 31, 1997 and for the year ended December 31, 1996, with the exception of Lawrence for which the period is as of and for the three months ended January 31, 1997 and for the fiscal year ended October 31, 1996. The audited historical financial statements included elsewhere herein have been included in accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 80.

2. ACQUISITION OF FOUNDING COMPANIES:

Concurrently with and as a condition to the closing of this Offering, Comfort Systems will acquire all of the outstanding capital stock of the Founding Companies. The acquisitions will be accounted for using the purchase method of accounting with Comfort Systems being treated as the accounting acquirer.

The following table sets forth the consideration to be paid (a) in cash and (b) in shares of Common Stock to the common stockholders of each of the Founding Companies. For purposes of computing the estimated purchase price for accounting purposes, the value of the shares is determined using an estimated fair value of \$9.60 per share (or \$93.3 million), which represents a discount of twenty percent from the assumed initial public offering price of \$12 due to restrictions on the sale and transferability of the shares issued. The total estimated purchase price of \$135.1 million for the acquisitions is based upon preliminary estimates and is subject to certain purchase price adjustments at and following closing. The table does not reflect the distributions totaling \$16.8 million constituting substantially all of the Founding Companies undistributed earnings previously taxed to their stockholders ("S Corporation Distributions").

	CASH	SHARES OF COMMON STOCK
	-----	-----
	(DOLLARS IN THOUSANDS)	
Quality	\$ 9,306	2,207,158
Atlas.....	6,336	1,432,000
Tri-City.....	8,012	1,557,962
Lawrence.....	4,154	1,197,796
Accurate.....	2,903	564,537
Eastern.....	644	304,216
CSI/Bonneville.....	1,674	493,672
Tech.....	3,690	717,408
Seasonair.....	1,399	272,084
Western.....	1,867	362,939
Freeway.....	959	319,698
Standard.....	874	291,457
	-----	-----
Total.....	\$ 41,818	9,720,927
	=====	=====

3. UNAUDITED PRO FORMA COMBINED BALANCE SHEET ADJUSTMENTS:

- (a) Records the S Corporation Distributions of \$16.8 million (including \$3.9 million recorded as a payable to affiliate at Quality) of which \$5.8 million is expected to be paid using cash on hand and \$11.0 million is expected to be funded using debt (See (b) below).
- (b) Records the debt obtained to fund the S Corporation Distributions.
- (c) Records the liability for the cash portion of the consideration to be paid to the stockholders of the Founding Companies in connection with the Mergers.
- (d) Records the purchase of the Founding Companies by Comfort Systems consisting of \$41.8 million in cash and 9,720,927 shares of Common Stock valued at \$9.60 per share (or \$93.3 million) for a total estimated purchase price of \$135.1 million resulting in excess purchase price of \$128.5 million over the net assets acquired of \$6.6 million. See Note 2.
- (e) Records the cash proceeds of \$73.2 million from the issuance of shares of Comfort Systems Common Stock net of estimated offering costs of \$9.1 million (based on an assumed initial public offering price of \$12 per share and includes the payment of deferred offering costs of \$2.9 million incurred through March 31, 1997). Offering costs primarily consist of underwriting discounts and commissions, accounting fees, legal fees and printing expenses.
- (f) Records the cash portion of the consideration to be paid to the stockholders of the Founding Companies in connection with the Mergers.

The following table summarizes unaudited pro forma combined balance sheet adjustments (in thousands):

	ADJUSTMENT				PRO FORMA
	(A)	(B)	(C)	(D)	ADJUSTMENTS
ASSETS					
Cash and cash equivalents.....	\$ (16,785)	\$ 11,025	\$ --	\$ --	\$ (5,760)
Total current assets.....	(16,785)	11,025	--	--	(5,760)
Goodwill, net.....	--	--	--	128,528	128,528
Total assets.....	\$ (16,785)	\$ 11,025	\$ --	\$ 128,528	\$ 122,768
LIABILITIES AND STOCKHOLDERS' EQUITY					
Payable to shareholder/affiliate.....	\$ (3,875)	\$ --	\$ 41,818	\$ --	\$ 37,943
Total current liabilities.....	(3,875)	--	41,818	--	37,943
Long-term debt, net of current maturities.....	--	11,025	--	--	11,025
Total liabilities.....	(3,875)	11,025	41,818	--	48,968
Stockholders' equity:					
Common stock.....	--	--	--	(293)	(293)
Additional paid-in capital.....	(12,910)	--	(41,818)	136,681	81,953
Retained earnings.....	--	--	--	(9,061)	(9,061)
Treasury stock.....	--	--	--	1,201	1,201
Total stockholders' equity.....	(12,910)	--	(41,818)	128,528	73,800
Total liabilities and stockholders' equity.....	\$ (16,785)	\$ 11,025	\$ --	\$ 128,528	\$ 122,768
POST MERGER ADJUSTMENTS					
ASSETS					
Cash and cash equivalents.....	\$ 64,076	\$ (41,818)	\$ 22,258		
Other.....	(2,866)	--	(2,866)		
Total current assets.....	61,210	(41,818)	19,392		
Total assets.....	\$ 61,210	\$ (41,818)	\$ 19,392		
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable and accrued expenses...	\$ (2,866)	\$ --	\$ (2,866)		
Payable to shareholder/affiliate.....	--	(41,818)	(41,818)		
Total current liabilities.....	(2,866)	(41,818)	(44,684)		
Total liabilities.....	(2,866)	(41,818)	(44,684)		
Stockholders' equity:					

Common stock.....	61	--	61
Additional paid-in capital.....	64,015	--	64,015
Retained earnings.....	--	--	--
Treasury stock.....	--	--	--
	-----	-----	-----
Total stockholders' equity.....	64,076	--	64,076
	-----	-----	-----
Total liabilities and stockholders'			
equity.....	\$ 61,210	\$ (41,818)	\$ 19,392
	=====	=====	=====

4. UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS ADJUSTMENTS:

YEAR ENDED DECEMBER 31, 1996

- (a) Reflects the reduction in salaries, bonuses and benefits from an aggregate total of \$9.0 million to \$2.4 million to the owners of the Founding Companies to which they have agreed prospectively.
- (b) Reflects the amortization of goodwill to be recorded as a result of these Mergers over a 40-year estimated life.
- (c) Reflects the interest expense on borrowings of \$12.5 million necessary to fund the S Corporation Distributions.
- (d) Reflects the incremental provision for federal and state income taxes relating to the other statements of operations adjustments and for income taxes on S Corporation income.

The following table summarizes unaudited pro forma combined statements of operations adjustments (in thousands):

	ADJUSTMENT				PRO FORMA ADJUSTMENTS
	(A)	(B)	(C)	(D)	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	\$ (6,568)	\$ --	\$ --	\$ --	\$ (6,568)
GOODWILL AMORTIZATION.....	--	3,214	--	--	3,214
INCOME (LOSS) FROM OPERATIONS.....	6,568	(3,214)	--	--	3,354
OTHER INCOME (EXPENSE):					
Interest expense.....	--	--	(935)	--	(935)
INCOME (LOSS) BEFORE INCOME TAXES....	6,568	(3,214)	(935)	--	2,419
PROVISION FOR INCOME TAXES.....	--	--	--	6,687	6,687
NET INCOME (LOSS).....	\$ 6,568	\$ (3,214)	\$ (935)	\$ (6,687)	\$ (4,268)

THREE MONTHS ENDED MARCH 31, 1997

- (a) Reflects the reduction in salaries, bonuses and benefits from an aggregate total of \$1.0 million to \$0.6 million to the owners of the Founding Companies to which they have agreed prospectively.
- (b) Reflects the amortization of goodwill to be recorded as a result of these Mergers over a 40-year estimated life.
- (c) Reflects the interest expense on borrowings of \$11.0 million necessary to fund the S Corporation Distributions.
- (d) Reflects the incremental provision for federal and state income taxes relating to the other statements of operations adjustments and for income taxes on S Corporation income.
- (e) Reflects the reduction in compensation expense related to the non-recurring, non-cash compensation charge of \$10.7 million recorded by Comfort in the first quarter of 1997 related to Common Stock issued to management of and consultants to the Company.

The following table summarizes unaudited pro forma combined statements of operations adjustments (in thousands):

	ADJUSTMENT					PRO FORMA ADJUSTMENTS
	(A)	(B)	(C)	(D)	(E)	
SELLING, GENERAL AND ADMINISTRATIVE						
EXPENSES.....	\$ (428)	\$ --	\$ --	\$ --	(10,655)	\$ (11,083)
GOODWILL AMORTIZATION.....	--	803	--	--	--	803
INCOME (LOSS) FROM OPERATIONS.....	428	(803)	--	--	10,655	10,280
OTHER INCOME (EXPENSE):						
Interest expense.....	--	--	(207)	--	--	(207)
INCOME (LOSS) BEFORE INCOME TAXES....	428	(803)	(207)	--	10,655	10,073
PROVISION FOR INCOME						
TAXES.....	--	--	--	578	--	578
NET INCOME (LOSS).....	\$ 428	\$ (803)	\$ (207)	\$ (578)	\$ 10,655	\$ 9,495

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Comfort Systems USA, Inc.:

We have audited the accompanying balance sheet of Comfort Systems USA, Inc. as of December 31, 1996. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Comfort Systems USA, Inc. as of December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 25, 1997

COMFORT SYSTEMS USA, INC.
BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31, 1996	MARCH 31, 1997
	-----	-----
ASSETS		
CASH AND CASH EQUIVALENTS.....	\$ 1	\$ 42
DEFERRED OFFERING COSTS.....	177	2,866
	-----	-----
Total assets.....	\$ 178	\$ 2,908
	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY		
ACCRUED LIABILITIES AND AMOUNTS DUE TO STOCKHOLDER.....	\$ 177	\$ 2,866
STOCKHOLDER'S EQUITY:		
Preferred stock, \$.01 par, 5,000,000 authorized, none issued and outstanding.....	--	--
Common stock, \$.01 par, 52,969,912 shares authorized, 121,139 and 4,239,847 shares issued and outstanding, respectively.....	1	42
Additional paid in capital.....	--	10,655
Retained deficit.....	--	(10,655)
	-----	-----
Total stockholder's equity....	1	42
	-----	-----
Total liabilities and stockholder's equity.....	\$ 178	\$ 2,908
	=====	=====

Reflects a 121.1387-for-one stock split effective on March 19, 1997.
The accompanying notes are an integral part of these financial statements.

COMFORT SYSTEMS USA, INC.
STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 1997 (UNAUDITED)
(IN THOUSANDS)

REVENUES.....	\$ --
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	10,655

LOSS BEFORE INCOME TAXES.....	(10,655)
INCOME TAX BENEFIT.....	--

NET LOSS.....	\$ (10,655)
	=====

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

COMFORT SYSTEMS USA, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM INCEPTION (DECEMBER 12, 1996)
THROUGH MARCH 31, 1997
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT			
Initial Capitalization.....	121,139	\$ 1	\$ --	\$ --	\$ 1
BALANCE, December 31, 1996.....	121,139	1	--	--	1
Issuance of Management Shares (unaudited).....	4,118,708	41	10,655	--	10,696
Net loss (unaudited).....	--	--	--	(10,655)	(10,655)
BALANCE, March 31, 1997 (unaudited).....	4,239,847	\$ 42	\$10,655	\$ (10,655)	\$ 42

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

COMFORT SYSTEMS USA, INC.
STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 1997 (UNAUDITED)
(IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Loss.....	\$ (10,655)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities--	
Compensation expense related to issuance of management shares...	10,655
Changes in assets and liabilities--	
Increase in deferred offering costs.....	(2,689)
Increase in accrued liabilities and amounts due to stockholder.....	2,689

Net cash provided by operating activities.....	--

CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of stock.....	41

Net cash provided by financing activities.....	41

NET INCREASE IN CASH AND CASH EQUIVALENTS.....	
	41
CASH AND CASH EQUIVALENTS, beginning of period.....	1

CASH AND CASH EQUIVALENTS, end of period.....	\$ 42
	=====

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

1. BUSINESS AND ORGANIZATION:

Comfort Systems USA, Inc., a Delaware corporation, ("Comfort Systems" or the "Company") was founded in December 1996 to become a national provider of comprehensive HVAC installation services and maintenance, repair and replacement of HVAC systems, focusing primarily on the commercial and industrial markets. Comfort intends to acquire 12 U.S. businesses (the "Mergers"), complete an initial public offering (the "Offering") of its common stock and, subsequent to the Offering, continue to acquire through merger or purchase, similar companies to expand its national operations.

Comfort Systems has not conducted any operations, and all activities to date have related to the Offering and the Mergers. The Company's cash balances were generated from the initial capitalization of the Company (see Note 3). All other expenditures to date have been funded by the primary stockholder, Notre Capital Ventures II, L.L.C. ("Notre"), on behalf of the Company. Since there were no revenues, expenses or cash flows from Inception (December 12, 1996) through December 31, 1996, statements of operations and cash flows have been omitted for this period. Notre has committed to fund the organization expenses and offering costs. As of December 31, 1996 and March 31, 1997, costs of approximately \$177,000 and \$2,866,000 (unaudited), respectively have been incurred by Notre in connection with the Offering. Comfort Systems has treated these costs as deferred offering costs. Comfort Systems is dependent upon the Offering to execute the pending Mergers. There is no assurance that the pending Mergers discussed below will be completed or that Comfort Systems will be able to generate future operating revenues.

2. INTERIM FINANCIAL INFORMATION:

The interim financial statements as of March 31, 1997, and for the three months then ended are unaudited, and certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the interim financial statements, have been included. The results of operations for the interim period is not necessarily indicative of the results for the entire fiscal year.

3. STOCKHOLDER'S EQUITY:

COMMON STOCK AND PREFERRED STOCK

Comfort Systems effected a 121.1387-for-one stock split on March 19, 1997 for each share of common stock of the Company ("Common Stock") then outstanding. In addition, the Company increased the number of authorized shares of Common Stock to 52,969,912 and authorized 5,000,000 shares of \$.01 par value preferred stock. The effects of the Common Stock split and the increase in the shares of authorized Common Stock have been retroactively reflected on the balance sheet and in the accompanying notes.

In connection with the organization and initial capitalization of Comfort Systems, the Company issued 121,139 shares of common stock at \$.01 per share to Notre. In January 1997, the Company issued 2,848,773 additional shares to Notre for \$.01 per share.

In January and February 1997, the Company issued a total of 1,269,935 shares of Common Stock to management and consultants to the Company at a price of \$.01 per share. As a result, the Company recorded a non-recurring, non-cash compensation charge of \$10.7 million (unaudited) in the first quarter of 1997, representing the difference between the amount paid for the shares and an estimated fair value of the shares on the date of sale.

RESTRICTED COMMON STOCK

In March 1997, the primary stockholder exchanged its 2,742,912 shares of Common Stock for an equal number of shares of restricted voting common stock ("Restricted Common Stock"). The holder of Restricted Common Stock is entitled to elect one member of the Company's Board of Directors and to 0.55 of one vote for each share on all other matters on which they are entitled to vote. Holders of Restricted Common Stock are not entitled to vote on the election of any other directors.

Each share of Restricted Common Stock will automatically convert to Common Stock on a share-for-share basis (i) in the event of a disposition of such share of Restricted Common Stock by the holder thereof (other than a distribution which is a distribution by a holder to its partners or beneficial owners, or a transfer to a related party of such holders (as defined in Sections 267, 707, 318 and/or 4946 of the Internal Revenue of 1986, as amended), (ii) in the event any person acquires beneficial ownership of 15% or more of the total number of outstanding shares of Common Stock of the Company, or (iii) in the event any person offers to acquire 15% or more of the total number of outstanding shares of Common Stock of the Company. After July 1, 1998, the Board of Directors may elect to convert any remaining shares of Restricted Common Stock into shares of Common Stock in the event 80% or more of the originally outstanding shares of Restricted Common Stock have been previously converted into shares of Common Stock.

LONG-TERM INCENTIVE PLAN

In March 1997, the Company's stockholders approved the Company's 1997 Long-Term Incentive Plan (the "Plan"), which provides for the granting or awarding of incentive or non-qualified stock options, stock appreciation rights, restricted or deferred stock, dividend equivalents and other incentive awards to directors, officers, key employees and consultants to the Company. The number of shares authorized and reserved for issuance under the Plan is the greater of 2,500,000 shares or 13% of the aggregate number of shares of Common Stock outstanding. The terms of the option awards will be established by the Compensation Committee of the Company's Board of Directors. The Company intends to file a registration statement on Form S-8 under the Securities Act registering the issuance of shares upon exercise of options granted under this Plan. The Company expects to grant non-qualified stock options to purchase a total of 675,000 shares of Common Stock to key employees of the Company at the initial public offering price upon consummation of the Offering. In addition, the Company expects to grant options to purchase a total of 1,271,953 shares of Common Stock to certain employees of the Founding Companies at the initial public offering price per share. These options will vest at the rate of 20% per year, commencing on the first anniversary of the Offering and will expire seven years from the date of grant or three months following termination of employment.

NON-EMPLOYEE DIRECTORS STOCK PLAN

In March 1997, the Company's stockholders approved the 1997 Non-Employee Directors' Stock Plan (the "Directors' Plan"), which provides for the granting or awarding of stock options and stock appreciation rights to nonemployees. The number of shares authorized and reserved for issuance under the Stock Plan is 250,000 shares. The Directors' Plan provides for the automatic grant of options to purchase 10,000 shares to each non-employee director serving at the commencement of the Offering.

Each non-employee director will be granted options to purchase an additional 10,000 shares at the time of the initial election. In addition, each director will be automatically granted options to purchase 5,000 shares at each annual meeting of the stockholders occurring more than two months after the date of the

director's initial election. All options will be exercised at the fair market value at the date of grant and are immediately vested upon grant.

Options will be granted to each of two future and one current member of the board of directors to purchase 10,000 shares of Common Stock at the initial Offering price per share effective upon the consummation of this Offering. These options will expire the earlier of 10 years from the date of grant or one year after termination of service as a director.

The Directors' Plan allows non-employee directors to receive shares ("deferred shares") at future settlement dates in lieu of cash. The number of deferred shares will have an aggregate fair market value equal to the fees payable to the directors.

4. STOCK BASED COMPENSATION:

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," allows entities to choose between a new fair value based method of accounting for employee stock options or similar equity instruments and the current intrinsic, value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB No. 25"). Entities electing to remain with the accounting in APB Opinion No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied. The Company will provide pro forma disclosure of net income and earnings per share, as applicable, in the notes to future consolidated financial statements.

5. EVENTS SUBSEQUENT TO THE DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

Wholly-owned subsidiaries of Comfort Systems have signed definitive agreements to acquire by merger or share exchange 12 companies ("Founding Companies") to be effective contemporaneously with the Offering. The companies to be acquired are Accurate Air Systems, Inc., Atlas Comfort Services USA, Inc. and Subsidiary, Contract Service, Inc., Eastern Heating and Cooling, Inc., Freeway Heating and Air Conditioning, Inc., Quality Air Heating & Cooling, Inc., Seasonair, Inc., S.M. Lawrence Inc. and Related Company, Standard Heating and Air Conditioning Company, Tech Heating and Air Conditioning, Inc. and Related Company, Tri-City Mechanical, Inc. and Western Building Services, Inc. The aggregate consideration that will be paid by Comfort Systems to acquire the Founding Companies is approximately \$41.8 million in cash and 9,720,927 shares of Common Stock.

On March 26, 1997, Comfort Systems filed a registration statement on Form S-1 for the sale of its common stock. See "Risk Factors" included elsewhere herein.

The Company has received a commitment for a revolving line of credit of \$75.0 million. The facility is intended to be used for acquisitions, capital expenditures, refinancing of debt not paid out of the proceeds of this Offering and for general corporate purposes. The credit facility will require the Company to comply with various loan covenants including (i) maintenance of certain financial ratios, (ii) restrictions on additional indebtedness, and (iii) restrictions on liens, guarantees, advances and dividends. The line of credit is subject to customary closing conditions and the completion of definitive documentation.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Quality Air Heating & Cooling, Inc.:

We have audited the accompanying balance sheets of Quality Air Heating & Cooling, Inc., as of March 31, 1995 and 1996, and December 31, 1996, and the related statements of operations, shareholders' equity and cash flows for the years ended March 31, 1995 and 1996, the nine months ended December 31, 1996, and the year ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quality Air Heating & Cooling, Inc., as of March 31, 1995 and 1996, and December 31, 1996, and the results of their operations and their cash flows for the years ended March 31, 1995 and 1996, the nine months ended December 31, 1996 and the year ended December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

QUALITY AIR HEATING & COOLING, INC.
BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	MARCH 31,		DECEMBER 31,	MARCH 31,
	1995	1996	1996	1997
	(UNAUDITED)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents.....	\$ 1,669	\$ 4,191	\$ 2,651	\$ 3,778
Accounts receivable --				
Trade, net of allowance of				
\$87, \$80, \$80 and \$80,				
respectively.....	4,510	4,188	5,260	5,896
Retainage.....	457	464	453	536
Other receivables.....	14	12	5	6
Inventories.....	445	480	541	601
Costs and estimated earnings in				
excess of billings on				
uncompleted contracts.....	1,192	964	1,312	595
Prepaid expenses and other				
current assets.....	92	63	17	50
Federal income tax deposit.....	506	654	691	692
Total current				
assets.....	8,885	11,016	10,930	12,154
PROPERTY AND EQUIPMENT, net.....	771	708	758	774
Total assets.....	\$ 9,656	\$ 11,724	\$ 11,688	\$ 12,928
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current maturities of long-term				
debt.....	\$ 470	\$ 613	\$ 675	\$ 695
Accounts payable and accrued				
expenses.....	2,786	2,734	2,178	2,654
Dividends payable to				
shareholder.....	1,538	3,314	1,519	3,875
Billings in excess of costs and				
estimated earnings on				
uncompleted contracts.....	897	604	1,254	988
Unearned revenue.....	335	362	372	391
Total current				
liabilities.....	6,026	7,627	5,998	8,603
LONG-TERM DEBT, net of current				
maturities.....	2,444	1,392	646	362
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' EQUITY:				
Common stock, no par value;				
250,000 shares authorized and				
issued, 183,993 shares				
outstanding.....	22	22	22	22
Additional paid-in capital.....	6	6	6	6
Retained earnings.....	2,056	3,575	5,914	4,833
Treasury stock, 66,007 shares,				
at cost.....	(898)	(898)	(898)	(898)
Total shareholders'				
equity.....	1,186	2,705	5,044	3,963
Total liabilities and				
shareholders'				
equity.....	\$ 9,656	\$ 11,724	\$ 11,688	\$ 12,928

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

QUALITY AIR HEATING & COOLING, INC.
 STATEMENTS OF OPERATIONS
 (IN THOUSANDS)

	YEARS ENDED MARCH 31,		NINE MONTHS ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1996	THREE MONTHS ENDED MARCH 31,	
	1995	1996			1996	1997
	(UNAUDITED)					
REVENUES.....	\$ 24,434	\$ 32,594	\$ 23,282	\$ 29,597	\$ 6,315	\$ 8,766
COST OF SERVICES.....	15,634	20,850	14,176	18,467	4,291	5,372
Gross profit.....	8,800	11,744	9,106	11,130	2,024	3,394
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	6,646	6,791	5,032	6,640	1,608	2,094
Income from operations.....	2,154	4,953	4,074	4,490	416	1,300
OTHER INCOME (EXPENSE):						
Interest expense.....	(36)	(218)	(101)	(154)	(53)	(29)
Other.....	53	98	60	97	37	4
NET INCOME.....	\$ 2,171	\$ 4,833	\$ 4,033	\$ 4,433	\$ 400	\$ 1,275

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

QUALITY AIR HEATING & COOLING, INC.
 STATEMENTS OF SHAREHOLDERS' EQUITY
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCE, March 31, 1994.....	250,000	\$ 22	\$ 6	\$ 3,636	\$--	\$ 3,664
Purchase of treasury stock.....	--	--	--	--	(898)	(898)
Distributions to shareholders.....	--	--	--	(3,751)	--	(3,751)
Net income.....	--	--	--	2,171	--	2,171
BALANCE, March 31, 1995.....	250,000	22	6	2,056	(898)	1,186
Distributions to shareholders.....	--	--	--	(3,314)	--	(3,314)
Net income.....	--	--	--	4,833	--	4,833
BALANCE, March 31, 1996.....	250,000	22	6	3,575	(898)	2,705
Distributions to shareholders.....	--	--	--	(1,694)	--	(1,694)
Net income.....	--	--	--	4,033	--	4,033
BALANCE, December 31, 1996.....	250,000	22	6	5,914	(898)	5,044
Distribution to shareholders (unaudited).....	--	--	--	(2,356)	--	(2,356)
Net income (unaudited).....	--	--	--	1,275	--	1,275
BALANCE, March 31, 1997 (unaudited)....	250,000	\$ 22	\$ 6	\$ 4,833	\$ (898)	\$ 3,963

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

QUALITY AIR HEATING & COOLING, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED MARCH 31		NINE MONTHS ENDED DECEMBER 31,	YEAR ENDED DECEMBER 31,	THREE MONTHS ENDED MARCH 31,	
	1995	1996	1996	1996	1996	1997
	(UNAUDITED)					
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income.....	\$ 2,171	\$ 4,833	\$ 4,033	\$ 4,433	\$ 400	\$ 1,275
Adjustments to reconcile net income to net cash provided by (used in) operating activities --.....						
Depreciation and amortization...	359	371	242	370	121	127
Loss (gain) on sale of property and equipment.....	7	--	25	25	3	(1)
Changes in operating assets and liabilities --.....						
(Increase) decrease in --.....						
Accounts receivable.....	(1,334)	317	(1,054)	335	1,389	(720)
Inventories.....	(6)	(35)	(61)	(76)	(15)	(60)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(804)	228	(348)	(253)	95	717
Prepaid expenses and other current assets.....	(15)	29	46	(3)	(49)	(33)
Federal income tax deposit.....	50	(148)	(37)	(185)	(148)	(1)
Increase (decrease) in --.....						
Accounts payable and accrued expenses.....	470	(52)	(556)	(481)	74	476
Billings in excess of costs and estimated earnings on uncompleted contracts.....	477	(293)	650	269	(381)	(266)
Unearned revenue.....	(15)	27	10	26	17	19
	1,360	5,277	2,950	4,460	1,506	1,533
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sale of property and equipment.....	21	--	14	14	4	3
Additions of property and equipment.....	(467)	(308)	(331)	(455)	(123)	(145)
	(446)	(308)	(317)	(441)	(119)	(142)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Borrowings of long-term debt.....	3,000	--	--	--	--	--
Payments of long-term debt.....	(226)	(909)	(684)	(903)	(219)	(264)
Distributions to shareholders.....	(3,088)	(1,538)	(3,489)	(3,488)	--	--
Purchase of treasury stock.....	(898)	--	--	--	--	--
	(1,212)	(2,447)	(4,173)	(4,391)	(219)	(264)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(298)	2,522	(1,540)	(372)	1,168	1,127
CASH AND CASH EQUIVALENTS, beginning of period.....	1,967	1,669	4,191	3,023	3,023	2,651
CASH AND CASH EQUIVALENTS, end of period.....	\$ 1,669	\$ 4,191	\$ 2,651	\$ 2,651	\$ 4,191	\$ 3,778
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Cash paid for --						
Interest.....	\$ 44	\$ 201	\$ 107	\$ 152	\$ 45	\$ 25

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

QUALITY AIR HEATING & COOLING, INC.
NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Quality Air Heating & Cooling, Inc., a Michigan corporation, (the "Company") focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems primarily for mid-sized to large commercial facilities. Quality primarily operates throughout western Michigan.

The Company and its shareholders intend to enter into a definitive agreement with Comfort Systems USA, Inc. ("Comfort Systems"), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Comfort Systems common stock concurrently with the consummation of the initial public offering (the "Offering") of the common stock of Comfort Systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTERIM FINANCIAL INFORMATION

The interim financial statements as of March 31, 1997, and for the three months ended March 31, 1996 and 1997, are unaudited, and certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the interim financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset.

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

REVENUE RECOGNITION

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to total estimated costs for each contract. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined.

QUALITY AIR HEATING & COOLING, INC.
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

WARRANTY COSTS

The Company warrants labor for the first year after installation on new air conditioning and heating systems. The Company generally warrants labor for 30 days after servicing of existing air conditioning and heating systems. A reserve for warranty costs is recorded upon completion of installation or service.

INCOME TAXES

The Company has elected S Corporation status as defined by the Internal Revenue Code, whereby the Company is not subject to taxation for federal purposes. Under S Corporation status, the shareholders report their share of the Company's taxable earnings or losses in their personal tax returns. The Company will terminate its S Corporation status concurrently with the effective date of this Offering. Included in current assets are deposits to prepay certain of the shareholders' federal income taxes.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (dollars in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	MARCH 31,		DECEMBER 31, 1996
		1995	1996	
Transportation equipment.....	5	\$ 1,449	\$ 1,554	\$1,725
Machinery and equipment.....	7	480	453	465
Computer and telephone equipment.....	5-7	80	87	90
Leasehold improvements.....	5	838	834	859
Furniture and fixtures.....	7	435	414	459
		-----	-----	-----
Less -- Accumulated depreciation and amortization.....		(2,511)	(2,634)	(2,840)
		-----	-----	-----
Property and equipment, net.....		\$ 771	\$ 708	\$ 758
		=====	=====	=====

QUALITY AIR HEATING & COOLING, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS (IN THOUSANDS):

Activity in the Company's allowance for doubtful accounts consists of the following:

	MARCH 31,		DECEMBER 31,
	1995	1996	1996
Balance at beginning of year.....	\$ 70	\$ 87	\$ 80
Additions to costs and expenses.....	142	35	2
Deductions for uncollectible receivables written off and recoveries.....	(125)	(42)	(2)
	\$ 87	\$ 80	\$ 80
	=====	=====	=====

Accounts payable and accrued expenses consist of the following:

	MARCH 31,		DECEMBER 31,
	1995	1996	1996
Accounts payable, trade.....	\$ 1,353	\$ 1,145	\$ 921
Accrued compensation and benefits....	540	693	426
Other accrued expenses.....	893	896	831
	\$ 2,786	\$ 2,734	\$2,178
	=====	=====	=====

Installation contracts in progress are as follows:

	MARCH 31,		DECEMBER 31,
	1995	1996	1996
Costs incurred on contracts in progress.....	\$ 5,240	\$ 7,697	\$ 7,231
Estimated earnings, net of losses....	1,556	2,588	2,433
	6,796	10,285	9,664
Less -- Billings to date.....	6,501	9,925	9,606
	\$ 295	\$ 360	\$ 58
	=====	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 1,192	\$ 964	\$ 1,312
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(897)	(604)	(1,254)
	\$ 295	\$ 360	\$ 58
	=====	=====	=====

5. LONG-TERM DEBT:

Long-term debt consists of a note payable to a bank. The debt is secured by certain equipment, accounts receivable, inventory, a \$1,000,000 life insurance policy on the president and the personal guaranty of the president limited to 50 percent of the outstanding balance of the loan. The note is payable in monthly installments of \$63,000 including interest at the prime lending rate less .25 percent (8 percent at December 31, 1996). The Company has restrictive and various financial covenants with which the Company was in compliance at December 31, 1996.

QUALITY AIR HEATING & COOLING, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The maturities of long-term debt as of December 31, 1996, are as follows (in thousands):

Year ending December 31,	
1997.....	\$ 675
1998.....	646

	\$ 1,321
	=====

The Company has a \$2,000,000 line of credit with a bank. The line of credit expires August 1, 1997, and bears interest at one-half percent below the prime lending rate. The line of credit is secured by accounts receivable, inventory, a \$1,000,000 life insurance policy, and machinery and equipment. There was no balance outstanding under this line of credit at March 31, 1995 and 1996, and December 31, 1996.

6. LEASES:

The Company leases a facility from a company which is owned by one of the Company's shareholders. The lease expires on April 30, 2005. Quality has an option to renew the lease for one additional three-year term on the same terms. The rent paid under this related-party lease was approximately \$221,000 for each of the years ended March 31, 1995 and 1996, and December 31, 1996. The Company also leases a facility from a third party, which expires on June 30, 1998. The rent paid under this lease was approximately \$20,000 for each of the years ended March 31, 1995 and 1996, and December 31, 1996. The Company has guaranteed the payment of two series of public bonds issued in 1985 and 1990, respectively, by the Michigan Strategic Fund on behalf of two real property development entities owned by a shareholder, the proceeds of which were used to fund the construction of the Company's leased warehouse facility and a second adjacent warehouse. As of March 1997, approximately \$1.6 million of the bond debt remained outstanding.

Future minimum lease payments under these non-cancellable operating leases are as follows (in thousands):

Year ending December 31,	
1997.....	\$ 241
1998.....	231
1999.....	221
2000.....	221
2001.....	221
Thereafter.....	718

	\$ 1,853
	=====

7. RELATED-PARTY TRANSACTIONS:

The Company paid management fees to an entity owned by its majority shareholder through December 31, 1995. Total management fees paid amounted to \$260,000 and \$190,000 for the years ended March 31, 1995 and 1996, respectively.

8. EMPLOYEE BENEFIT PLAN:

The Company has a defined contribution profit sharing plan. The plan provides for the Company to match one-half of the first 4 percent contributed by each employee. Total contributions by the Company under the plan were approximately \$104,000, \$110,000 and \$125,000 for the years ending March 31, 1995 and 1996, and December 31, 1996, respectively. The Company may also make discretionary contributions. The Company made discretionary contributions of \$200,000 and \$300,000 for the years ended March 31,

1995 and 1996, and had accrued approximately \$169,000 at December 31, 1996, for contributions to be funded in 1997.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, a line of credit, notes payable and debt. The Company believes that the carrying value of these instruments on the accompanying balance sheet approximates their fair value.

10. COMMITMENTS AND CONTINGENCIES:

LITIGATION

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

INSURANCE

The Company carries a broad range of insurance coverage, including business auto liability, general liability and an umbrella policy. The Company has not incurred significant claims or losses on any of these insurance policies.

The Company is self-insured for medical claims up to \$30,000 per year per covered individual. Additionally, the Company is part of the state's workers' compensation plan and is responsible for claims up to \$275,000 per accident with a maximum aggregate exposure for twenty-four months of \$648,000. Claims in excess of these amounts are covered by a stop-loss policy. Under the state's policy, the Company has a \$300,000 letter of credit which expires December 31, 1997. The Company has recorded reserves for its portion of self-insured claims based on estimated claims incurred through March 31, 1995 and 1996 and December 31, 1996.

ROYALTY AGREEMENT

The Company is obligated to pay royalties ranging from 1 percent to 4.5 percent based on the level of service revenues through December 1, 2001, for management systems support. Royalties paid under this agreement were approximately \$157,000, \$159,000 and \$165,000 for the years ended March 31, 1995 and 1996 and December 31, 1996.

11. SHAREHOLDERS' EQUITY:

On February 15, 1995, the Company acquired 66,007 shares of common stock from its majority shareholder for approximately \$898,000.

12. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In March 1997, the Company and its shareholders entered into a definitive agreement with a wholly-owned subsidiary of Comfort Systems, providing for the merger of the Company with the subsidiary of Comfort Systems.

As of March 31, 1997, the Company declared and accrued distributions of \$2,356,000 to its shareholders. In connection with the merger, the Company will make additional cash distributions of approximately \$4,833,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at March 31, 1997, the effect on the accompanying unaudited balance sheet would be a decrease in assets of \$3,478,000, an increase in liabilities of \$1,355,000 and a decrease in shareholders' equity of \$4,833,000.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Atlas Comfort Services USA, Inc.:

We have audited the accompanying consolidated balance sheets of Atlas Comfort Services USA, Inc. (a Texas corporation) and its subsidiary (the Company) as of June 30, 1995 and 1996 and December 31, 1996, and the related consolidated statements of operations, shareholders' equity and cash flows for the years ended June 30, 1994, 1995 and 1996 and the six months ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atlas Comfort Services USA, Inc., and its subsidiary as of June 30, 1995 and 1996, and December 31, 1996, and the consolidated results of their operations and their cash flows for the three years ended June 30, 1994, 1995 and 1996 and for the six months ended December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

ATLAS COMFORT SERVICES USA, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	JUNE 30,		DECEMBER 31,	MARCH 31,
	1995	1996	1996	1997
				(UNAUDITED)
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents.....	\$ 427	\$ 391	\$ 101	\$ 356
Accounts receivable --				
Trade, net of allowance of				
\$60, \$60, \$100 and \$100,				
respectively.....	2,920	3,953	2,604	3,226
Retainage.....	904	1,327	1,208	1,280
Officers, employees and				
other receivables.....	114	172	159	158
Inventories.....	1,685	2,000	1,770	1,676
Costs and estimated earnings in				
excess of billings on				
uncompleted contracts.....	1,050	681	676	314
Current deferred income taxes...	155	164	145	145
Prepaid expenses and other				
current assets.....	40	27	82	56
	-----	-----	-----	-----
Total current				
assets.....	7,295	8,715	6,745	7,211
PROPERTY AND EQUIPMENT, net.....	231	484	499	598
OTHER ASSETS:				
Goodwill, net.....	24	23	22	22
Deferred income tax.....	167	105	88	88
	-----	-----	-----	-----
Total assets.....	\$ 7,717	\$ 9,327	\$7,354	\$ 7,919
	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Line of credit.....	\$ 500	\$ 600	\$--	\$ 200
Current maturities of notes				
payable to affiliates.....	200	102	107	107
Current obligations under				
capital leases.....	32	92	101	140
Current maturities of long-term				
debt.....	9	348	356	353
Accounts payable and accrued				
expenses.....	3,522	3,295	2,246	2,101
Income tax payable.....	363	390	752	936
Billings in excess of costs and				
estimated earnings on				
uncompleted contracts.....	1,115	1,947	523	570
	-----	-----	-----	-----
Total current				
liabilities.....	5,741	6,774	4,085	4,407
NOTES PAYABLE TO AFFILIATES, net of				
current portion.....	1,271	149	98	75
OBLIGATIONS UNDER CAPITAL LEASES, net				
of current portion.....	44	133	121	209
LONG-TERM DEBT, net of current				
portion.....	21	1,225	1,058	965
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS' EQUITY:				
Common stock, no par value;				
5,000 shares authorized,				
1,000 issued and				
outstanding.....	1	1	1	1
Retained earnings.....	639	1,045	1,991	2,262
	-----	-----	-----	-----
Total shareholders'				
equity.....	640	1,046	1,992	2,263
	-----	-----	-----	-----
Total liabilities and				
shareholders'				
equity.....	\$ 7,717	\$ 9,327	\$7,354	\$ 7,919
	=====	=====	=====	=====

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

ATLAS COMFORT SERVICES USA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED JUNE 30,			SIX MONTHS ENDED DECEMBER 31,	THREE MONTHS ENDED MARCH 31,	
	1994	1995	1996	1996	1996	1997
	(UNAUDITED)					
REVENUES.....	\$ 21,848	\$ 22,444	\$ 29,174	\$ 15,545	\$ 6,207	\$ 6,115
COST OF SERVICES.....	19,657	19,635	25,449	12,508	5,456	4,866
Gross profit.....	2,191	2,809	3,725	3,037	751	1,249
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	2,086	2,166	2,843	1,432	631	753
Income from operations.....	105	643	882	1,605	120	496
OTHER INCOME (EXPENSE):						
Interest expense.....	(156)	(168)	(185)	(107)	(51)	(54)
Other.....	2	28	(11)	78	--	17
Income (loss) before income taxes, extraordinary item, and cumulative effect of a change in accounting principle.....	(49)	503	686	1,576	69	459
Provision for income taxes (benefit).....	(2)	199	280	630	28	188
Income (loss) before extraordinary item and cumulative effect of a change in accounting principle.....	(47)	304	406	946	41	271
Extraordinary item -- gain on extinguishment of debt, net of deferred taxes of \$167,000 (Note 5).....	273	--	--	--	--	--
Income before cumulative effect of a change in accounting principle.....	226	304	406	946	41	271
Cumulative effect on prior years of a change in accounting for income taxes (Note 7).....	141	--	--	--	--	--
NET INCOME.....	\$ 367	\$ 304	\$ 406	\$ 946	\$ 41	\$ 271

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

ATLAS COMFORT SERVICES USA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT FOR SHARE INFORMATION)

	COMMON STOCK		RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT		
BALANCE, December 31, 1993.....	1,000	\$ 1	\$ (32)	\$ (31)
Net income.....	--	--	367	367
BALANCE, June 30, 1994.....	1,000	1	335	336
Net income.....	--	--	304	304
BALANCE, June 30, 1995.....	1,000	1	639	640
Net income.....	--	--	406	406
BALANCE, June 30, 1996.....	1,000	1	1,045	1,046
Net income.....	--	--	946	946
BALANCE, December 31, 1996.....	1,000	1	1,991	1,992
Net income (unaudited).....	--	--	271	271
BALANCE, March 31, 1997 (unaudited).....	1,000	\$ 1	\$ 2,262	\$ 2,263

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

ATLAS COMFORT SERVICES USA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED JUNE 30,			SIX MONTHS ENDED DECEMBER 31,	THREE MONTHS ENDED MARCH 31,	
	1994	1995	1996	1996	1996	1997
	(UNAUDITED)					
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income.....	\$ 367	\$ 304	\$ 406	\$ 946	\$ 41	\$ 271
Adjustments to reconcile net income to net cash provided by (used in) operating activities --						
Depreciation and amortization.....	104	124	92	84	27	33
Cumulative effect of a change in accounting principle.....	(141)	--	--	--	--	--
Extraordinary gain on extinguishment of debt....	(440)	--	--	--	--	--
Deferred income tax provision.....	167	(196)	54	36	--	--
Changes in operating assets and liabilities --						
(Increase) decrease in --						
Accounts receivable.....	(1,672)	148	(1,514)	1,481	816	(693)
Inventories.....	(264)	(554)	(315)	230	(460)	94
Costs and estimated earnings in excess of billings on uncompleted contracts....	(145)	(266)	369	5	317	362
Prepaid expenses and other current assets.....	121	(14)	13	(55)	124	26
Increase (decrease) in --						
Accounts payable and accrued expenses.....	1,320	(417)	(227)	(1,049)	(135)	(146)
Income tax payable.....	--	363	27	362	(259)	184
Billings in excess of costs and estimated earnings on uncompleted contracts....	585	437	834	(1,424)	(445)	47
Net cash provided by (used in) operating activities.....	2	(71)	(261)	616	26	178
CASH FLOWS FROM INVESTING ACTIVITIES:						
Additions to property and equipment.....	(139)	(67)	(121)	(50)	(96)	(131)
Net cash used in investing activities.....	(139)	(67)	(121)	(50)	(96)	(131)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Net borrowings on line of credit.....	400	100	100	(600)	240	200
Principal payments on notes payable to affiliates.....	(38)	(261)	(1,219)	(50)	(23)	(23)
Borrowings on notes payable to affiliates.....	1,202	100	--	3	--	--
Principal payments on long-term debt.....	(1,067)	(14)	(150)	(176)	(29)	(95)
Borrowings on long-term debt....	41	--	1,689	15	315	19
Additions to (principal payments on) capital lease obligations.....	(29)	(37)	(74)	(48)	(9)	107
Net cash provided by (used in) financing activities.....	509	(112)	346	(856)	494	208
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	372	(250)	(36)	(290)	424	255
CASH AND CASH EQUIVALENTS, beginning of period.....	305	677	427	391	--	101
CASH AND CASH EQUIVALENTS, end of period.....	\$ 677	\$ 427	\$ 391	\$ 101	\$ 424	\$ 356
=====						
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Cash paid for --						
Income Taxes.....	\$ --	\$ 30	\$ 200	\$ 224	\$ 200	\$ --

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

1. BUSINESS AND ORGANIZATION:

Atlas Comfort Services USA, Inc., a Texas corporation, and its subsidiary (the "Company") is a leading provider of HVAC installation services for apartment complexes, condominiums and hotels in the United States and also provides maintenance, repair and replacement of HVAC systems. Atlas primarily operates in the southwest, northeast, and the mid-Atlantic regions of the United States.

The Company and its shareholders intend to enter into a definitive agreement with Comfort Systems USA, Inc. ("Comfort Systems"), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Comfort Systems common stock concurrently with the consummation of the initial public offering (the "Offering") of the common stock of Comfort.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The consolidated financial statements include the accounts and results of operations of the Company and its subsidiary which are under common control and management of two individuals. All significant intercompany transactions and balances have been eliminated in combination.

INTERIM FINANCIAL INFORMATION

The interim consolidated financial statements as of March 31, 1997, and for the three months ended March 31, 1996 and 1997, are unaudited, and certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the consolidated interim financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories consist of duct materials, air conditioning equipment, refrigeration supplies and accessories held for use in the ordinary course of business and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset.

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

REVENUE RECOGNITION

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to total estimated costs for each contract. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

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

WARRANTY COSTS

The Company warrants labor for the first year after installation on new air conditioning and heating units. The Company generally warrants labor for 30 days after servicing of existing air conditioning and heating units. A reserve for warranty costs is recorded upon completion of installation or service.

INCOME TAXES

The Company follows the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109. Under this method, deferred income taxes are recorded based upon the differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets or liabilities are recovered or settled.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GOODWILL

Goodwill, in the amount of \$33,000, represents the excess of cost over the fair value of net assets acquired and is amortized using the straight-line method over 40 years. The Company assesses the recoverability of its goodwill whenever adverse events occur and believes that no material impairment exists.

NEW ACCOUNTING PRONOUNCEMENTS

Effective July 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment, and intangible or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (dollars in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	JUNE 30,		DECEMBER 31,
		1995	1996	1996
Transportation equipment.....	5	\$ 741	\$ 987	\$1,043
Machinery and equipment.....	5	116	140	137
Leasehold improvements.....	3	28	28	28
Furniture and fixtures.....	5	266	286	212
Less -- Accumulated depreciation and amortization.....		(920)	(957)	(921)
Property and equipment, net.....		\$ 231	\$ 484	\$ 499

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS (IN THOUSANDS):

Activity in the Company's allowance for doubtful accounts consists of the following:

	JUNE 30,		DECEMBER 31,
	1995	1996	1996
Balance at beginning of year.....	\$ 60	\$ 60	\$ 60
Additions to costs and expenses.....	75	77	42
Deductions for uncollectible receivables written off and recoveries.....	(75)	(77)	(2)
	\$ 60	\$ 60	\$ 100

Accounts payable and accrued expenses consist of the following:

	JUNE 30,		DECEMBER 31,
	1995	1996	1996
Accounts payable, trade.....	\$ 2,935	\$ 2,409	\$1,582
Accrued compensation and benefits....	197	231	163
Accrued warranty expense.....	250	300	310
Other accrued expenses.....	140	355	191
	\$ 3,522	\$ 3,295	\$2,246

ATLAS COMFORT SERVICES USA, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Installation contracts in progress are as follows:

	JUNE 30,		DECEMBER 31,
	1995	1996	1996
Costs incurred on contracts in progress.....	\$ 11,884	\$ 12,526	\$ 12,643
Estimated earnings, net of losses....	2,666	2,589	2,582
	14,550	15,115	15,225
Less -- Billings to date.....	14,615	16,381	15,072
	\$ (65)	\$ (1,266)	\$ 153
Costs and estimated earnings in excess of billings on uncompleted contracts.....	1,050	681	676
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(1,115)	(1,947)	(523)
	\$ (65)	\$ (1,266)	\$ 153

5. DEBT:

LINE OF CREDIT

The Company has a \$700,000 revolving line-of-credit facility with a bank at the prime lending rate plus 1 percent with interest payable monthly. This credit facility is secured by the Company's cash, accounts receivable, inventory, and unpledged property and equipment. The credit facility is guaranteed by two of the Company's officers and is also secured by investment accounts of certain affiliates. The credit facility had an outstanding balance of \$500,000, \$600,000, and \$0 at June 30, 1995 and 1996 and December 31, 1996, respectively, and matures in January 1998. The Company paid approximately \$8,000, \$33,000 and \$35,000 of interest relating to the revolving credit line for the years ended June 30, 1994, 1995 and 1996 and \$18,500 for the six months ended December 31, 1996.

NOTES PAYABLE TO FINANCIAL INSTITUTIONS

Long-term debt is summarized as follows:

	JUNE 30,		DECEMBER 31,
	1995	1996	1996
(IN THOUSANDS)			
Note payable to a financial institution with interest at prime plus 1%, payable in monthly installments of \$26,667 plus interest through January 1999, when the entire balance of unpaid principal and accrued interest shall be due and payable.....	\$ --	\$ 1,467	\$1,306
Vehicle notes with interest at rates ranging from 7.9% to 9.4%, payable in monthly installments through March 2001.....	30	106	108
	30	1,573	1,414
Less -- Current maturities.....	9	348	356
	\$ 21	\$ 1,225	\$1,058

The note payable to a financial institution is secured by cash, accounts receivable, inventory, property and equipment, and the personal guarantee of the two shareholders. In addition, investment accounts of the shareholders and of certain affiliates of the shareholders are pledged as collateral for the note. The Company paid interest of \$3,000, \$3,000 and \$73,500 for the years ended June 30, 1994, 1995 and 1996, respectively, and \$73,000 for the six months ended December 31, 1996.

ATLAS COMFORT SERVICES USA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In September 1993, the Company and a bank reached a settlement agreement in which the bank released the Company from its total obligation of approximately \$1,500,000 related to a revolving line of credit, installment notes, equipment notes and related accrued interest, for a lump sum payment of \$1,100,000. The payment was funded by the proceeds from the notes payable to affiliates mentioned below. This early extinguishment of debt generated a gain aggregating \$440,000. The Company paid approximately \$77,000 in interest during the year ended June 30, 1994 related to these extinguished notes.

NOTES PAYABLE TO AFFILIATES

Notes payable to affiliates are summarized as follows:

	JUNE 30,		DECEMBER 31,
	1995	1996	1996

(IN THOUSANDS)			
Note payable to a related party in monthly installments of \$5,500 including interest at 10% through March 1998, collateralized by stock of the Company.....	\$ 159	\$ 105	\$ 78
Unsecured note payable to an affiliate in monthly installments of \$2,500 including interest at 6% through September 1996.....	326	--	--
Notes payable to Company officers in monthly installments of \$4,812 including interest at 10% through June 1999.....	186	146	127
Notes payable to Company officers with interest due monthly at the prime rate through September 1996, secured by accounts receivable, certain property and equipment, and intangible assets.....	700	--	--
Unsecured note payable to Company officers with interest and any unpaid principal balance due August 8, 1995, at the rate of 9%.....	100	--	--
	-----	-----	-----
	1,471	251	205
Less -- Current maturities.....	200	102	107
	-----	-----	-----
	\$ 1,271	\$ 149	\$ 98
	=====	=====	=====

The Company paid interest of \$116,400, \$112,600 and \$68,000 related to notes payable to affiliates for the years ended June 30, 1994, 1995 and 1996, respectively, and \$12,600 for the six months ended December 31, 1996.

The aggregate maturities of notes payable to financial institutions and affiliates are as follows (in thousands):

Year ending December 31,	
1997.....	\$ 463
1998.....	424
1999.....	718
2000.....	13
2001 and thereafter.....	1

	\$ 1,619
	=====

6. LEASES:

The Company leases vehicles and warehouse facilities under capital and operating leases expiring through October, 2000. Total rent expense related to operating leases amounted to \$95,000, \$143,000 and \$180,000 for the years ended June 30, 1994, 1995 and 1996, respectively, and \$60,000 for the six months ended December 31, 1996.

Future minimum lease payments for capital and noncancelable operating leases are as follows (in thousands):

	CAPITAL LEASES	NONCANCELABLE OPERATING LEASES
	-----	-----
Year ended December 31,		
1997.....	\$ 117	\$ 142
1998.....	98	23
1999.....	44	--
2000.....	6	--
	-----	-----
Total minimum lease payments....	265	165
Amounts representing interest...	43	

Present value of net minimum lease payments.....	222	
Less -- Current portion.....	101	

Long-term obligation.....	\$ 121	
	=====	

7. INCOME TAXES (IN THOUSANDS):

Federal and state income taxes are as follows:

	YEAR ENDED JUNE 30,			SIX MONTHS ENDED DECEMBER 31,
	1994	1995	1996	1996
	-----	-----	-----	-----
Federal --				
Current.....	\$ (2)	\$ 331	\$ 193	\$ 504
Deferred.....	141	(164)	43	28
State --				
Current.....	--	64	34	90
Deferred.....	26	(32)	10	8
	-----	-----	-----	-----
	\$ 165	\$ 199	\$ 280	\$ 630
	=====	=====	=====	=====

ATLAS COMFORT SERVICES USA, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate rate of 34 percent to income (loss) before income taxes as follows:

	YEAR ENDED JUNE 30,			SIX MONTHS
	1994	1995	1996	ENDED DECEMBER 31, 1996
Provision at the statutory rate.....	\$ (16)	\$ 171	\$ 233	\$ 536
Increase resulting from --				
Permanent differences, mainly meals and entertainment.....	164	7	19	29
State income tax, net of benefit for federal deduction.....	17	21	28	65
	<u>\$ 165</u>	<u>\$ 199</u>	<u>\$ 280</u>	<u>\$ 630</u>

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

	JUNE 30,		DECEMBER 31,
	1995	1996	1996
Accounting for long-term contracts...	\$ 159	\$ 74	\$ (11)
Warranty reserves.....	100	123	127
Inventory.....	32	38	40
Allowance for doubtful accounts.....	36	30	51
Other accrued expenses not deducted for tax purposes.....	25	62	90
Bases differences on property and equipment and capital lease accounting.....	(30)	(58)	(64)
Net deferred tax assets.....	<u>\$ 322</u>	<u>\$ 269</u>	<u>\$ 233</u>

The net deferred tax assets and liabilities are comprised of the following:

	JUNE 30,		DECEMBER 31,
	1995	1996	1996
Deferred tax assets --			
Current.....	\$ 209	\$ 240	\$ 293
Long-term.....	221	171	149
Total.....	<u>430</u>	<u>411</u>	<u>442</u>
Deferred tax liabilities --			
Current.....	(54)	(76)	(148)
Long-term.....	(54)	(66)	(61)
Total.....	<u>(108)</u>	<u>(142)</u>	<u>(209)</u>
Net deferred income tax assets.....	<u>\$ 322</u>	<u>\$ 269</u>	<u>\$ 233</u>

The Company adopted the provisions of SFAS No. 109 in fiscal year 1994 resulting in a cumulative effect of a change in accounting principle of \$141,000.

8. RELATED-PARTY TRANSACTIONS:

Two shareholders lease to the Company the main office facility. Total payments made under this lease agreement amounted to \$90,000 for each of the years ended June 30, 1994, 1995 and 1996, respectively, and \$45,000 for the six months ended December 31, 1996. The Company is in the process of entering into

an agreement with these shareholders to lease land on which a new facility will be built. This lease agreement is anticipated to have a twenty year term.

9. COMMITMENTS AND CONTINGENCIES:

LITIGATION

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal action will have a material adverse effect on the Company's financial position or consolidated results of operations.

INSURANCE

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy. The Company has not incurred significant claims or losses on any of its insurance policies.

10. EMPLOYEE BENEFIT PLAN

The Company sponsors a Profit Sharing and Savings Plan (the "Plan") which covers substantially all employees. The employees who participate in the Plan may contribute 1 percent to 20 percent of their base compensation, and the Company may make discretionary matching contributions. The Company did not make any contributions for the years ended December 31, 1994 and 1995. The Company made \$18,248 in contributions for the year ended June 30, 1996 and \$12,667 for the six months ended December 31, 1996.

11. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, notes receivable, notes payable, a line of credit and long-term debt. The Company believes that the carrying value of these instruments on the accompanying balance sheet approximates their fair value.

12. SIGNIFICANT CUSTOMERS AND VENDORS:

Significant customers are those that account for greater than ten percent of the Company's revenues. For the year ended June 30, 1996 and the six months ended December 31, 1996, one customer, a publicly traded Real Estate Investment Trust, accounted for 14% and 20% of the Company's revenues, respectively. Receivables outstanding from this customer represented 13% and 12% of the Company's trade and retainage receivables as of June 30, 1996 and December 31, 1996, respectively. In addition, one of the Company's shareholders has less than 1% ownership in this customer.

During the years ended June 30, 1994, 1995 and 1996 and the six months ended December 31, 1996, two vendors accounted for 12% and 11%; 29% and 17%; 20% and 17%; and 15% and 12% of the Company's purchases, respectively.

13. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In March 1997, the Company and its shareholders entered into a definitive agreement with a wholly-owned subsidiary of Comfort Systems providing for the merger of the Company with the subsidiary of Comfort Systems.

Concurrently with the merger, the Company will enter into agreements with the shareholders to lease land and buildings used in the Company's operations for negotiated amounts and terms.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Tri-City Mechanical, Inc.:

We have audited the accompanying balance sheets of Tri-City Mechanical, Inc. as of December 31, 1995 and 1996, and the related statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-City Mechanical, Inc. as of December 31, 1995 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

TRI-CITY MECHANICAL, INC.
BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31,		MARCH 31
	1995	1996	1997
			(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 2,551	\$1,958	\$2,665
Restricted cash.....	383	325	328
Investments.....	--	493	500
Accounts Receivable --			
Trade, net of allowance of			
\$130, \$30 and \$30,			
respectively.....	4,495	3,734	3,774
Retainage.....	831	756	728
Other receivables.....	2	11	66
Inventories.....	1,183	762	218
Costs and estimated earnings in			
excess of billings on			
uncompleted contracts.....	306	288	380
Prepaid expenses and other			
current assets.....	1	12	2
	-----	-----	-----
Total current assets.....	9,752	8,339	8,661
PROPERTY AND EQUIPMENT, net.....	508	656	643
	-----	-----	-----
Total assets.....	\$ 10,260	\$8,995	\$9,304
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued			
expenses.....	\$ 2,683	\$2,179	\$2,408
Billings in excess of costs and			
estimated earnings on			
uncompleted contracts.....	2,207	667	435
	-----	-----	-----
Total current			
liabilities.....	4,890	2,846	2,843
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY:			
Common stock, \$10 par 2,500			
shares authorized, 2,500			
issued and outstanding.....	25	25	25
Additional paid-in capital.....	105	105	105
Retained earnings.....	5,240	6,019	6,331
	-----	-----	-----
Total shareholders'			
equity.....	5,370	6,149	6,461
	-----	-----	-----
Total liabilities and			
shareholders' equity....	\$ 10,260	\$8,995	\$9,304
	=====	=====	=====

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

TRI-CITY MECHANICAL, INC.
STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1994	1995	1996	1996	1997
				(UNAUDITED)	
REVENUES.....	\$ 16,883	\$ 25,030	\$ 24,237	\$ 6,482	\$ 6,791
COST OF SERVICES.....	14,271	19,298	18,561	5,082	5,946
Gross profit.....	2,612	5,732	5,676	1,400	845
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	2,219	3,193	3,903	1,026	567
Income from operations.....	393	2,539	1,773	374	278
OTHER INCOME (EXPENSE):					
Interest expense.....	(2)	(1)	--	--	--
Interest income.....	50	132	152	43	25
Other.....	24	81	89	18	9
NET INCOME.....	\$ 465	\$ 2,751	\$ 2,014	\$ 435	\$ 312

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

TRI-CITY MECHANICAL, INC.
 STATEMENTS OF SHAREHOLDERS' EQUITY
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT			
BALANCE, December 31, 1993.....	2,500	\$ 25	\$ 105	\$ 2,577	\$ 2,707
Distributions to shareholders...	--	--	--	(338)	(338)
Net income.....	--	--	--	465	465
BALANCE, December 31, 1994.....	2,500	25	105	2,704	2,834
Distributions to shareholders...	--	--	--	(215)	(215)
Net income.....	--	--	--	2,751	2,751
BALANCE, December 31, 1995.....	2,500	25	105	5,240	5,370
Distributions to shareholders...	--	--	--	(1,235)	(1,235)
Net income.....	--	--	--	2,014	2,014
BALANCE, December 31, 1996.....	2,500	25	105	6,019	6,149
Net income (unaudited).....	--	--	--	312	312
BALANCE, March 31, 1997 (unaudited).....	2,500	\$ 25	\$ 105	\$ 6,331	\$ 6,461

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

TRI-CITY MECHANICAL, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1994	1995	1996	1996	1997
	(UNAUDITED)				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	\$ 465	\$ 2,751	\$ 2,014	\$ 435	\$ 312
Adjustments to reconcile net income to net cash provided by (used in) operating activities --					
Depreciation.....	131	134	102	36	26
Deferred income taxes.....	(218)	--	--	--	--
Gain on sale of property and equipment.....	--	1	(10)	--	--
Changes in operating assets and liabilities --					
(Increase) decrease in --					
Restricted cash.....	(73)	(75)	58	(22)	(3)
Accounts receivable.....	(231)	(1,306)	827	1,048	(67)
Inventories.....	(329)	(801)	421	1,037	544
Costs in excess of billings and estimated earnings on uncompleted contracts.....	17	(90)	18	(146)	(92)
Prepaid expenses and other current assets.....	(14)	28	(11)	(10)	10
Increase (decrease) in --					
Accounts payable and accrued expenses.....	864	519	(504)	(393)	229
Billings in excess of costs and estimated earnings on uncompleted contracts.....	1,360	508	(1,540)	(1,234)	(232)
Net cash provided by operating activities.....	1,972	1,669	1,375	751	727
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment.....	--	18	22	--	--
Additions of property and equipment.....	(311)	(157)	(262)	(6)	(13)
Purchase of investment.....	--	--	(493)	--	(7)
Net cash used in investing activities.....	(311)	(139)	(733)	(6)	(20)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Decrease in payable to shareholders.....	(210)	--	--	--	--
Borrowings on line of credit.....	19	1	--	--	--
Payments on line of credit.....	(17)	(15)	--	--	--
Distributions to shareholders.....	(338)	(215)	(1,235)	--	--
Net cash used in financing activities.....	(546)	(229)	(1,235)	--	--
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	1,115	1,301	(593)	745	707
CASH AND CASH EQUIVALENTS, beginning of period.....	135	1,250	2,551	2,551	1,958
CASH AND CASH EQUIVALENTS, end of period.....	\$ 1,250	\$ 2,551	\$ 1,958	\$ 3,296	\$ 2,665
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid for --					
Interest.....	\$ 2	\$ 1	\$ --	\$ --	\$ --

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

1. BUSINESS AND ORGANIZATION:

Tri-City Mechanical, Inc., an Arizona corporation, (the "Company") focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems primarily for large commercial and industrial facilities, as well as process piping for industrial facilities. Tri-City primarily operates in Arizona, California and Nevada.

The Company and its shareholders intend to enter into a definitive agreement with Comfort Systems USA, Inc. ("Comfort Systems") pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Comfort Systems common stock concurrently with the consummation of the initial public offering (the "Offering") of the common stock of Comfort Systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTERIM FINANCIAL INFORMATION

The interim financial statements as of March 31, 1997, and for the three months ended March 31, 1996 and 1997, are unaudited, and certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the interim financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH

The Company also maintains restricted cash which consists of certificates of deposit. These certificates of deposit are held in a joint checking account between the contractors and Tri-City for the retainage balance due from contractors at the completion of the job.

INVENTORIES

Inventories consist of duct materials, air conditioning equipment, refrigeration supplies and accessories held for use in the ordinary course of business and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

INVESTMENTS

The Company has adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires that investments in debt securities and marketable equity securities be designated as trading, held-to-maturity or available-for-sale. At December 31, 1996, investments have been categorized as held-to-maturity, are stated at cost, and are classified in the balance sheet as current assets. Investments at December 31, 1996 consist of U.S. Treasury Bills.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset.

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

REVENUE RECOGNITION

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to total estimated costs for each contract. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined.

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

WARRANTY COSTS

The Company warrants labor for the first year after installation on new air conditioning and heating systems. The Company generally warrants labor for 30 days after servicing of existing air conditioning and heating systems. A reserve for warranty costs is recorded upon completion of installation or service.

INCOME TAXES

The Company has elected S Corporation status as defined by the Internal Revenue Code, whereby the Company is not subject to taxation for federal purposes. Under S Corporation status, the shareholders report their share of the Company's taxable earnings or losses in their personal tax returns. The Company will terminate its S Corporation status concurrently with the effective date of the Offering.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset is compared to the asset's carrying amount to determine if a write-down to market value is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

TRI-CITY MECHANICAL, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (dollars in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31,	
		1995	1996
Transportation equipment.....	5	\$ 521	\$ 623
Machinery and equipment.....	10	639	680
Computer and telephone equipment.....	5	121	157
Leasehold improvements.....	5	48	48
Furniture and fixtures.....	6	54	54
		-----	-----
		1,383	1,562
Less -- Accumulated depreciation.....		(875)	(906)
		-----	-----
Property and equipment, net.....		\$ 508	\$ 656
		=====	=====

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

	DECEMBER 31,		
	1994	1995	1996
Balance at beginning of year.....	\$ 100	\$ 130	\$ 130
Additions to costs and expenses.....	184	1	48
Deductions for uncollectible receivables written off and recoveries.....	(154)	(1)	(148)
	-----	-----	-----
	\$ 130	\$ 130	\$ 30
	=====	=====	=====

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

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	\$ 2,178	\$ 1,749
Accrued compensation and benefits.....	181	97
Warranty reserve.....	301	278
Other accrued expenses.....	23	55
	-----	-----
	\$ 2,683	\$ 2,179
	=====	=====

TRI-CITY MECHANICAL, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Installation contracts in progress are as follows (in thousands):

	DECEMBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	\$ 14,659	\$ 8,615
Estimated earnings, net of losses....	3,865	2,471
	-----	-----
	18,524	11,086
Less -- Billings to date.....	20,425	11,465
	-----	-----
	\$ (1,901)	\$ (379)
	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 306	\$ 288
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(2,207)	(667)
	-----	-----
	\$ (1,901)	\$ (379)
	=====	=====

5. LONG-TERM DEBT:

The Company has a \$1.0 million line of credit with a financial services company. The line of credit expires October 31, 1997, and bears interest at 9 percent per annum. The line of credit is secured by a lien on accounts receivable. There was no balance outstanding under this line of credit at December 31, 1995 or 1996.

6. LEASES:

The Company leases facilities from a company which is wholly owned by one of the shareholders. The lease expires June 30, 1998. The rent paid under this related-party lease was approximately \$109,000 for the year ended 1996. The lease requires the Company to pay taxes, maintenance, insurance and certain other operating costs of the leased property. The lease contains renewal and termination provisions.

The Company leases vehicles for certain key members of management. The leases expire October 1, 1999. The lease payments under these vehicle leases were approximately \$6,000, \$15,000 and \$16,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

Future minimum lease payments for operating leases are as follows (in thousands):

Year ending December 31 --	
1997.....	\$ 142
1998.....	65
1999.....	3

	\$ 210
	=====

7. EMPLOYEE BENEFIT PLANS:

The Company has adopted a 401(k) plan. The plan provides for the Company to match 20 percent of the first 6 percent contributed by each employee. Total contributions by the Company under this plan were approximately \$13,000, \$22,000 and \$24,000 during 1994, 1995 and 1996, respectively. Amounts due to this plan were approximately \$ --, \$ -- and \$4,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

8. RELATED-PARTY TRANSACTIONS:

The Company provides accounting services and building maintenance at no cost to Nothum Properties & SMAC companies which are wholly owned by the shareholders. The estimated value of the services provided during the years ended December 31, 1994, 1995 and 1996 was \$25,000, \$28,000 and \$30,000, respectively.

9. COMMITMENTS AND CONTINGENCIES:

LITIGATION

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

INSURANCE

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy. The Company has not incurred significant claims or losses on any of its insurance policies.

10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, investments, and a line of credit. The Company believes that the carrying value of these instruments on the accompanying balance sheet approximates their fair value.

11. SALES TO SIGNIFICANT CUSTOMER:

For the years ended December 31, 1994, 1995 and 1996, a customer accounted for approximately 17, 11 and 11 percent, respectively, of the Company's sales.

12. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In March 1997, the Company and its shareholders entered into a definitive agreement with a wholly-owned subsidiary of Comfort Systems, providing for the merger of the Company with the subsidiary of Comfort Systems.

In connection with the merger the Company will make a cash distribution of approximately \$6,331,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at March 31, 1997, the effect on the accompanying unaudited balance sheet would be a decrease in assets of \$2,365,000, an increase in liabilities of \$3,966,000 and a decrease in shareholders' equity of \$6,331,000.

Concurrently with the merger, the Company will enter into agreements with the shareholders to lease land and buildings used in the Company's operations for a negotiated amount and term.

Tri-City has a verbal commitment with a limited liability corporation owned by Mr. Nothum, Jr. and his father to construct new office, operations and warehouse facilities. The Company believes that the rent for its current and future property does not and will not exceed fair market value.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To S. M. Lawrence Inc.:

We have audited the accompanying combined balance sheets of S. M. Lawrence Inc. and related company as of October 31, 1995 and 1996, and the related combined statements of operations, shareholders' equity and cash flows for the three years ended October 31, 1996. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of S. M. Lawrence Inc. and related company as of October 31, 1995 and 1996, and the results of their operations and their cash flows for the three years ended October 31, 1996 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

S. M. LAWRENCE INC. AND RELATED COMPANY
COMBINED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	OCTOBER 31,		JANUARY 31,
	1995	1996	1997
			(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 680	\$ 327	\$--
Accounts receivable --			
Trade.....	1,457	2,493	2,604
Retainage.....	454	896	1,102
Other receivables.....	1	1	--
Note receivable from shareholder...	50	75	76
Inventories.....	215	253	255
Costs and estimated earnings in excess of billings on uncompleted contracts.....	66	358	262
Prepaid expenses and other current assets.....	39	61	31
	-----	-----	-----
Total current assets.....	2,962	4,464	4,330
PROPERTY AND EQUIPMENT, net.....	459	644	716
OTHER NONCURRENT ASSETS.....	138	132	237
	-----	-----	-----
Total assets.....	\$ 3,559	\$ 5,240	\$ 5,283
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Line of credit.....	\$ 10	\$ --	\$ 350
Note payable to affiliate.....	--	--	100
Accounts payable and accrued expenses.....	1,153	2,737	1,241
Income tax payable.....	--	--	217
Billings in excess of costs and estimated earnings on uncompleted contracts.....	299	344	890
	-----	-----	-----
Total current liabilities.....	1,462	3,081	2,798
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY:			
Common stock, no par value, 3,000 shares authorized, 1,480 shares issued and outstanding.....	161	161	161
Treasury stock, at cost.....	(15)	(15)	(15)
Retained earnings.....	1,951	2,013	2,339
	-----	-----	-----
Total shareholders' equity.....	2,097	2,159	2,485
	-----	-----	-----
Total liabilities and shareholders' equity.....	\$ 3,559	\$ 5,240	\$ 5,283
	=====	=====	=====

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

S.M. LAWRENCE INC. AND RELATED COMPANY
 COMBINED STATEMENTS OF OPERATIONS
 (IN THOUSANDS)

	YEARS ENDED OCTOBER 31,			THREE MONTHS ENDED JANUARY 31,	
	1994	1995	1996	1996	1997
	(UNAUDITED)				
REVENUES.....	\$ 12,758	\$ 12,568	\$ 17,163	\$ 3,280	\$ 4,565
COST OF SERVICES.....	9,797	9,142	12,211	2,377	3,326
Gross profit.....	2,961	3,426	4,952	903	1,239
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	2,849	3,477	4,885	996	698
Income (loss) from operations.....	112	(51)	67	(93)	541
OTHER INCOME (EXPENSE):					
Interest income, net.....	32	55	47	--	--
Other.....	(41)	34	8	10	2
INCOME BEFORE INCOME TAXES.....	103	38	122	(83)	543
PROVISION FOR INCOME TAXES.....	50	30	60	138	217
NET INCOME.....	\$ 53	\$ 8	\$ 62	\$ (221)	\$ 326

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

S.M. LAWRENCE INC. AND RELATED COMPANY
 COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		RETAINED EARNINGS	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT			
BALANCE, October 31, 1993.....	1,480	\$ 161	\$ 1,890	\$ (15)	\$ 2,036
Net income.....	--	--	53	--	53
BALANCE, October 31, 1994.....	1,480	161	1,943	(15)	2,089
Net income.....	--	--	8	--	8
BALANCE, October 31, 1995.....	1,480	161	1,951	(15)	2,097
Net income.....	--	--	62	--	62
BALANCE, October 31, 1996.....	1,480	161	2,013	(15)	2,159
Net income (unaudited).....	--	--	326	--	326
BALANCE, January 31, 1997 (unaudited).....	1,480	\$ 161	\$ 2,339	\$ (15)	\$ 2,485

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

S.M. LAWRENCE INC. AND RELATED COMPANY
 COMBINED STATEMENTS OF CASH FLOWS
 (IN THOUSANDS)

	YEARS ENDED OCTOBER 31,			THREE MONTHS ENDED JANUARY 31,	
	1994	1995	1996	1996	1997
	(UNAUDITED)				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	\$ 53	\$ 8	\$ 62	\$ (221)	\$ 326
Adjustments to reconcile net income to net cash provided by (used in) operating activities --					
Depreciation and amortization...	263	121	200	45	61
Loss on sale of property and equipment.....	--	--	--	(2)	--
Changes in operating assets and liabilities					
(Increase) decrease in --					
Accounts receivable.....	262	203	(1,502)	(309)	(317)
Inventories.....	(18)	(26)	(38)	(7)	(2)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	42	26	(292)	(151)	96
Prepaid expenses and other assets.....	46	(13)	3	(106)	30
Increase (decrease) in --					
Accounts payable and accrued expenses.....	(156)	143	1,584	159	(1,279)
Billings in excess of costs on uncompleted contracts.....	33	(171)	45	15	546
Net cash provided by (used in) operating activities.....	525	291	62	(577)	(539)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to cash surrender value of insurance.....	(38)	(45)	(19)	19	(5)
Purchases to property and equipment, net.....	(74)	(380)	(386)	(71)	(133)
Investments.....	--	--	--	--	(100)
Net cash used in investing activities.....	(112)	(425)	(405)	(52)	(238)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings on line of credit.....	--	--	--	--	350
Proceeds received on note from affiliate.....	--	--	--	--	100
Payments on note receivable from shareholder.....	--	(2)	(10)	--	--
Proceeds received on note from shareholder.....	--	12	--	--	--
Payments on note payable to shareholder.....	(181)	--	--	--	--
Net cash provided by (used in) financing activities.....	(181)	10	(10)	--	450
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	232	(124)	(353)	(629)	(327)
CASH AND CASH EQUIVALENTS, beginning of period.....	572	804	680	680	327
CASH AND CASH EQUIVALENTS, end of period.....	\$ 804	\$ 680	\$ 327	\$ 51	\$ --
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid for --					
Interest.....	\$ 14	\$ --	\$ 5	\$ --	\$ 4
Income taxes.....	--	16	14	--	3

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

1. BUSINESS AND ORGANIZATION:

S.M. Lawrence Inc., a Tennessee corporation (the "Company") focuses on providing "design and build" installation services and process piping primarily for industrial facilities and maintenance, repair and replacement of commercial and industrial HVAC systems. S.M. Lawrence primarily operates in Tennessee and the immediately surrounding states.

The Company and its shareholders intend to enter into a definitive agreement with Comfort Systems USA, Inc. ("Comfort Systems") pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Comfort Systems common stock concurrently with the consummation of the initial public offering (the "Offering") of the common stock of Comfort Systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The financial statements include the accounts and results of operations of S.M. Lawrence Inc. and Lawrence Services, Inc. which are under common control and management of two individuals. All significant intercompany transactions and balances have been eliminated in combination.

INTERIM FINANCIAL INFORMATION

The interim combined financial statements as of January 31, 1997, and for the three months ended January 31, 1996 and 1997, are unaudited, and certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the combined interim financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories consist of duct materials, air conditioning equipment, refrigeration supplies and accessories held for use in the ordinary course of business and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using an accelerated method of depreciation. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset.

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

REVENUE RECOGNITION

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-

S.M. LAWRENCE INC. AND RELATED COMPANY
NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

completion method measured by the percentage of costs incurred to total estimated costs for each contract. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined.

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

WARRANTY COSTS

The Company warrants labor and parts for one year after installation of new air conditioning and heating systems. A reserve for warranty costs is recorded upon completion of installation or service.

INCOME TAXES

The Company follows the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109. Under this method, deferred income taxes are recorded based upon the differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets or liabilities are recovered or settled.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment, and intangible or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

S.M. LAWRENCE INC. AND RELATED COMPANY
NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (dollars in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	OCTOBER 31,	
		1995	1996
Transportation equipment.....	5	\$ 774	\$ 907
Machinery and equipment.....	7	648	677
Furniture and fixtures.....	5	145	210
Leasehold improvements.....	32	122	231
Construction in process.....		81	--
		-----	-----
		1,770	2,025
Less -- Accumulated depreciation and amortization.....		(1,311)	(1,381)
		-----	-----
Property and equipment, net.....		\$ 459	\$ 644
		=====	=====

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

	OCTOBER 31,	
	1995	1996
Accounts payable, trade.....	\$ 620	\$ 1,560
Accrued compensation and benefits....	466	1,091
Other accrued expenses.....	67	86
	-----	-----
	\$ 1,153	\$ 2,737
	=====	=====

Installation contracts in progress are as follows (in thousands):

	OCTOBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	\$ 13,475	\$ 15,503
Estimated earnings, net of losses....	4,193	5,641
	-----	-----
	17,668	21,144
Less -- Billings to date.....	17,901	21,130
	-----	-----
	\$ (233)	\$ 14
	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 66	\$ 358
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(299)	(344)
	-----	-----
	\$ (233)	\$ 14
	=====	=====

5. LINE OF CREDIT:

The Company had an unsecured bank line of credit at October 31, 1995 and 1996, with an outstanding balance of \$0 for all years. The available balance was \$800,000 for 1995 and \$850,000 for 1996. The line of credit is secured by guarantees and is payable upon demand. Interest is payable on the line of credit at prime plus 1 percent.

S.M. LAWRENCE INC. AND RELATED COMPANY
 NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

6. LEASES:

The Company leases facilities from a company which is owned by one of the shareholders. The lease is for a one-year period and is renewed annually. For each year ended October 31, 1994, 1995 and 1996, the rent expense under this related-party lease was \$110,400.

7. INCOME TAXES:

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

	OCTOBER 31,		
	1994	1995	1996
Federal --			
Current.....	\$ 25	\$ 24	\$ 54
Deferred.....	17	1	(3)
State --			
Current.....	5	4	10
Deferred.....	3	1	(1)
	---	---	---
	\$ 50	\$ 30	\$ 60
	===	===	===

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate tax rate of 34 percent to income before income taxes for 1994 and 1995 and 35 percent for 1996 as follows (in thousands):

	OCTOBER 31,		
	1994	1995	1996
Provision at the statutory rate.....	\$ 35	\$ 13	\$ 39
Increase resulting from --			
State income tax, net of benefits for federal deduction.....	5	3	6
Other.....	10	14	15
	---	---	---
	\$ 50	\$ 30	\$ 60
	===	===	===

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

	OCTOBER 31,	
	1995	1996
Accruals and reserves not deductible until paid.....	\$ (1)	\$ 2
	---	---
Net deferred income tax assets (liabilities).....	\$ (1)	\$ 2
	===	===

S.M. LAWRENCE INC. AND RELATED COMPANY
NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

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

	OCTOBER 31,	
	1995	1996
Deferred tax assets --		
Current.....	\$ --	\$ 2
Total.....	--	2
Deferred tax liabilities --		
Current.....	(1)	--
Total.....	(1)	--
Net deferred income tax assets (liabilities).....	\$ (1)	\$ 2
	===	===

8. RELATED-PARTY TRANSACTIONS:

The Company loans one of the shareholders money annually. In 1994, the shareholder signed a promissory note for \$44,695 to be paid on demand, accruing interest at eight percent. The entire balance remained outstanding at year-end 1994. The entire note was repaid during fiscal year 1995. In fiscal year 1995, the shareholder signed a promissory note for \$50,435 to be paid on demand, accruing interest at eight percent. The entire amount remained outstanding at year-end 1995. The entire note was repaid during fiscal year 1996. In 1996, the shareholder signed a promissory note for \$75,435 to be paid on demand, accruing interest at eight percent. The entire balance remained outstanding at year-end 1996.

The Company entered into a non-compete agreement with a former major shareholder on November 1, 1991 for \$542,562. Under this agreement, the former shareholder agreed not to compete with the Company for a period of 36 months beginning with November 1, 1991. The principal to be paid was recorded as an asset and was fully amortized over 36 months. The last payment of \$180,854 was made during fiscal 1994.

In September 1995, the Company entered into an agreement to purchase equipment from a related party. The terms of the agreement included a \$2,776 cash down payment and a note payable due in one year for \$11,852. Payments on the note were \$1,975 and \$9,877 during 1995 and 1996, respectively.

9. COMMITMENTS AND CONTINGENCIES:

LITIGATION

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

INSURANCE

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy. The Company has not incurred significant claims or losses on any of its insurance policies.

The Company has adopted a partially self-funded medical plan. Under this plan, the Company pays up to \$20,000 per year per employee. The Company's insurance copay pays the remaining amount. For the years ended December 31, 1994, 1995, and 1996 the Company contributed \$102,647, \$82,866 and \$143,788, respectively. For claims incurred but not yet reported the Company accrued \$25,000 for the years ended December 31, 1995 and 1996.

10. EMPLOYEE BENEFIT PLANS:

The Company has adopted a 401(k) retirement plan which provides for 100 percent matching contribution by the Company, up to a maximum liability of 5 percent of each participating employee's annual compensation. The Company has the right to make additional discretionary contributions. Total contributions by the Company under this plan to provide contributions and pay expenses were \$57,434, \$141,105 and \$368,377 during 1994, 1995, and 1996, respectively. Amounts due to this plan were approximately \$117,508 and \$397,000 for the years ended December 31, 1995 and 1996, respectively.

11. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, notes receivable, investments, notes payable and a line of credit. The Company believes that the carrying value of these instruments on the accompanying balance sheet approximates their fair value.

12. SALES TO SIGNIFICANT CUSTOMER:

During 1996, one customer accounted for approximately 19 percent of the Company's sales.

13. SUBSEQUENT EVENT:

In December 1996, the Company entered into an agreement to purchase a one-third interest in an investment. The investment is a partnership and will own an aircraft, available for use by any of the partners. The Company's cost for this investment was \$100,000. In connection with the agreement, the Company signed a note payable to the partnership on December 31, 1996 for \$100,000 with interest of 7 percent. This note was fully paid in 1997.

14. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In March 1997, the Company and its shareholders entered into a definitive agreement with a wholly-owned subsidiary of Comfort Systems, providing for the merger of the Company with the subsidiary of Comfort Systems.

Concurrently with the merger, the Company will enter into agreements with the shareholders to lease land and buildings used in the Company's operations for a negotiated amount and term.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Accurate Air Systems, Inc.:

We have audited the accompanying balance sheets of Accurate Air Systems, Inc. as of June 30, 1995, December 31, 1995 and 1996, and the related statements of operations, shareholder's equity and cash flows for each of the years ended June 30, 1994 and 1995, for the six months ended December 31, 1995, and for the year ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Accurate Air Systems, Inc., as of June 30, 1995, December 31, 1995 and 1996, and the results of their operations and their cash flows for the years ended June 30, 1994 and 1995, for the six months ended December 31, 1995, and for the year ended December 31, 1996 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

ACCURATE AIR SYSTEMS, INC.
BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	JUNE 30, 1995	DECEMBER 31, 1995	DECEMBER 31, 1996	MARCH 31, 1997
	-----	-----	-----	-----
(UNAUDITED)				
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents.....	\$ 50	\$ 33	\$ 79	\$ 104
Accounts receivable --				
Trade, net of allowance of \$70, \$70, \$33 and \$28, respectively.....	1,385	1,671	1,778	2,035
Retainage.....	550	321	725	267
Other receivables.....	8	16	18	85
Inventories.....	122	129	104	141
Costs and estimated earnings in excess of billings on uncompleted contracts.....	275	212	231	228
Prepaid expenses and other current assets.....	181	81	--	--
	-----	-----	-----	-----
Total current assets.....	2,571	2,463	2,935	2,860
PROPERTY AND EQUIPMENT, net.....	804	1,014	925	932
DEFERRED TAX ASSET.....	14	--	--	--
	-----	-----	-----	-----
Total assets.....	\$3,389	\$3,477	\$3,860	\$3,792
	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDER'S EQUITY				
CURRENT LIABILITIES:				
Current maturities of long-term debt.....	\$ 88	\$ 109	\$ 42	\$ 16
Accounts payable and accrued expenses.....	1,707	1,355	1,236	1,197
Line of credit.....	374	600	500	700
Note payable -- shareholder.....	--	--	630	630
Billings in excess of costs and estimated earnings on uncompleted contracts.....	229	206	312	97
	-----	-----	-----	-----
Total current liabilities.....	2,398	2,270	2,720	2,640
LONG-TERM DEBT, net of current maturities.....	56	175	133	149
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDER'S EQUITY:				
Common stock \$1 par, 250,000 shares authorized, 1,000 shares issued and outstanding.....	1	1	1	1
Retained earnings.....	934	1,031	1,006	1,002
	-----	-----	-----	-----
Total shareholder's equity.....	935	1,032	1,007	1,003
	-----	-----	-----	-----
Total liabilities and shareholder's equity.....	\$3,389	\$3,477	\$3,860	\$3,792
	=====	=====	=====	=====

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

ACCURATE AIR SYSTEMS, INC.
STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEARS ENDED JUNE 30,		SIX MONTHS	YEAR ENDED	THREE MONTHS	
	1994	1995	ENDED DECEMBER 31, 1995	DECEMBER 31, 1996	ENDED MARCH 31,	
					1996	1997
					(UNAUDITED)	
REVENUES.....	\$9,763	\$ 12,171	\$5,585	\$ 16,806	\$ 3,161	\$ 2,642
COSTS OF SERVICES.....	7,204	8,998	4,312	13,270	2,450	2,095
Gross profit.....	2,559	3,173	1,273	3,536	711	547
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	2,681	2,960	1,131	3,037	684	526
Income (Loss) from operations.....	(122)	213	142	499	27	21
OTHER INCOME/(EXPENSE):						
Interest expense.....	(21)	(48)	(41)	(80)	(20)	(32)
Other.....	(9)	(9)	(4)	14	23	7
INCOME (LOSS) BEFORE INCOME TAXES....	(152)	156	97	433	30	(4)
PROVISION (BENEFIT) FOR INCOME TAXES.....	(54)	60	--	--	--	--
NET INCOME (LOSS).....	\$ (98)	\$ 96	\$ 97	\$ 433	\$ 30	\$ (4)

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

ACCURATE AIR SYSTEMS, INC.
 STATEMENTS OF SHAREHOLDER'S EQUITY
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		RETAINED EARNINGS	TOTAL SHAREHOLDER'S EQUITY
	SHARES	AMOUNT		
BALANCE, June 30, 1993.....	1,000	\$ 1	\$ 941	\$ 942
Net loss.....	--	--	(98)	(98)
BALANCE, June 30, 1994.....	1,000	1	843	844
Distribution to shareholder.....	--	--	(5)	(5)
Net income.....	--	--	96	96
BALANCE, June 30, 1995.....	1,000	1	934	935
Net income.....	--	--	97	97
BALANCE, December 31, 1995.....	1,000	1	1,031	1,032
Distributions to shareholder....	--	--	(458)	(458)
Net income.....	--	--	433	433
BALANCE, December 31, 1996.....	1,000	\$ 1	\$1,006	\$ 1,007
Net loss (unaudited).....	--	--	(4)	(4)
BALANCE, March 31, 1997 (unaudited).....	1,000	\$ 1	\$1,002	\$ 1,003

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

ACCURATE AIR SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED JUNE 30,		SIX MONTHS ENDED	YEAR ENDED	THREE MONTHS ENDED	
	1994	1995	DECEMBER 31, 1995	DECEMBER 31, 1996	MARCH 31,	
					1996	1997
	(UNAUDITED)					
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss).....	\$ (98)	\$ 96	\$ 97	\$ 433	\$ 30	\$ (4)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities --						
Depreciation and amortization...	128	124	85	186	31	36
Deferred income tax provision...	(150)	(70)	81	--	--	--
Changes in operating assets and liabilities --						
(Increase) decrease in --						
Accounts receivable.....	127	(395)	(66)	(513)	(458)	134
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(90)	(58)	63	(19)	(60)	3
Prepaid expenses and other current assets.....	(1)	(44)	31	81	78	--
Inventories.....	(22)	(16)	(7)	25	(9)	(37)
Increase (decrease) in --						
Accounts payable and accrued expenses.....	365	419	(350)	(119)	176	(39)
Billings in excess of costs and estimated earnings on uncompleted contracts.....	64	119	(22)	106	71	(215)
Net cash provided by (used in) operating activities.....	323	175	(88)	180	(141)	(122)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Sales (purchase) of property and equipment.....	(100)	(347)	(295)	(97)	16	(43)
Net cash provided by (used in) investing activities.....	(100)	(347)	(295)	(97)	16	(43)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Borrowings of long-term debt.....	--	183	192	--	--	--
Payments of long-term debt.....	(186)	(39)	(52)	(109)	(29)	(10)
Borrowings of short-term debt.....	--	--	--	630	--	--
Borrowings on line of credit.....	50	--	226	--	160	200
Payments on line of credit.....	--	(76)	--	(100)	--	--
Distributions to shareholder.....	--	(5)	--	(458)	--	--
Net cash provided by (used in) financing activities.....	(136)	63	366	(37)	131	190
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	87	(109)	(17)	46	6	25
CASH AND CASH EQUIVALENTS, beginning of period.....	72	159	50	33	33	79
CASH AND CASH EQUIVALENTS, end of period.....	\$ 159	\$ 50	\$ 33	\$ 79	\$ 39	\$ 104
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Cash paid for --						
Interest.....	\$ 21	\$ 48	\$ 41	\$ 79	\$ 8	\$ 33
Income taxes.....	53	34	--	--	--	--

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

1. BUSINESS AND ORGANIZATION:

Accurate Air Systems, Inc., a Texas corporation, (the "Company") focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial facilities. Accurate primarily operates in Texas and Oklahoma.

The Company and its shareholder intend to enter into a definitive agreement with Comfort Systems USA, Inc. ("Comfort Systems") pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Comfort Systems common stock concurrently with the consummation of the initial public offering (the "Offering") of the common stock of Comfort Systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CHANGE IN FISCAL YEAR END

Effective July 1, 1995, the Company changed its fiscal year end from June 30 to December 31. The statements of operations, shareholder's equity and cash flows for the six months ended December 31, 1995 are presented in the accompanying financial statements. The results of operations for the six month period are not necessarily indicative of the results for a full year period.

INTERIM FINANCIAL INFORMATION

The interim financial statements as of March 31, 1997, and for the three months ended March 31, 1996 and 1997, are unaudited, and certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the interim financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories consist of duct materials, air conditioning equipment, refrigeration supplies and accessories held for use in the ordinary course of business and are stated at the lower of cost or market using the weighted-average method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset.

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

REVENUE RECOGNITION

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-

ACCURATE AIR SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

completion method measured by the percentage of costs incurred to total estimated costs for each contract. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined.

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

WARRANTY COSTS

The Company warrants labor for the first year after installation on new air conditioning and heating systems. The Company generally warrants labor for 90 days after the servicing of existing air conditioning and heating systems. A reserve for warranty costs is recorded upon completion of installation or service.

INCOME TAXES

Effective July 1, 1995, the Company elected S Corporation status as defined by the Internal Revenue Code whereby the Company is not subject to taxation for federal purposes. Under S Corporation status, each shareholder reports his share of the Company's taxable earnings or losses in his personal federal and state tax returns. The balance in the deferred tax liability account at July 1, 1995 was credited to income during the six month period ended December 31, 1995.

Prior to July 1, 1995, the Company followed the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109. Under this method, deferred income taxes were recorded based upon differences between the financial reporting and tax bases of assets and liabilities and were measured using the enacted tax rates and laws that would have been in effect when the underlying assets or liabilities were recovered or settled.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment, and intangible or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (dollars in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	JUNE 30, 1995	DECEMBER 31,	
			1995	1996
Land.....	--	\$ 200	\$ 200	\$ 200
Buildings.....	31.5	205	213	213
Transportation equipment.....	5	414	336	241
Machinery and equipment.....	5 - 7	262	477	510
Leasehold improvements.....	15 - 18	57	60	61
Furniture and fixtures.....	5 - 7	74	122	133
		-----	-----	-----
Less -- Accumulated depreciation and amortization.....		(408)	(394)	(433)
		-----	-----	-----
Property and equipment, net.....		\$ 804	\$ 1,014	\$ 925
		=====	=====	=====

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS (IN THOUSANDS):

Activity in the Company's allowance for doubtful accounts consist of the following:

	JUNE 30, 1995	DECEMBER 31,	
		1995	1996
Balance at beginning of year.....	\$ 57	\$ 70	\$ 70
Additions to costs and expenses.....	19	--	--
Deductions for uncollectible receivables written off and recoveries.....	(6)	--	(37)
	---	---	-----
	\$ 70	\$ 70	\$ 33
	===	===	=====

Accounts payable and accrued expenses consist of the following:

	JUNE 30, 1995	DECEMBER 31,	
		1995	1996
Accounts payable, trade.....	\$ 537	\$ 871	\$ 685
Accrued compensation and benefits....	509	179	288
Other accrued expenses.....	575	243	190
Warranty reserve.....	86	62	73
	-----	-----	-----
	\$1,707	\$ 1,355	\$ 1,236
	=====	=====	=====

Installation contracts in progress are as follows:

	JUNE 30, 1995	DECEMBER 31,	
		1995	1996
Costs incurred on contracts in progress.....	\$4,113	\$ 2,468	\$ 5,514
Estimated earnings, net of losses....	1,428	726	1,760
Less -- Billings to date.....	5,495	3,188	7,355
	-----	-----	-----
	\$ 46	\$ 6	\$ (81)
	=====	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 275	\$ 212	\$ 231
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(229)	(206)	(312)
	-----	-----	-----
	\$ 46	\$ 6	\$ (81)
	=====	=====	=====

5. SHORT-TERM DEBT:

On October 15, 1996, the Company executed a renewal and extension of its revolving line of credit with its bank. The new agreement provides for maximum borrowings of up to \$900,000 with interest payable monthly on the amount outstanding at the rate of prime plus one percent, not to exceed 18 percent. The agreement provides that the Company may borrow up to 70 percent of its accounts receivable that are less than sixty days past due. The revolving line of credit is secured by accounts receivable and the personal guaranty of the sole shareholder, and requires the Company to maintain certain minimum tangible net worth and cash flow ratios. Balances outstanding relating to the line are approximately \$374,000, \$600,000, and \$500,000 as of June 30, 1995, and December 31, 1995 and 1996, respectively. The Company was in compliance with all covenants at each applicable year end.

On December 27, 1996, the Company borrowed \$630,000 from the Company's shareholder. Interest is payable monthly at a rate of 9 percent on the outstanding balance. The note matures on June 30, 1997. The entire balance was outstanding as of December 31, 1996.

6. LONG-TERM DEBT:

	JUNE 30, 1995	DECEMBER 31,	
		1995	1996
	-----	-----	-----
	(IN THOUSANDS)		
Note payable, secured by real estate, payable in twenty-four installments of \$2,540 including interest at 9.50% per annum with the final payment due January 28, 1997.....	\$ 44	\$ 31	\$ --
Notes payable, secured by transportation and operating equipment, monthly installments of various amounts, including interest at rates ranging from 9.00% to 9.75% per annum until 1997.....	100	69	21
Note payable, secured by operating equipment, payable in thirty-five installments of \$3,177 including interest at a rate of prime plus one percent. A final payment of \$128,696 due on August 1, 1998.....	--	184	154
	-----	-----	-----
	144	284	175
Less -- Current maturities.....	88	109	42
	-----	-----	-----
	\$ 56	\$ 175	\$ 133
	=====	=====	=====

The aggregate maturities of long-term debt as of December 31, 1996, are as follows (in thousands):

1997.....	\$ 42
1998.....	133

	\$ 175
	=====

7. LEASES:

The Company leases facilities from a company which is partially owned by the shareholder. The lease expires in April 1999. The rent paid under this related-party lease was approximately \$15,000, \$60,000, \$30,000 and \$60,000 for the years ended June 30, 1994 and 1995, the six months ended December 31, 1995 and the year ended December 31, 1996 respectively. The Company also leased a facility from a third party, which expired on December 31, 1996. The rent paid under this lease was approximately \$12,000, \$12,000, \$6,000 and \$13,200 for the years ended June 30, 1994 and 1995, the six months ended December 31, 1995, and the year ended December 31, 1996, respectively. The leases require the Company to pay taxes, maintenance, insurance and certain other operating costs of the leased properties.

ACCURATE AIR SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The Company also leases vehicles for operations which expire in 1998. The payments under these vehicle leases were approximately \$--, \$1,400, \$26,000 and \$94,000 for the years ended June 30, 1994 and 1995, the six months ended December 31, 1995 and the year ended December 31, 1996, respectively.

Future minimum lease payments for operating leases are as follows (in thousands):

	DECEMBER 31, 1996
Year Ended	-----
1997.....	\$ 197
1998.....	60
1999.....	15

	\$ 272
	=====

8. INCOME TAXES (IN THOUSANDS):

Federal and state income taxes are as follows:

	YEAR ENDED JUNE 30,	
	1994	1995
Federal --		
Current.....	\$ (37)	\$ 111
Deferred.....	(9)	(60)
State --		
Current.....	(7)	20
Deferred.....	(1)	(11)
	-----	-----
	\$ (54)	\$ 60
	=====	=====

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate tax rate of 34 percent to income before income taxes as follows:

	YEAR ENDED JUNE 30,	
	1994	1995
Provision at the statutory rate.....	\$ (52)	\$ 53
Increase (decrease) resulting from --		
State income tax, net of benefit for federal deduction.....	(2)	6
Other.....	--	1
	-----	-----
	\$ (54)	\$ 60
	=====	=====

ACCURATE AIR SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

	JUNE 30, 1995

Depreciation and amortization.....	\$ 14
Accruals and reserves not deductible until paid.....	121
State taxes.....	(4)
Cash to accrual adjustments.....	(50)

Net deferred income tax assets.....	\$ 81
	=====

The net deferred tax assets and liabilities are comprised of the following:

	JUNE 30, 1995

Deferred tax assets --	
Current.....	\$ 114
Long-term.....	14

Total.....	128

Deferred tax liabilities --	
Current.....	47
Long-term.....	--

Total.....	47

Net deferred income tax assets.....	\$ 81
	=====

9. COMMITMENTS AND CONTINGENCIES:

LITIGATION

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

INSURANCE

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy. The Company has not incurred significant claims or losses on any of its insurance policies.

Effective January 1, 1995, the Company became self-insured for medical claims up to \$30,000 per year per covered individual per event. Claims in excess of these amounts are covered by a stop-loss policy. The Company has recorded reserves for self-insured claims based on estimated claims incurred through June 30, 1995, six months ended December 31, 1995 and the year ended December 31, 1996.

10. EMPLOYEE BENEFIT PLANS:

The Company has adopted a 401(k) plan which provides for 10 percent matching contributions by the Company, up to a maximum of 6 percent of each participating employee's annual compensation. The Company has the right to make additional discretionary contributions. Employees become 100 percent vested in the employer's contribution after 7 years of service. Total contributions by the Company under

this plan to provide contributions and pay expenses were approximately \$118,000, \$131,000, \$12,000 and \$199,000 during the years ended June 30, 1994 and 1995, the six months ended December 31, 1995 and the year ended December 31, 1996, respectively. Amounts due to this plan were approximately \$109,000, \$-- and \$173,000 for the year ended June 30, 1995, the six months ended December 31, 1995 and the year ended December 31, 1996, respectively.

The Company also adopted a discretionary profit-sharing plan under which the Company may contribute up to 25 percent of a participant's compensation, up to a maximum contribution of \$30,000. Employees become 100 percent vested in the employer's contributions after 7 years of service. The Company's contributions and administrative expenses were approximately \$5,000, \$8,000, \$-- and \$--, for the years ended June 30, 1994 and 1995, and six months ended December 31, 1995 and the year ended December 31, 1996, respectively.

11. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, notes payable, a line of credit, and debt. The Company believes that the carrying value of these instruments on the accompanying balance sheet approximates their fair value.

12. CAPITAL STOCK:

In addition to the 250,000 authorized shares of \$1 par value voting common stock, the Company has the following classes of authorized capital stock. None of these three classes have been issued.

	SHARES AUTHORIZED	PAR VALUE
Nonvoting Common.....	250,000	\$ 1
Voting Preferred.....	250,000	\$ 1
Nonvoting Preferred.....	250,000	\$ 1

13. SALES TO SIGNIFICANT CUSTOMERS:

For the years ended June 30, 1994 and 1995, the six months ended December 31, 1995, and year ended December 31, 1996 one customer accounted for approximately 12, 25, 13, and 0 percent, respectively, of the Company's revenue.

14. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In March 1997, the Company and its shareholder entered into a definitive agreement with a wholly-owned subsidiary of Comfort Systems, providing for the merger of the Company with the subsidiary of Comfort Systems.

In connection with the merger, the Company will dividend certain assets to the shareholder, consisting of land, buildings, and automobiles, with a total carrying value of approximately \$370,000 as of March 31, 1997. Had this adjustment been recorded at March 31, 1997, the effect on the accompanying unaudited balance sheet would be a decrease in shareholder's equity of \$370,000.

Concurrently with the merger, the Company will enter into new agreements with a company partially owned by the shareholder to lease land and buildings owned by such party used in the Company's operations for a negotiated amount and term.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Eastern Heating and Cooling, Inc.:

We have audited the accompanying balance sheet of Eastern Heating and Cooling, Inc., as of December 31, 1996, and the related statements of operations, shareholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Heating and Cooling, Inc., as of December 31, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

EASTERN HEATING AND COOLING, INC.
BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31, 1996	MARCH 31, 1997
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 83	\$ 131
Accounts receivable --		
Trade, net of allowance of		
\$25 and \$25,		
respectively.....	1,214	813
Retainage.....	43	83
Other receivables.....	13	27
Inventories.....	100	97
Costs and estimated earnings in		
excess of billings on		
uncompleted contracts.....	66	48
	-----	-----
Total current		
assets.....	1,519	1,199
PROPERTY AND EQUIPMENT, net.....	604	607
OTHER NONCURRENT ASSETS.....	144	174
	-----	-----
Total assets.....	\$2,267	\$1,980
	=====	=====
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term		
debt.....	\$ 302	\$ 302
Accounts payable and accrued		
expenses.....	826	759
Line of credit.....	140	305
Billings in excess of costs and		
estimated earnings on		
uncompleted contracts.....	102	53
	-----	-----
Total current		
liabilities.....	1,370	1,419
LONG-TERM DEBT, net of current		
maturities.....	431	353
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDER'S EQUITY:		
Common stock, no par value, 200		
shares authorized, 100 shares		
issued and outstanding.....	50	50
Retained earnings.....	416	158
	-----	-----
Total shareholder's		
equity.....	466	208
	-----	-----
Total liabilities and		
shareholder's		
equity.....	\$2,267	\$1,980
	=====	=====

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

EASTERN HEATING AND COOLING, INC.
 STATEMENTS OF OPERATIONS
 (IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1996	THREE MONTHS ENDED MARCH 31,	
		1996	1997
		(UNAUDITED)	
REVENUES.....	\$ 7,944	\$ 1,525	\$ 1,284
COST OF SERVICES.....	5,276	973	805
	-----	-----	-----
Gross profit.....	2,668	552	479
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	2,237	532	582
	-----	-----	-----
Income (loss) from operations...	431	20	(103)
OTHER INCOME (EXPENSE):			
Interest expense.....	(87)	(19)	(20)
Other.....	40	--	--
	-----	-----	-----
NET INCOME (LOSS).....	\$ 384	\$ 1	\$ (123)
	=====	=====	=====

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

EASTERN HEATING AND COOLING, INC.
 STATEMENTS OF SHAREHOLDER'S EQUITY
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		RETAINED EARNINGS	TOTAL SHAREHOLDER'S EQUITY
	SHARES	AMOUNT		
BALANCE, December 31, 1995.....	100	\$ 50	\$ 356	\$ 406
Distributions to shareholder....	--	--	(324)	(324)
Net income.....	--	--	384	384
	-----	-----	-----	-----
BALANCE, December 31, 1996.....	100	\$ 50	\$ 416	\$ 466
Distributions to shareholder (unaudited).....	--	--	(135)	(135)
Net loss (unaudited).....	--	--	(123)	(123)
	-----	-----	-----	-----
BALANCE, March 31, 1997 (unaudited).....	100	\$ 50	\$ 158	\$ 208
	=====	=====	=====	=====

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

EASTERN HEATING AND COOLING, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED	THREE MONTHS ENDED	
	DECEMBER 31, 1996	MARCH 31, ----- 1996 1997 -----	
	(UNAUDITED)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss).....	\$ 384	\$ 1	\$ (123)
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization....	144	31	40
Gain on sale of property and equipment.....	(31)	--	--
Changes in operating assets and liabilities --			
(Increase) decrease in --			
Accounts receivable.....	(434)	(119)	347
Inventories.....	4	(1)	2
Costs and estimated earnings in excess of billings on uncompleted contracts....	123	(60)	19
Other noncurrent assets....	80	3	(32)
Increase (decrease) in --			
Accounts payable and accrued expenses.....	246	114	(67)
Billings in excess of costs and estimated earnings on uncompleted contracts....	10	36	(48)
	-----	-----	-----
Net cash provided by operating activities.....	526	5	138
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment.....	38	--	--
Additions of property and equipment.....	(262)	(3)	(42)
	-----	-----	-----
Net cash used in investing activities.....	(224)	(3)	(42)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings of long-term debt.....	208	--	--
Payments of long-term debt.....	(280)	(69)	(78)
Borrowings on line of credit.....	140	181	165
Distributions to shareholder.....	(325)	(80)	(135)
	-----	-----	-----
Net cash provided by (used in) financing activities.....	(257)	32	(48)
	-----	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	45	34	48
CASH AND CASH EQUIVALENTS, beginning of period.....	38	38	83
	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ 83	\$ 72	\$ 131
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for --			
Interest.....	\$ 52	\$ 19	\$ 20

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

1. BUSINESS AND ORGANIZATION:

Eastern Heating and Cooling, Inc., a New York corporation, (the "Company") focuses on providing "design and build" installation and maintenance, repair and replacement of HVAC systems for commercial and industrial facilities. Eastern also offers continuous monitoring and control systems for commercial facilities. Eastern primarily operates in the area within a 75 mile radius of Albany, New York.

The Company and its shareholder intends to enter into a definitive agreement with Comfort Systems USA, Inc. ("Comfort Systems") pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Comfort Systems common stock concurrently with the consummation of the initial public offering (the "Offering") of the common stock of Comfort Systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTERIM FINANCIAL INFORMATION

The interim financial statements as of March 31, 1997, and for the three months ended March 31, 1996 and 1997, are unaudited, and certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the interim financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset.

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

REVENUE RECOGNITION

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to total estimated costs for each contract. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined.

EASTERN HEATING AND COOLING, INC.
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

WARRANTY COSTS

The Company warrants labor for the first year after installation on new air conditioning and heating systems. The Company generally warrants labor for 30 days after servicing of existing air conditioning and heating systems. A reserve for warranty costs is recorded upon completion of installation or service.

INCOME TAXES

The Company has elected S Corporation status as defined by the Internal Revenue Code, whereby the Company is not subject to taxation for federal purposes. Under S Corporation status, the shareholder reports his share of the Company's taxable earnings or losses in his personal tax returns. The Company will terminate its S Corporation status concurrently with the effective date of this Offering.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment, and intangible or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (dollars in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1996
Transportation equipment.....	7	\$ 957
Machinery and equipment.....	10	54
Computer and telephone equipment.....	3-5	6
Leasehold improvements.....	20	36
Furniture and fixtures.....	7-10	126

		1,179
Less -- Accumulated depreciation and amortization.....		(575)

Property and equipment, net.....		\$ 604
		=====

EASTERN HEATING AND COOLING, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

	DECEMBER 31, 1996
Balance at beginning of year.....	\$ 16
Additions to costs and expenses.....	25
Deductions for uncollectible receivables written off and recoveries.....	(16)
	\$ 25
	=====

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

	DECEMBER 31, 1996
Accounts payable, trade.....	\$ 611
Accrued compensation and benefits....	120
Other accrued expenses.....	95
	\$ 826
	=====

Installation contracts in progress are as follows (in thousands):

	DECEMBER 31, 1996
Costs incurred on contracts in progress.....	\$ 749
Estimated earnings, net of losses....	235
	984
Less -- Billings to date.....	1,020
	\$ (36)
	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 66
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(102)
	\$ (36)
	=====

5. LONG-TERM DEBT:

Long-term debt consists of the following:

The Company has a term note payable to a financial institution with an outstanding balance of approximately \$133,000 at December 31, 1996. The term note matures in April 1999, and bears interest at prime plus 2 percent (10.25 percent at December 31, 1996) which is payable along with principal of \$4,583 monthly. The note is secured by substantially all assets of the Company and is guaranteed by the Company's shareholder.

The Company has various installment notes with several financial institutions which are secured by transportation equipment. The terms of the notes range from 48 months to 60 months with monthly payments of principal and interest of approximately \$12,300. The notes bear interest at rates ranging from 6.5 percent to 10.5 percent and mature from 1997 to 2001.

The Company has a note payable to its former owner with an outstanding balance of \$288,444 at December 31, 1996. The note payable was calculated using an implied interest rate of 9 percent. The note

EASTERN HEATING AND COOLING, INC.
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

payable is due in installments of \$159,385 on January 1, 1997 and \$168,948 on January 1, 1998, including interest.

The aggregate maturities of long-term debt as of December 31, 1996, are as follows (in thousands):

Year ending December 31 --	
1997.....	\$ 302
1998.....	296
1999.....	85
2000.....	42
2001.....	8

	\$ 733
	=====

6. LINE OF CREDIT:

The Company has a \$500,000 line of credit with a financial services company. The line of credit is due on demand and bears interest at prime plus 1 percent per annum (9.25 percent at December 31, 1996). The line of credit is secured by substantially all assets of the Company. The balance outstanding under this line of credit at December 31, 1996 was \$140,000.

7. LEASES:

The Company leases a facility from a company which is 50 percent owned by the Company's shareholder. The lease expires in December 1999. The rent paid under this related-party lease was approximately \$50,000 for the year ended December 31, 1996.

Additionally, the Company rents other facilities from non-related parties. Future minimum lease payments under non-cancellable operating leases are as follows (in thousands):

Year Ended December 31 --	
1997.....	\$ 55
1998.....	55
1999.....	50

	\$ 160
	=====

8. COMMITMENTS AND CONTINGENCIES:

LITIGATION

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

INSURANCE

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy. The Company has not incurred significant claims or losses on any of its insurance policies.

9. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, investments, notes payable, a line of credit, and debt. The Company believes that the carrying value of these instruments on the accompanying balance sheet approximates their fair value.

10. SALES TO SIGNIFICANT CUSTOMER:

During 1996, one customer accounted for approximately 12 percent of the Company's sales.

11. SUBSEQUENT EVENT:

Effective January 2, 1997, an affiliate of the Company acquired the business and certain operating assets of RECC, Inc., a New York corporation. This affiliate agreed to pay \$10,000 over a period of one year.

12. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In March 1997, the Company and its shareholder entered into a definitive agreement with a wholly-owned subsidiary of Comfort Systems, providing for the merger of the Company with the subsidiary of Comfort Systems.

As of March 31, 1997, the Company distributed \$135,000 from the accumulated adjustment account. In connection with the merger, the Company will make additional cash distributions of approximately \$158,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at March 31, 1997, the effect on the accompanying unaudited balance sheet would be an increase in liabilities of \$158,000 and a decrease in shareholder's equity of \$158,000.

Concurrently with the merger, the Company will enter into agreements with the shareholders to lease land and buildings used in the Company's operations for a negotiated amount and term.

Eastern intends to enter into a 10-year lease with 60 Loudonville Road Associates for a new building and terminate the existing lease. Eastern has agreed to install the HVAC systems in the new building at a price which the Company believes to be at a fair market value. The Company's annual rental in the new building will be at fair market value, as determined by appraisal.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Contract Service, Inc.:

We have audited the accompanying balance sheets of Contract Service, Inc., as of December 31, 1995 and 1996, and the related statements of operations, shareholders' equity and cash flows for the three years ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Contract Service, Inc., as of December 31, 1995 and 1996, and the results of their operations and their cash flows for the three years ended December 31, 1996 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

CONTRACT SERVICE, INC.
BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31,		MARCH 31,
	1995	1996	1997
			(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 116	\$ 207	\$ 103
Accounts receivable --			
Trade, net of allowance of			
\$11, \$22 and \$21,			
respectively.....	651	680	681
Retainage.....	10	26	41
Inventories.....	306	362	491
Costs and estimated earnings in			
excess of billings on uncompleted			
contracts.....	104	110	129
Prepaid expenses and other current			
assets.....	11	4	4
	1,198	1,389	1,449
PROPERTY AND EQUIPMENT, net.....	549	642	690
OTHER NONCURRENT ASSETS.....	14	16	15
	\$ 1,761	\$ 2,047	\$ 2,154
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term			
debt.....	\$ 100	\$ 100	\$ 101
Accounts payable and accrued			
expenses.....	576	691	657
Billings in excess of costs and			
estimated earnings on uncompleted			
contracts.....	149	136	218
	825	927	976
LONG-TERM DEBT, net of current			
maturities.....	263	429	434
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY:			
Common stock, \$1 par value, 20,000			
shares authorized, 8,946 shares			
issued and outstanding.....	9	9	9
Retained earnings.....	664	682	735
	673	691	744
	\$ 1,761	\$ 2,047	\$ 2,154
	=====	=====	=====

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

CONTRACT SERVICE, INC.
STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1994	1995	1996	1996	1997
	(UNAUDITED)				
REVENUES.....	\$ 6,502	\$ 6,361	\$ 7,842	\$ 1,369	\$ 1,562
COST OF SERVICES.....	4,393	4,413	5,201	926	1,045
	-----	-----	-----	-----	-----
Gross profit.....	2,109	1,948	2,641	443	517
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	1,228	1,500	1,660	368	458
	-----	-----	-----	-----	-----
Income from operations...	881	448	981	75	59
OTHER INCOME (EXPENSE):					
Interest expense.....	(5)	(9)	(29)	(9)	(15)
Other.....	29	38	51	13	9
	-----	-----	-----	-----	-----
NET INCOME.....	\$ 905	\$ 477	\$ 1,003	\$ 79	\$ 53
	=====	=====	=====	=====	=====

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

CONTRACT SERVICE, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT		
BALANCE, December 31, 1993.....	8,946	\$ 9	\$ 660	\$ 669
Distributions to shareholders...	--	--	(911)	(911)
Net income.....	--	--	905	905
BALANCE, December 31, 1994.....	8,946	9	654	663
Distributions to shareholders...	--	--	(467)	(467)
Net income.....	--	--	477	477
BALANCE, December 31, 1995.....	8,946	9	664	673
Distributions to shareholders...	--	--	(985)	(985)
Net income.....	--	--	1,003	1,003
BALANCE, December 31, 1996.....	8,946	9	682	691
Net income (unaudited).....	--	--	53	53
BALANCE, March 31, 1997 (unaudited).....	8,946	\$ 9	\$ 735	\$ 744

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

CONTRACT SERVICE, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1994	1995	1996	1996	1997
	(UNAUDITED)				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	\$ 905	\$ 477	\$ 1,003	\$ 79	\$ 53
Adjustments to reconcile net income to net cash provided by (used in) operating activities --					
Depreciation.....	97	120	138	28	33
Gain (loss) on sale of property and equipment.....	8	(5)	--	--	--
Changes in operating assets and liabilities --					
(Increase) decrease in --					
Accounts receivable.....	(219)	(96)	(45)	177	(16)
Inventories.....	20	(49)	(57)	(54)	(129)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(44)	35	(6)	8	(19)
Prepaid expenses and other current assets.....	(9)	(2)	7	2	--
Other noncurrent assets.....	(8)	5	(2)	(11)	1
Increase (decrease) in --					
Accounts payable and accrued expenses.....	(27)	(3)	115	(32)	(34)
Billings in excess of costs and estimated earnings on uncompleted contracts.....	12	17	(13)	(28)	82
	735	499	1,140	169	(29)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment.....	--	6	--	1	--
Additions of property and equipment.....	(138)	(199)	(230)	(107)	(81)
Net cash used in investing activities.....	(138)	(193)	(230)	(106)	(81)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings of long-term debt.....	102	201	166	--	6
Distributions to shareholders.....	(911)	(467)	(985)	--	--
Collections of advances to officers and shareholders.....	86	--	--	--	--
Net cash provided by (used in) financing activities.....	(723)	(266)	(819)	--	6
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(126)	40	91	63	(104)
CASH AND CASH EQUIVALENTS, beginning of period.....	202	76	116	116	207
CASH AND CASH EQUIVALENTS, end of period.....	\$ 76	\$ 116	\$ 207	\$ 179	\$ 103
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid for --					
Interest.....	\$ 6	\$ 30	\$ 41	\$ 9	\$ 15

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

CONTRACT SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Contract Service, Inc., a Utah corporation, (the "Company") focuses on providing comprehensive maintenance, repair and replacement of HVAC systems for commercial and residential facilities primarily in Utah.

The Company and its shareholders intend to enter into a definitive agreement with Comfort Systems USA, Inc. ("Comfort Systems"), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Comfort Systems common stock concurrently with the consummation of the initial public offering (the "Offering") of the common stock of Comfort Systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTERIM FINANCIAL INFORMATION

The interim financial statements as of March 31, 1997, and for the three months ended March 31, 1996 and 1997, are unaudited, and certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the interim financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories consist of duct materials, air conditioning equipment, refrigeration supplies and accessories held for use in the ordinary course of business and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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

REVENUE RECOGNITION

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to total estimated costs for each contract. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

CONTRACT SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

WARRANTY COSTS

The Company warrants labor for the first year after installation of new air conditioning and heating units. The Company generally warrants labor for 30 days after the servicing of existing air conditioning and heating units. A reserve for warranty costs is recorded upon completion of installation or service.

INCOME TAXES

The Company has elected S Corporation status as defined by the Internal Revenue Code, whereby the Company is not subject to taxation for federal purposes. Under S Corporation status, the shareholders report their share of the Company's taxable earnings or losses in their personal tax returns. The Company will terminate its S Corporation status concurrently with the effective date of the Offering.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment, and intangible or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (dollars in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1995	DECEMBER 31, 1996
	-----	-----	-----
Transportation equipment.....	5-10	\$ 690	\$ 907
Machinery and equipment.....	5-30	126	127
Furniture and fixtures.....	5-20	178	189
		-----	-----
Less -- Accumulated depreciation....		(445)	(581)
		-----	-----
Property and equipment, net.....		\$ 549	\$ 642
		=====	=====

CONTRACT SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

	DECEMBER 31,	
	1995	1996
Balance at beginning of year.....	\$ 11	\$ 11
Additions to costs and expenses.....	18	26
Deductions for uncollectible receivables written off and recoveries.....	(18)	(15)
	\$ 11	\$ 22
	=====	=====

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

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	\$ 242	\$ 256
Accrued compensation.....	219	312
Other accrued expenses.....	115	123
	\$ 576	\$ 691
	=====	=====

Installation contracts in progress are as follows (in thousands):

	DECEMBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	\$ 1,998	\$ 2,534
Estimated earnings, net of losses....	741	978
	2,739	3,512
Less -- Billings to date.....	2,784	3,538
	\$ (45)	\$ (26)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 104	\$ 110
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(149)	(136)
	\$ (45)	\$ (26)
	=====	=====

5. LONG-TERM DEBT:

Long-term debt consists of ten unsecured promissory notes to the Company's shareholders of which two are demand notes. All notes, except the demand notes, are due 10 years from the date of the note. The notes bear an interest rate of 10 percent. Monthly interest payments are made to the shareholders with the principal due at the date of maturity.

CONTRACT SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The aggregate maturities of long-term debt are as follows (in thousands):

Year ending December 31,	
1997.....	\$ 100
1998.....	--
1999.....	--
2000.....	--
2001.....	--
Thereafter.....	429

	\$ 529
	=====

6. LEASES:

The Company leases its facilities from a company owned by its two shareholders. The lease is currently on a month-to-month basis. The rent paid under this related-party lease was approximately \$66,000, \$106,000 and \$120,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

Future minimum lease payments for operating leases are as follows (in thousands):

Year ending December 31,	
1997.....	\$ 120
1998.....	120
1999.....	120
2000.....	120
2001.....	120

	\$ 600
	=====

7. RELATED-PARTY TRANSACTIONS:

At December 31, 1994, 1995 and 1996, the Company held notes payable to the shareholders in the amount of \$162,000, \$363,000 and \$529,000, respectively. (See Note 5.) The notes bear interest at 10 percent. Interest paid during the years ended December 31, 1994, 1995 and 1996 related to these loans was \$6,000, \$29,000 and \$41,000, respectively.

8. COMMITMENTS AND CONTINGENCIES:

LITIGATION

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal action will have a material adverse effect on the Company's financial position or results of operations.

INSURANCE

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy. The Company has not incurred significant claims or losses on any of its insurance policies.

9. EMPLOYEE BENEFIT PLAN:

Beginning January 1, 1994, the Company adopted a 401(k) plan. The plan allows employees to contribute a portion of their gross wages into the plan as a salary deferral and requires the Company to match 25 percent of the employee contribution up to 5 percent of employee's gross wages. The Company's matching contributions for the years ended December 31, 1995 and 1996 were \$17,000 and \$19,000 respectively.

The Company has also adopted a cafeteria plan pursuant to Section 125 of the Internal Revenue Code that covers all employees from 90 days after the commencement of employment. Under this plan, the employees may reduce their compensation to fund medical, dental and dependent care/day care benefits. The funds withheld are used to pay actual claims or medical insurance, based on the employees' elections.

10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, and debt. The Company believes that the carrying value of these instruments on the accompanying balance sheet approximates their fair value.

11. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In March 1997, the Company and its shareholders entered into a definitive agreement with a wholly-owned subsidiary of Comfort Systems, providing for the merger of the Company with the subsidiary of Comfort Systems.

In connection with the merger, the Company will make a cash distribution of approximately \$735,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at March 31, 1997, the effect on the accompanying unaudited balance sheet would be a decrease in assets of \$97,000 and an increase in liabilities of \$832,000 and a decrease in shareholders' equity of \$735,000.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Tech Heating and Air Conditioning, Inc.:

We have audited the accompanying combined balance sheets of Tech Heating and Air Conditioning, Inc., and related company as of December 31, 1995 and 1996, and the related combined statements of operations, shareholders' equity and cash flows for the years then ended. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Tech Heating and Air Conditioning, Inc., and related company as of December 31, 1995 and 1996, and the combined results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

TECH HEATING AND AIR CONDITIONING, INC.,
AND RELATED COMPANY
COMBINED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31,		MARCH 31,
	1995	1996	1997
			(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 313	\$ 611	\$ 249
Accounts receivable --			
Trade, net of allowance of			
\$45, \$40 and \$45,			
respectively.....	1,244	1,723	1,216
Retainage.....	92	48	--
Other receivables.....	--	7	20
Inventories.....	67	208	193
Prepaid expenses and other current			
assets.....	7	33	20
	-----	-----	-----
Total current assets.....	1,723	2,630	1,698
PROPERTY AND EQUIPMENT, net.....	368	500	484
	-----	-----	-----
Total assets.....	\$ 2,091	\$ 3,130	\$ 2,182
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term			
debt.....	\$ --	\$ 62	\$ 69
Accounts payable and accrued			
expenses.....	1,048	757	701
Line of credit.....	88	190	900
	-----	-----	-----
Total current			
liabilities.....	1,136	1,009	1,670
LONG-TERM DEBT, net of current			
maturities.....	48	60	32
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY:			
Common stock, no par value, 1,000			
shares authorized, 500 shares			
issued.....	1	1	1
Treasury stock.....	(3)	(3)	(3)
Retained earnings.....	909	2,063	482
	-----	-----	-----
Total shareholders'			
equity.....	907	2,061	480
	-----	-----	-----
Total liabilities and			
shareholders' equity.....	\$ 2,091	\$ 3,130	\$ 2,182
	=====	=====	=====

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

TECH HEATING AND AIR CONDITIONING, INC.,
AND RELATED COMPANY
COMBINED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1995	1996	1996	1997
			(UNAUDITED)	
REVENUES.....	\$ 6,960	\$ 7,537	\$ 1,075	\$ 1,656
COST OF SERVICES.....	4,212	3,996	639	1,034
Gross profit.....	2,748	3,541	436	622
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	1,800	1,861	390	565
Income from operations.....	948	1,680	46	57
OTHER INCOME (EXPENSE):				
Interest expense.....	(12)	(18)	(3)	(10)
Other.....	20	31	6	11
NET INCOME.....	\$ 956	\$ 1,693	\$ 49	\$ 58

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

TECH HEATING AND AIR CONDITIONING, INC.,
AND RELATED COMPANY
COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		TREASURY STOCK	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT			
BALANCE, December 31, 1994.....	500	\$ 1	\$ (3)	\$ 575	\$ 573
Distributions to shareholders.....	--	--	--	(622)	(622)
Net income.....	--	--	--	956	956
BALANCE, December 31, 1995.....	500	1	(3)	909	907
Distributions to shareholders.....	--	--	--	(539)	(539)
Net income.....	--	--	--	1,693	1,693
BALANCE, December 31, 1996.....	500	1	(3)	2,063	2,061
Distributions to shareholders (unaudited).....	--	--	--	(1,639)	(1,639)
Net income (unaudited).....	--	--	--	58	58
BALANCE, March 31, 1997 (unaudited).....	500	\$ 1	\$ (3)	\$ 482	\$ 480

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

TECH HEATING AND AIR CONDITIONING, INC.,
AND RELATED COMPANY
COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1995	1996	1996	1997
	----- (UNAUDITED) -----			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income.....	\$ 956	\$ 1,693	\$ 49	\$ 58
Adjustments to reconcile net income to net cash provided by (used in) operating activities --				
Depreciation.....	89	142	31	38
Changes in operating assets and liabilities --				
(Increase) decrease in --				
Accounts receivable.....	581	(442)	(48)	542
Inventories.....	(42)	(141)	1	15
Prepaid expenses and other current assets.....	7	(26)	(6)	13
Increase (decrease) in --				
Accounts payable and accrued expenses.....	(513)	(291)	(312)	(56)
	-----	-----	-----	-----
Net cash provided by (used in) operating activities.....	1,078	935	(285)	610
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:				
Additions of property and equipment.....	(127)	(274)	(59)	(22)
	-----	-----	-----	-----
Net cash used in investing activities.....	(127)	(274)	(59)	(22)
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings on line of credit.....	76	102	18	710
Borrowings on long-term debt.....	--	205	203	--
Payments on long-term debt.....	(100)	(131)	--	(21)
Distributions to shareholders.....	(622)	(539)	(15)	(1,639)
	-----	-----	-----	-----
Net cash provided by (used in) financing activities.....	(646)	(363)	206	(950)
	-----	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	305	298	(138)	(362)
CASH AND CASH EQUIVALENTS, beginning of period.....	8	313	313	611
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ 313	\$ 611	\$ 175	\$ 249
	=====	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for --				
Interest.....	\$ 12	\$ 18	\$ 3	\$ 8

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

TECH HEATING AND AIR CONDITIONING, INC.
AND RELATED COMPANY
NOTES TO COMBINED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and related company (collectively, the "Company") focuses on providing "design and build" installation and services, maintenance, repair and replacement of HVAC systems for commercial and industrial facilities. Tech also offers continuous monitoring and control services for commercial facilities. The Company's customers are primarily in the greater Cleveland, Ohio area.

The Company and its shareholders intend to enter into a definitive agreement with Comfort Systems, USA, Inc. ("Comfort Systems") pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Comfort Systems common stock concurrently with the consummation of the initial public offering (the "Offering") of the common stock of Comfort Systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The combined financial statements include the accounts and results of operations of Tech Heating and Air Conditioning, Inc., and its related company, Tech Mechanical which are under common control and management of two individuals. All significant intercompany transactions and balances have been eliminated in combination.

INTERIM FINANCIAL INFORMATION

The interim combined financial statements as of March 31, 1997, and for the three months ended March 31, 1996 and 1997, are unaudited, and certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the combined interim financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories consist of duct materials, air conditioning equipment, refrigeration supplies and accessories held for use in the ordinary course of business and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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

TECH HEATING AND AIR CONDITIONING, INC.
AND RELATED COMPANY
NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

REVENUE RECOGNITION

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to total estimated costs for each contract. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and their effects are recognized in the period in which the revisions are determined.

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

WARRANTY COSTS

The Company warrants labor for the first year after installation of new air conditioning and heating systems. The Company generally warrants labor for 30 days after the servicing of existing air conditioning and heating systems. A reserve for warranty costs is recorded upon completion of installation or service.

INCOME TAXES

The Company has elected S Corporation status as defined by the Internal Revenue Code, whereby the Company is not subject to taxation for federal purposes. Under S Corporation status, the shareholders report their share of the Company's taxable earnings or losses in their personal tax returns. The Company will terminate its S Corporation status concurrently with the effective date of the Offering.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary. Adoption of this standard did not have a material effect on the financial position or combined results of operations of the Company.

TECH HEATING AND AIR CONDITIONING, INC.
AND RELATED COMPANY
NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (dollars in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31,	
		1995	1996
Transportation equipment.....	5	\$ 462	\$ 553
Machinery and equipment.....	7	61	159
Computer and telephone equipment.....	5	107	190
Furniture and fixtures.....	5-7	145	128
		-----	-----
Less -- Accumulated depreciation.....		(407)	(530)
		-----	-----
Property and equipment, net.....		\$ 368	\$ 500
		=====	=====

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

	DECEMBER 31,	
	1995	1996
Balance at beginning of year.....	\$ 25	\$ 45
Additions to costs and expenses.....	20	--
Deductions for uncollectible receivables written off and recoveries.....	--	(5)
	---	---
	\$ 45	\$ 40
	===	===

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

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	\$ 428	\$ 388
Accrued compensation and benefits.....	337	226
Other accrued expenses.....	283	143
	-----	-----
	\$ 1,048	\$ 757
	=====	=====

At December 31, 1995 and 1996 billings to customers generally equalled work performed which resulted in no costs and estimated earnings in excess of billings or billings in excess of costs and estimated earnings on uncompleted contracts.

TECH HEATING AND AIR CONDITIONING, INC.
AND RELATED COMPANY
NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

5. LONG-TERM DEBT AND NOTES PAYABLE:

Long-term debt consists of installment notes payable for transportation equipment. The debt is secured by the related transportation equipment. The terms of the notes range from 24 months to 36 months with monthly payments of principal and interest of approximately \$8,000. The notes bear interest at rates ranging from 7.5 percent to 9.95 percent.

The aggregate maturities of long-term debt as of December 31, 1996, are as follows (in thousands):

Year ending December 31 --	
1997.....	\$ 252
1998.....	55
1999.....	5

	\$ 312
	=====

The Company has a \$1,500,000 line of credit with a financial services company. The line of credit expires in July 1997 and bears interest at prime plus .25 percent per annum (8.5 percent at December 31, 1996). The line of credit is secured by a lien on accounts receivable and inventory and is guaranteed by the shareholders. There was \$190,000 outstanding under this line of credit at December 31, 1996.

6. LEASES:

The Company leases facilities from a company which is partially owned by one of the shareholders. The lease expires in April of 2000. The rent paid under this related-party lease was approximately \$84,000 for the year ended December 31, 1996. The lease requires the Company to pay taxes, maintenance, insurance and certain other operating costs of the leased property. The lease contains renewal provisions.

The Company leases a vehicle for a key member of management. The lease payments under this vehicle lease totaled approximately \$6,700 for the year ended December 31, 1996.

Future minimum lease payments for operating leases are as follows (in thousands):

Year ending December 31	
1997.....	\$ 100
1998.....	91
1999.....	86
2000.....	28

	\$ 305
	=====

7. EMPLOYEE BENEFIT PLANS:

The Company has adopted a retirement plan which qualifies under Section 401(k) of the Internal Revenue Code. The Company has the right to make discretionary contributions. Total contributions by the Company under this plan were approximately \$18,000 and \$12,000 for 1995 and 1996, respectively.

8. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents and debt. The Company believes that the carrying value of these instruments on the accompanying balance sheet approximates their fair value.

9. COMMITMENTS AND CONTINGENCIES:

LITIGATION

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or combined results of operations.

INSURANCE

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy. The Company has not incurred significant claims or losses on any of its insurance policies.

10. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In March 1997, the Company and its shareholders entered into a definitive agreement with a wholly-owned subsidiary of Comfort Systems, providing for the merger of the Company with the subsidiary of Comfort Systems.

As of March 31, 1997, the Company distributed \$1,639,000 from the accumulated adjustment account and increased borrowings on the line of credit of \$900,000 with the remainder paid from cash on hand. In connection with the merger, the Company will make additional cash distributions of approximately \$482,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at March 31, 1997, the effect on the accompanying unaudited balance sheet would have been a decrease in assets of \$149,000, an increase in liabilities of \$333,000 and a decrease in shareholders' equity of \$482,000.

Concurrently with the merger, the Company will enter into agreements with the shareholders to lease land and buildings used in the Company's operations for a negotiated amount and term.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Seasonair, Inc.:

We have audited the accompanying balance sheet of Seasonair, Inc. as of December 31, 1996, and the related statements of operations, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seasonair, Inc., as of December 31, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

SEASONAIR, INC.
BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31, 1996	MARCH 31, 1997
	-----	-----
	(UNAUDITED)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 69	\$ 221
Accounts receivable --		
Trade, net of allowance of \$		
-- and \$9, respectively....	961	869
Retainage.....	17	44
Other receivables.....	--	40
Inventories.....	190	187
Costs on uncompleted contracts in excess of billings.....	75	89
Deferred tax asset.....	104	104
Prepaid expenses and other current assets.....	96	49
	-----	-----
Total current assets.....	1,512	1,603
PROPERTY AND EQUIPMENT, net.....	63	61
OTHER NONCURRENT ASSETS.....	83	110
	-----	-----
Total assets.....	\$1,658	\$1,774
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Line of credit.....	\$--	\$ 65
Current maturities of long-term debt.....	34	26
Accounts payable and accrued expenses.....	810	866
Billings in excess of costs and estimated earnings on uncompleted contracts.....	156	134
	-----	-----
Total current liabilities.....	1,000	1,091
LONG-TERM DEBT, net of current maturities.....	76	77
DEFERRED TAX LIABILITY.....	17	17
COMMITMENTS AND CONTINGENCIES.....		
SHAREHOLDERS' EQUITY:		
Common stock, no par value, 2,000,000 shares authorized, 1,244,000 shares issued and outstanding.....	78	78
Additional paid-in capital.....	1	1
Retained earnings.....	721	745
Treasury stock.....	(235)	(235)
	-----	-----
Total shareholders' equity.....	565	589
	-----	-----
Total liabilities and shareholders' equity.....	\$1,658	\$1,774
	=====	=====

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

SEASONAIR, INC.
STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1996	THREE MONTHS ENDED MARCH 31,	
		1996	1997
		(UNAUDITED)	
REVENUES.....	\$ 6,737	\$ 1,128	\$ 1,831
COST OF SERVICES.....	4,006	586	1,165
	-----	-----	-----
Gross profit.....	2,731	542	666
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	2,597	604	644
	-----	-----	-----
Income (loss) from operations.....	134	(62)	22
OTHER INCOME (EXPENSE):			
Interest expense.....	(21)	(5)	(3)
Other.....	82	6	28
	-----	-----	-----
INCOME BEFORE INCOME TAXES.....	195	(61)	47
PROVISION FOR INCOME TAXES.....	69	--	23
	-----	-----	-----
NET INCOME (LOSS).....	\$ 126	\$ (61)	\$ 24
	=====	=====	=====

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

SEASONAIR, INC.
 STATEMENTS OF SHAREHOLDERS' EQUITY
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCE, December 31, 1995.....	1,214,724	\$ 78	\$ 1	\$ 632	\$ (269)	\$ 442
Sales of treasury stock.....	29,503	--	--	--	34	34
Distributions to shareholders...	--	--	--	(37)	--	(37)
Net income.....	--	--	--	126	--	126
BALANCE, December 31, 1996.....	1,244,227	78	1	721	(235)	565
Purchase of treasury stock.....	(266)	--	--	--	--	--
Net income (unaudited).....	--	--	--	24	--	24
BALANCE, March 31, 1997 (unaudited).....	1,243,961	\$ 78	\$ 1	\$ 745	\$ (235)	\$ 589

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

SEASONAIR, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1996	THREE MONTHS ENDED MARCH 31,	
		1996	1997
		(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss).....	\$ 126	\$ (61)	\$ 24
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation.....	(54)	5	5
Gain on sale of property and equipment.....	(4)	--	--
Changes in operating assets and liabilities -- (Increase) decrease in --			
Accounts receivable.....	49	282	25
Inventories.....	(35)	(6)	3
Prepaid expenses and other current assets.....	(171)	(37)	47
Costs of uncompleted contracts in excess of billings.....	58	(65)	(14)
Other noncurrent assets....	(71)	--	(27)
Increase (decrease) in --			
Accounts payable and accrued expenses.....	(74)	(76)	56
Billings in excess of costs on uncompleted contracts.....	(23)	12	(22)
Deferred tax liability....	30	--	--
	-----	-----	-----
Net cash provided by (used in) operating activities.....	(169)	54	97
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment.....	71	(8)	(3)
	-----	-----	-----
Net cash provided by (used in) investing activities.....	71	(8)	(3)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings on line of credit....	--	--	65
Payments of long-term debt.....	(105)	(82)	(7)
Distributions to shareholders...	(37)	--	--
Cash received for sale of treasury shares.....	34	(1)	--
	-----	-----	-----
Net cash provided by (used in) financing activities.....	(108)	(83)	58
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(206)	(37)	152
CASH AND CASH EQUIVALENTS, beginning of period.....	275	275	69
	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ 69	\$ 238	\$ 221
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for --			
Interest.....	\$ 22	\$ 3	\$ 5
Income taxes.....	163	30	40

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

1. BUSINESS AND ORGANIZATION:

Seasonair, Inc., a Maryland corporation, (the "Company") focuses on providing installation services and maintenance, repair and replacement of HVAC systems for light commercial facilities. Seasonair primarily operates in Maryland, the District of Columbia and Virginia.

The Company and its shareholders intend to enter into a definitive agreement with Comfort Systems, USA, Inc. ("Comfort Systems") pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Comfort Systems common stock concurrently with the consummation of the initial public offering (the "Offering") of the common stock of Comfort Systems.

INTERIM FINANCIAL INFORMATION

The interim financial statements as of March 31, 1997, and for the three months ended March 31, 1996 and 1997, are unaudited, and certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the interim financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories consist of duct materials, air conditioning equipment, refrigeration supplies and accessories held for use in the ordinary course of business and are stated at the lower of cost or market using the weighted-average method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using an accelerated method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset.

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

REVENUE RECOGNITION

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenue from construction contracts is recognized on the completed-contract method. This method is used because the typical contract is completed within a twelve-month period, and the Company's current financial position and results of operations do not vary significantly from those which would result from use of the percentage-of-completion method. A contract is considered complete when all costs except insignificant items have been incurred, and the installation is operating according to specifications or has been accepted by the customer.

SEASONAIR, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

Contract costs include all direct equipment, material, labor, and subcontract costs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

WARRANTY COSTS

The Company warrants labor for the first year after installation on new air conditioning and heating systems. The Company generally warrants labor for 30 days after servicing of existing air conditioning and heating systems. A reserve for warranty costs is recorded upon completion of installation or service.

INCOME TAXES

The Company follows the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes". Under this method, deferred income taxes are recorded based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets or liabilities are recovered or settled.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1996, the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment and intangible or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (dollars in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1996
	-----	-----
Transportation equipment.....	5	\$ 17
Machinery and equipment.....	5	208
Leasehold improvements.....	39	15
Furniture and fixtures.....	7	16

		256
Less -- Accumulated depreciation and amortization.....		(193)

Property and equipment, net.....		\$ 63
		=====

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

	DECEMBER 31, 1996
Balance at beginning of year.....	\$ --
Additions to costs and expenses.....	5
Deductions for uncollectible receivables written off and recoveries.....	(5)
	\$ --
	===

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

	DECEMBER 31, 1996
Accounts payable, trade.....	\$ 353
Accrued compensation and benefits....	321
Warranty reserve.....	37
Other.....	99
	\$ 810
	=====

5. LONG-TERM DEBT:

Long-term debt consists of two notes payable to officers and an installment note payable for transportation equipment, which is secured by the related transportation equipment. The terms of the notes range from 51 months to 80 months with monthly payments of principal and interest of approximately \$3,598. The notes bear interest at rates ranging from 10 percent to 12.7 percent.

The aggregate maturities of long-term debt as of December 31, 1996, are as follows (in thousands):

Year ending December 31 --	
1997.....	\$ 34
1998.....	37
1999.....	38
2000.....	1
	\$ 110
	=====

The Company has a \$150,000 line of credit with a financial services company. The line of credit expires August 5, 1997, and bears interest at prime plus one percent per annum. There was no balance outstanding under this line of credit at December 31, 1996.

6. LEASES:

The Company leases facilities from a partnership which is partially owned by one of the shareholders. The lease expires in October, 2006. The rent paid under this lease was approximately \$62,640 for the year ended December 31, 1996. The lease requires the Company to pay taxes, maintenance, insurance and certain other operating costs of the leased property.

The Company leases vehicles for operations. The payments under these vehicle leases were approximately \$189,000 for the year ended December 31, 1996.

SEASONAIR, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Future minimum lease payments for operating leases are as follows (in thousands):

Year ending December 31 --	
1997.....	\$ 241
1998.....	202
1999.....	158
2000.....	105
2001.....	65

	\$ 771
	=====

7. INCOME TAXES:

Federal and state income taxes for the year ended December 31, 1996, are as follows (in thousands):

Federal --	
Current.....	\$ 50
Deferred.....	7
State --	
Current.....	11
Deferred.....	1

	\$ 69
	===

Actual income tax expense for the year ended December 31, 1996, differs from income tax expense computed by applying the U.S. federal statutory corporate tax rate of 35% to income before income taxes as follows (in thousands):

Provision at the statutory rate.....	\$ 68
Increase (decrease) resulting from --	
State income tax, net of benefits for federal deduction.....	8
Other.....	(7)

	\$ 69
	===

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effects of these temporary differences representing deferred tax assets and liabilities as of December 31, 1996, result principally from the following (in thousands):

Depreciation and amortization.....	\$ (18)
Accruals and reserves not deductible until paid.....	110
State taxes.....	(5)

Net deferred income tax asset.....	\$ 87
	=====

SEASONAIR, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The net deferred tax assets and liabilities at December 31, 1996, are comprised of the following (in thousands):

Deferred tax assets --	
Current.....	\$ 104
Long-term.....	--

Total.....	104

Deferred tax liabilities --	
Current.....	--
Long-term.....	17

Total.....	17

Net deferred income tax asset.....	\$ 87
	=====

8. COMMITMENTS AND CONTINGENCIES:

LITIGATION

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal action will have a material adverse effect on the Company's financial position or results of operations.

INSURANCE

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy. The Company has not incurred significant claims or losses on any of its insurance policies.

9. EMPLOYEE BENEFIT PLAN:

The Company has a 401(k) profit-sharing plan which provides for the Company to match employee contributions up to a maximum of \$260 per person per year as well as an employee stock ownership plan. Total contributions for both plans by the Company under the plan were approximately \$80,000 for purchase of treasury stock for the employee stock ownership plan, and \$5,000 for the 401(k) plan for the year ended December 31, 1996.

10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, notes receivable, investments, notes payable, and debt. The Company believes that the carrying value of these instruments on the accompanying balance sheet approximates their fair value.

11. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In March 1997, the Company and its shareholders entered into a definitive agreement with a wholly-owned subsidiary of Comfort Systems, providing for the exchange of shares by the Company with the subsidiary of Comfort Systems. A total of 70,197 shares will be exchanged for cash and distributed to the employee stock ownership plan.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Western Building Services, Inc.:

We have audited the accompanying balance sheets of Western Building Services, Inc. as of December 31, 1995 and 1996, and the related statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Building Services, Inc. as of December 31, 1995 and 1996, and the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

WESTERN BUILDING SERVICES, INC.
BALANCE SHEETS
(IN THOUSANDS, EXCEPT FOR SHARE INFORMATION)

	DECEMBER 31,		MARCH 31,
	1995	1996	1997
			(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ --	\$ 177	\$ 34
Accounts receivable --			
Trade.....	726	661	513
Retainage on uncompleted contracts.....	78	183	128
Other receivables.....	133	3	6
Inventories.....	71	86	86
Costs and estimated earnings in excess of billings on uncompleted contracts.....	65	26	91
Prepaid expenses and other current assets.....	31	30	9
	1,104	1,166	867
PROPERTY AND EQUIPMENT, net.....	150	191	189
OTHER NONCURRENT ASSETS.....	22	129	174
	\$ 1,276	\$ 1,486	\$ 1,230
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Line of credit.....	\$ 231	\$ --	\$ --
Notes payable.....	--	6	--
Current maturities of long-term debt.....	86	73	78
Current portion of capital leases.....	17	21	19
Accounts payable and accrued expenses.....	732	556	437
Billings in excess of costs and estimated earnings on uncompleted contracts.....	76	151	21
	1,142	807	555
LONG-TERM DEBT, net of current maturities.....	179	261	241
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY:			
Common Stock, \$.10 par value, 4,000,000 shares authorized, 2,600 and 2,700 shares issued and outstanding.....	1	1	1
Additional paid-in capital.....	61	62	62
Retained earnings (deficit).....	(107)	355	371
	(45)	418	434
Total liabilities and shareholders' equity.....	\$ 1,276	\$ 1,486	\$ 1,230
	=====	=====	=====

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

WESTERN BUILDING SERVICES, INC.
 STATEMENTS OF OPERATIONS
 (IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1995	1996	1996	1997
			(UNAUDITED)	
REVENUES.....	\$ 4,112	\$ 6,494	\$ 1,185	\$ 1,072
COST OF SERVICES.....	3,408	4,662	857	812
Gross profit.....	704	1,832	328	260
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.....	855	1,088	232	231
Income (loss) from operations...	(151)	744	96	29
OTHER INCOME (EXPENSE):				
Interest expense.....	(35)	(51)	(11)	(11)
Other.....	6	(21)	(1)	(2)
NET INCOME (LOSS).....	\$ (180)	\$ 672	\$ 84	\$ 16

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

WESTERN BUILDING SERVICES, INC.
 STATEMENTS OF SHAREHOLDERS' EQUITY
 (IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL SHAREHOLDERS' EQUITY (DEFICIT)
	SHARES	AMOUNT			
BALANCE, December 31, 1994.....	2,600	\$ 1	\$ 61	\$ 73	\$ 135
Net loss.....	--	--	--	(180)	(180)
BALANCE, December 31, 1995.....	2,600	1	61	(107)	(45)
Distributions to shareholders...	--	--	--	(210)	(210)
Net income.....	--	--	--	672	672
Common stock issuance.....	100	--	1	--	1
BALANCE, December 31, 1996.....	2,700	1	62	355	418
Net income (unaudited).....	--	--	--	16	16
BALANCE, March 31, 1997 (unaudited).....	2,700	\$ 1	\$ 62	\$ 371	\$ 434

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

WESTERN BUILDING SERVICES, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,	
	1995	1996	1996	1997
	-----	-----	-----	-----
	(UNAUDITED)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss).....	\$(180)	\$ 672	\$ 84	\$ 16
Adjustments to reconcile net income to net cash provided by (used in) operating activities --.....				
Depreciation and amortization...	51	51	9	25
Changes in operating assets and liabilities --.....				
(Increase) decrease in --.....				
Accounts receivable.....	(179)	91	23	200
Inventories.....	(35)	(15)	--	--
Costs and estimated earnings in excess of billings on uncompleted contracts.....	(5)	39	65	(65)
Prepaid expenses and other current assets.....	5	1	(19)	21
Other noncurrent assets....	(15)	(106)	(90)	(56)
Increase (decrease) in --.....				
Accounts payable and accrued expenses.....	186	(177)	(22)	(119)
Billings in excess of costs and estimated earnings on uncompleted contracts.....	17	74	(50)	(130)
	-----	-----	-----	-----
Net cash provided by (used in) operating activities.....	(155)	630	--	(108)
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of property and equipment.....	--	20	--	--
Additions of property and equipment.....	(40)	(113)	(20)	(12)
	-----	-----	-----	-----
Net cash used in investing activities.....	(40)	(93)	(20)	(12)
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from sale of common stock.....	--	1	--	--
Borrowings of long-term debt.....	206	175	20	--
Payments of long-term debt.....	(259)	(96)	--	(23)
Net borrowings in line of credit...	230	(230)	--	--
Distributions to shareholders.....	--	(210)	--	--
	-----	-----	-----	-----
Net cash provided by (used in) financing activities.....	177	(360)	20	(23)
	-----	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(18)	177	--	(143)
CASH AND CASH EQUIVALENTS, beginning of period.....	18	--	--	177
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ --	\$ 177	\$--	\$ 34
	=====	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for --				
Interest.....	\$ 35	\$ 51	\$ 11	\$ 11

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

1. BUSINESS AND ORGANIZATION:

Western Building Services, Inc., a Colorado corporation, (the "Company") focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial facilities. Western also offers continuous monitoring and control services for commercial facilities. The Company primarily operates in Colorado.

The Company and its shareholders intend to enter into a definitive agreement with Comfort Systems USA, Inc. ("Comfort Systems"), pursuant to which all outstanding shares of the Company's common stock will be exchanged for cash and shares of Comfort Systems common stock concurrently with the consummation of the initial public offering (the "Offering") of the common stock of Comfort Systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTERIM FINANCIAL INFORMATION

The interim financial statements as of March 31, 1997, and for the three months ended March 31, 1996 and 1997, are unaudited, and certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the interim financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories consist of duct materials, air conditioning equipment, refrigeration supplies and accessories held for use in the ordinary course of business and are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset.

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

REVENUE RECOGNITION

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenues from construction contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to total estimated costs for each contract. Provisions for the total estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability and final contract

WESTERN BUILDING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

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

Revenues of approximately \$783,000 and \$2,291,000 with gross profits of \$339,000 and \$874,000 were recognized by the Company in 1995 and 1996, respectively, for energy conversions and new installations related to an incentive program developed by the Public Service Company of Colorado (PSC). The Demand Side Management program provided incentives for PSC customers to convert from electric heat to gas/steam heat in order to reduce peak demand for electricity. This program ended November 1996.

WARRANTY COSTS

The Company warrants labor for the first year after installation on new air conditioning and heating units. The Company generally warrants labor for 30 days after servicing of existing air conditioning and heating units. A reserve for warranty costs is recorded upon completion of installation or service.

INCOME TAXES

The Company has elected S Corporation status as defined by the Internal Revenue Code, whereby the Company is not subject to taxation for federal purposes. Under S Corporation status, the shareholders report their share of the Company's taxable earnings or losses in their personal tax returns. The Company will terminate its S Corporation status concurrently with the effective date of this Offering.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENT

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Accordingly, in the event that facts and circumstances indicate that property and equipment, and intangible or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value is necessary. Adoption of this standard did not have a material effect on the financial position or results of operations of the Company.

WESTERN BUILDING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (dollars in thousands):

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31,	
		1995	1996
Transportation equipment.....	5	\$ 47	\$ 47
Machinery and equipment.....	6-7	133	68
Computer and telephone equipment.....	5	120	145
Leasehold improvements.....	3	21	71
Furniture and fixtures.....	7	28	20
		349	351
Less -- Accumulated depreciation and amortization.....		(199)	(160)
Property and equipment, net.....		\$ 150	\$ 191

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Other noncurrent assets consist of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Covenant not to compete.....	\$ --	\$ 75
Life insurance surrender value.....	14	27
Other noncurrent assets.....	8	27
	\$ 22	\$ 129

At December 31, 1996, the Company acquired the contract rights of a competitor for \$75,000 through a covenant not to compete agreement. This agreement will be amortized over its three year term which expires at December 31, 1999.

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

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	\$ 403	\$ 249
Accrued compensation and benefits....	108	86
Accrued warranty expense.....	82	82
Other accrued expenses.....	139	139
	\$ 732	\$ 556

WESTERN BUILDING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Installation contracts in progress are as follows (in thousands):

	DECEMBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	\$ 335	\$ 530
Estimated earnings, net of losses....	206	160
	-----	-----
	541	690
Less -- Billings to date.....	552	815
	-----	-----
	\$ (11)	\$ (125)
	=====	=====
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 65	\$ 26
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(76)	(151)
	-----	-----
	\$ (11)	\$ (125)
	=====	=====

5. LONG-TERM DEBT:

Long-term debt consists of installment notes payable for transportation equipment. The debt is secured by the related transportation equipment. The terms of the notes range from 36 months to 48 months with monthly payments of principal and interest of approximately \$8,600. The notes bear interest at rates ranging from 9 percent to 13 percent.

Long-term debt also consists of term loans and capital leases. The term loans were issued in the amounts of \$175,000 and \$200,000 in 1996 and 1995, respectively. The \$175,000 term loan is secured by equipment, inventory, accounts receivable and all contract rights. The \$200,000 term loan is secured by all inventory and equipment and bears interest at prime plus 2 percent per annum. These term loans are also guaranteed by the Company president.

The capital leases relate to computer equipment and printers. The terms of the leases range from 12 to 36 months. The interest rates on these leases range from 10 to 12 percent.

The aggregate maturities of long-term debt as of December 31, 1996, are as follows (in thousands):

Year ending December 31	
1997.....	\$ 85
1998.....	89
1999.....	98
2000.....	89

	\$ 361
	=====

The Company has a \$300,000 line of credit with a financial institution. The line of credit expires September 28, 1997, and bears interest at prime plus 2 percent per annum. The line of credit is secured by accounts receivable and inventory and is guaranteed by the Company president. There was no balance outstanding under this line of credit at December 31, 1996.

6. LEASES:

The Company leases its facility from a third party, which expires in 1999. The rent paid under this lease was approximately \$43,000 and \$66,500 for the years ended December 31, 1995 and 1996. The lease requires the Company to pay taxes, maintenance, insurance and certain other operating costs of the leased property. The lease contains renewal provisions.

WESTERN BUILDING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The Company leases vehicles for operating purposes. The lease payments under these vehicle leases totaled approximately \$47,000 and \$71,000 for the years ended December 31, 1995 and 1996, respectively.

Future minimum lease payments for operating leases are as follows (in thousands):

Year ending December 31	
1997.....	\$ 144
1998.....	132
1999.....	19

	\$ 295
	=====

7. EMPLOYEE BENEFIT PLANS:

The Company has adopted a 401(k) plan which allows the Company to make discretionary contributions and discretionary profit sharing contributions. No contributions were made by the Company under this plan in 1995 and 1996. However, expenses of \$2,733 and \$3,903 were incurred by the Company during 1995 and 1996, respectively.

8. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, investments, notes payable, a line of credit, and debt. The Company believes that the carrying value of these instruments on the accompanying balance sheet approximates their fair value.

9. RELATED-PARTY TRANSACTIONS:

At December 31, 1995, the Company had a receivable of \$109,500 due from the president and vice president. At December 31, 1996, this balance was \$173,500. The Company offset this balance with the dividends payable of \$210,315 at December 31, 1996, resulting in a remaining dividend payable of \$36,875 to two shareholders and one director.

10. COMMITMENTS AND CONTINGENCIES:

LITIGATION

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

INSURANCE

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property, workers' compensation and a general umbrella policy. The Company has not incurred significant claims or losses on any of its insurance policies.

11. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS (UNAUDITED):

In March 1997, the Company and its shareholders entered into a definitive agreement with a wholly-owned subsidiary of Comfort Systems, providing for the merger of the Company with the subsidiary of Comfort Systems.

In connection with the merger, the Company will make a cash distribution of approximately \$371,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at March 31, 1997, the effect on the accompanying unaudited balance sheet would be a decrease in assets of \$41,000 and an increase in liabilities of \$333,000 and a decrease in shareholders' equity of \$371,000.

COMFORT SYSTEMS USA

Comfort Systems was founded in 1996 to become a leading national provider of comprehensive HVAC installation, maintenance repair and replacement services.

[GRAPHIC]

Services Provided:

"Design and Build" Installation o Maintenance

Repair o Replacement

Reconfiguration o Controls

Monitoring o Process Piping

Fabrication o Sheetmetal

Ductwork o Plumbing

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THE OFFERING MADE HEREBY TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON OR BY ANYONE IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

 TABLE OF CONTENTS

	PAGE

Prospectus Summary	3
Risk Factors	8
The Company	12
Use of Proceeds	15
Dividend Policy	15
Capitalization	16
Dilution	17
Selected Financial Data	18
Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Business	39
Management	48
Certain Transactions	53
Principal Stockholders	58
Description of Capital Stock	59
Shares Eligible for Future Sale	62
Underwriting	63
Legal Matters	64
Experts	64
Additional Information	64
Index to Financial Statements	F-1

 UNTIL , 1997 (25 DAYS AFTER THE DATE HEREOF), ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

 6,100,000 SHARES

(LOGO)

COMFORT SYSTEMS USA, INC.
 COMMON STOCK

 PROSPECTUS

ALEX. BROWN & SONS
 INCORPORATED

BEAR, STEARNS & CO. INC.

DONALDSON, LUFKIN & JENRETTE
 Securities Corporation

SANDERS MORRIS MUNDY

, 1997

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the Company in connection with the sale of the securities being registered. All amounts are estimates except for the fees payable to the SEC.

	AMOUNT TO BE PAID

SEC registration fee.....	\$ 29,761
Printing expenses.....	\$ 325,000
Legal fees and expenses.....	\$ 875,000
Accounting fees and expenses.....	\$ 2,450,000
Blue Sky fees and expenses.....	\$ 10,000
Transfer Agent's and Registrar's fees...	\$ 4,000
Miscellaneous.....	\$ 306,239

TOTAL.....	\$ 4,000,000
	=====

ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS.

The Company's Certificate of Incorporation, as amended, and Bylaws incorporate substantially the provisions of the Delaware General Corporation Law ("DGCL") providing for indemnification of directors and officers of the Company against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that such person is or was an officer or director of the Company or is or was serving at the request of the Company as a director, officer or employee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

As permitted by Section 102 of the DGCL, the Company's Certificate of Incorporation, as amended, contains provisions eliminating a director's personal liability for monetary damages to the Company and its stockholders arising from a breach of a director's fiduciary duty except for liability (a) for any breach of the director's duty of loyalty to the Company or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL, or (d) for any transaction from which the director derived an improper personal benefit.

Section 145 of the DGCL provides generally that a person sued as a director, officer, employee or agent of a corporation may be indemnified by the corporation for reasonable expenses, including attorneys' fees, if in the case of other than derivative suits such person has acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation (and, in the case of a criminal proceeding, had no reasonable cause to believe that such person's conduct was unlawful). In the case of a derivative suit, an officer, employee or agent of the corporation which is not protected by the Certificate of Incorporation may be indemnified by the corporation for reasonable expenses, including attorneys' fees, if such person has acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in the case of a derivative suit in respect of any claim as to which an officer, employee or agent has been adjudged to be liable to the corporation unless that person is fairly and reasonably entitled to indemnity for proper expenses. Indemnification is mandatory in the case of a director, officer, employee, or agent who is successful on the merits in defense of a suit against such person.

The Company intends to enter into Indemnity Agreements with its directors and certain key officers pursuant to which the Company generally is obligated to indemnify its directors and such officers to the full extent permitted by the DGCL as described above.

The Company intends to purchase liability insurance policies covering directors and officers in certain circumstances.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

On December 12, 1996, Comfort Systems issued and sold 1,000 shares of Common Stock to Notre for a consideration of \$1,000. This sale was exempt from registration under Section 4(2) of the Securities Act, no public offering being involved.

On January 6, 1997, Comfort Systems issued and sold shares of Common Stock to the following parties in the amounts and for the consideration indicated. These sales were exempt from registration under Section 4(2) of the Securities Act: Notre -- 23,516.623 shares for a consideration of \$28,699.12; Fred M. Ferreira -- 3957.7359 shares for a consideration of \$4,794.35; J. Gordon Beittenmiller -- 825.5 shares for a consideration of \$1,000.00; Reagan S. Busbee -- 825.5 shares for a consideration of \$1,000.00; S. Craig Lemmon -- 825.5 shares for a consideration of \$1,000.00; Milburn E. Honeycutt -- 412.75 shares for a consideration of \$500.00; Brian J. Vensel -- 412.75 shares for a consideration of \$500.00; Emmett E. Moore -- 412.75 shares for a consideration of \$500.00; John W. Bouloubasis -- 412.75 shares for a consideration of \$500.00; Stephen R. Baur -- 330.2 shares for a consideration of \$400.00; Shellie LePori -- 206.375 shares for a consideration of \$250.00; Constance Drew -- 288.925 shares for a consideration of \$350.00; John Mercandante, Jr. -- 82.55 shares for a consideration of \$100.00; Larry Martin -- 82.55 shares for a consideration of \$100.00; Norton Family Trust -- 61.9125 shares for a consideration of \$75.00; Larry E. Jacobs -- 61.9125 shares for a consideration of \$75.00; Richard T. Howell -- 41.275 shares for a consideration of \$50.00; Rod Crosby -- 41.275 shares for a consideration of \$50.00; Jennifer Summerford -- 24.765 shares for a consideration of \$30.00; Infoscope Partners, Inc. -- 8.255 shares for a consideration of \$10.00; Melinda Malik -- 4.1275 shares for a consideration of \$5.00; and Steven T. Zellers -- 16.51 shares for a consideration of \$20.00.

On February 25, 1997, Comfort Systems issued and sold shares of Common Stock to the following parties in the amounts and for the consideration indicated. These sales were exempt from registration under Section 4(2) of the Securities Act, no public offering being involved: William George, III -- 619.125 shares for a consideration of \$750.00; J. Gordon Beittenmiller -- 132.08 shares for a consideration of \$160.00; Reagan S. Busbee -- 132.08 shares for a consideration of \$160.00; S. Craig Lemmon -- 132.08 shares for a consideration of \$160.00; Milburn E. Honeycutt -- 66.04 shares for a consideration of \$80.00; and Brian J. Vensel -- 66.04 shares for a consideration of \$80.00.

Effective March 20, 1997, Comfort Systems effected a 121.1387 to 1 stock split on outstanding shares of Common Stock as of March 19, 1997.

Effective March 20, 1997, Comfort Systems issued and sold 2,742,912 shares of Restricted Voting Common Stock to Notre in exchange for 2,742,912 shares of Common Stock. This sale was exempt from registration under Section 4(2) of the Securities Act, no public offering being involved.

Simultaneously with the consummation of this Offering, the Company will issue 9,720,927 shares of its Common Stock in connection with the Mergers of the Founding Companies. Each of these transactions was completed without registration under the Securities Act in reliance upon the exemption provided by Section 4(2) of the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
1.1+	-- Form of Underwriting Agreement
2.1*	-- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Accurate Acquisition Corp., Accurate Air Systems, Inc. and the Stockholder named therein

2.2* -- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Atlas Air Acquisition I Corp., Atlas Comfort Services USA, Inc. and the Stockholders named therein

2.3* -- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Contract Acquisition Corp., Contract Service, Inc. and the Stockholders named therein

2.4* -- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Eastern Acquisition Corp., Eastern II Acquisition Corp., Eastern Heating & Cooling, Inc., Eastern Refrigeration Co., Inc. and the Stockholder named therein

2.5* -- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Freeway Acquisition Corp., Freeway Heating & Air Conditioning, Inc. and the Stockholders named therein

2.6* -- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Quality Acquisition Corp., Quality Air Heating & Cooling, Inc. and the Stockholders named therein

2.7* -- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., S. M. Lawrence Acquisition Corp., S. M. Lawrence II Acquisition Corp., S. M. Lawrence Company, Inc., Lawrence Service, Inc. and the Stockholders named therein

2.8* -- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Seasonair, Inc. and the Stockholders named therein

2.9* -- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Standard Acquisition Corp., Standard Heating & Air Conditioning Company and the Stockholders named therein

2.10* -- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Tech I Acquisition Corp., Tech II Acquisition Corp., Tech Heating and Air Conditioning, Inc., Tech Mechanical, Inc. and the Stockholder named therein

2.11* -- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Tri-City Acquisition Corp., Tri-City Mechanical, Inc. and the Stockholders named therein

2.12* -- Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Western Building Acquisition Corp., Western Building Services, Inc. and the Stockholders named therein

3.1+ -- Second Amended and Restated Certificate of Incorporation of Comfort Systems USA, Inc.

3.2* -- Bylaws of Comfort Systems USA, Inc., as amended

4.1+ -- Form of certificate evidencing ownership of Common Stock of Comfort Systems USA, Inc.

5.1+ -- Opinion of Bracewell & Patterson, L.L.P.

10.1+ -- Comfort Systems USA, Inc. 1997 Long-Term Incentive Plan

10.2* -- Comfort Systems USA, Inc. 1997 Non-Employee Directors' Stock Plan

10.3+ -- Form of Employment Agreement between Comfort Systems USA, Inc. and Fred M. Ferreira.

10.4+ -- Form of Employment Agreement between Comfort Systems USA, Inc. and J. Gordon Beittenmiller.

10.5+ -- Form of Employment Agreement between Comfort Systems USA, Inc. and William George, III.

10.6+ -- Form of Employment Agreement between Comfort Systems USA, Inc. and Reagan S. Busbee.

10.7+ -- Form of Employment Agreement between Comfort Systems USA, Inc., Accurate Air Systems, Inc. and Thomas J. Beaty.

10.8+ -- Form of Employment Agreement between Comfort Systems USA, Inc., Atlas Comfort Services USA, Inc. and Brian S. Atlas.

10.9+ -- Form of Employment Agreement between Comfort Systems USA, Inc., Contract Service, Inc. and John C. Phillips.

10.10+ -- Form of Employment Agreement between Comfort Systems USA, Inc., Eastern Heating & Cooling, Inc. and Alfred J. Giardenelli, Jr.

10.11+ -- Form of Employment Agreement between Comfort Systems USA, Inc., Quality Air Heating & Cooling, Inc. and Robert J. Powers.

10.12+ -- Form of Employment Agreement between Comfort Systems USA, Inc., S. M. Lawrence Company, Inc. and Samuel M. Lawrence III.

10.13+ -- Form of Employment Agreement between Comfort Systems USA, Inc., Tech Heating and Air Conditioning, Inc. and Robert R. Cook.

10.14+ -- Form of Employment Agreement between Comfort Systems USA, Inc., Tri-City Mechanical, Inc. and Michael Nothum, Jr.

10.15+ -- Form of Employment Agreement between Comfort Systems USA, Inc., Western Building Services, Inc. and Charles W. Klapperich.

10.16+ -- Form of Agreement among certain stockholders

21.1* -- List of subsidiaries of Comfort Systems USA, Inc.

23.1+ -- Consent of Arthur Andersen LLP

23.2+ -- Consent of Bracewell & Patterson, L.L.P. (contained in Exhibit 5.1).

23.3* -- Consent of Fred M. Ferreira to be named as a director.

23.4* -- Consent of J. Gordon Beittenmiller to be named as a director.

23.5* -- Consent of Brian S. Atlas to be named as a director.

23.6* -- Consent of Thomas J. Beaty to be named as a director.

23.7* -- Consent of Robert R. Cook to be named as a director.

23.8* -- Consent of Alfred J. Giardenelli, Jr. to be named as a director.

23.9* -- Consent of Charles W. Klapperich to be named as a director.

23.10* -- Consent of Samuel M. Lawrence III to be named as a director.

23.11* -- Consent of Michael Nothum, Jr. to be named as a director.

23.12* -- Consent of John C. Phillips to be named as a director.

23.13* -- Consent of Robert J. Powers to be named as a director.

23.14* -- Consent of Steven S. Harter to be named as a director.

23.15* -- Consent of Larry Martin to be named as a director.

23.16* -- Consent of John Mercadante, Jr. to be named as a director.

24.1* -- Power of Attorney (included herein on Signature Page)

27.1+ -- Financial Data Schedule

- -----
* Previously filed.

+ Filed herewith.

(b) FINANCIAL STATEMENT SCHEDULES

All schedules for which provision is made in the applicable accounting regulation of the SEC are not required under the related instructions, are inapplicable, or the information is included in the consolidated financial statements, and therefore have been omitted.

ITEM 17. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the provisions described in Item 14, or otherwise, the Company has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(c) The undersigned registrant hereby undertakes that: (i) for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; (ii) for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, COMFORT SYSTEMS USA, INC. HAS DULY CAUSED THIS REGISTRATION STATEMENT OR AMENDMENT THERETO TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON MAY 19, 1997.

COMFORT SYSTEMS USA, INC.
By /s/FRED M. FERREIRA
FRED M. FERREIRA
CHIEF EXECUTIVE OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT OR AMENDMENT THERETO HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE INDICATED CAPACITIES ON MAY 19, 1997.

SIGNATURE -----	TITLE -----
/s/FRED M. FERREIRA FRED M. FERREIRA	Chairman of the Board, Chief Executive Officer and President
/s/J. GORDON BEITTENMILLER* J. GORDON BEITTENMILLER	Senior Vice President, Chief Financial Officer and Director (PRINCIPAL ACCOUNTING OFFICER)
/s/STEVEN S. HARTER* STEVEN S. HARTER	Director
*By/s/FRED M. FERREIRA FRED M. FERREIRA ATTORNEY-IN-FACT	

COMFORT SYSTEMS USA, INC.

Common Stock

UNDERWRITING AGREEMENT

_____, 1997

ALEX. BROWN & SONS INCORPORATED
 BEAR, STEARNS & CO. INC.
 DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
 SANDERS MORRIS MUNDY INC.
 c/o Alex. Brown & Sons Incorporated
 One South Street
 Baltimore, Maryland 21202

Gentlemen:

Comfort Systems USA, Inc., a Delaware corporation (the "Company"), proposes to sell to you (the "Underwriters") an aggregate of 6,100,000 shares of the Company's Common Stock, par value \$.01 per share (the "Firm Shares"). The respective amounts of the Firm Shares to be so purchased by each of the Underwriters are set forth opposite their names in Schedule I hereto. The Company also proposes to sell at the Underwriters' option an aggregate of up to 915,000 additional shares of the Company's Common Stock (the "Option Shares") as set forth below.

You have advised the Company that you are authorized to enter into this Agreement, and (b) that you are willing, acting severally and not jointly, to purchase the numbers of Firm Shares set forth opposite your respective names in Schedule I, plus your pro rata portion of the Option Shares if you elect to exercise the over-allotment option in whole or in part for the accounts of the Underwriters. The Firm Shares and the Option Shares (to the extent the aforementioned option is exercised) are herein collectively called the "Shares."

Simultaneously with closing on the Firm Shares by the Underwriters, the Company will cause each of the Founding Companies (as hereinafter defined) to be merged with a subsidiary of the Company (collectively, the "Founding Company Mergers"), the consideration for which will

- 1 -

be a combination of cash and shares of the Company's Common Stock as described in the Registration Statement (as hereinafter defined).

In consideration of the mutual agreements contained herein and of the interests of the parties in the transactions contemplated hereby, the parties hereto agree as follows:

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each of the Underwriters as follows:

(a) A registration statement on Form S-1 (Reg. No. 333-24021) with respect to the Shares has been carefully prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"), and the Rules and Regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder and has been filed with the Commission. Copies of such registration statement, including any amendments thereto, the preliminary prospectuses (meeting the requirements of the Rules and Regulations) contained therein and the exhibits, financial statements and schedules, as finally amended and revised, have heretofore been delivered by the Company to you. Such registration statement, together with any registration statement filed by the Company pursuant to Rule 462(b) under the Act, herein referred to as the "Registration Statement," which shall be deemed to include all information omitted therefrom in reliance upon Rule 430A and contained in the Prospectus referred to below, has become effective under the Act and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. "Prospectus" means (a) the form of prospectus first filed with the Commission pursuant to Rule 424(b), or (b) the last preliminary prospectus included in the Registration Statement filed prior to the time it becomes effective or filed pursuant to Rule 424(a) under the Act that is delivered by the Company to the Underwriters for delivery to purchasers of the Shares, together with the term sheet or abbreviated term sheet filed with the Commission pursuant to Rule 424(b)(7) under the Act. Each preliminary prospectus included in the Registration Statement prior to the time it becomes effective is herein referred to as a "Preliminary Prospectus."

(b) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement. Each of Quality Air Heating and Cooling, Inc, Atlas Air Conditioning Co., Tri-City Mechanical, Inc., S.M. Lawrence Co., Inc., Accurate Air Systems, Inc., Freeway Heating and Air Conditioning, Inc., Eastern Heating and Cooling Inc., Contract Services Inc., Tech Heating and Air Conditioning, Inc., Seasonair, Inc., Western Building Services, Inc. and Standard Heating and Air Conditioning Co. (collectively the "Founding Companies") has been duly organized and is validly existing as

- 2 -

a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement. As of the date hereof, the Company has no subsidiaries except those listed in Item 16 to the Registration Statement. The Company and each of the Founding Companies are duly qualified to transact business in all jurisdictions in which the conduct of their respective businesses requires such qualification, except where the failure to so qualify would not have a materially adverse effect on the business and operations of the Company and the Founding Companies taken as a whole. The outstanding shares of capital stock of each of the Founding Companies have been duly authorized and validly issued, are fully paid and non-assessable. As of the Closing Date (as hereinafter defined), after giving effect to the Founding Company Mergers, all of the outstanding shares of capital stock of each of the Founding Companies will be owned by the Company free and clear of all liens, encumbrances and equities and claims; and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into shares of capital stock or ownership interests in any of the Founding Companies will be outstanding.

(c) The outstanding shares of Common Stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; the Shares to be issued and sold by the Company have been duly authorized and when issued and paid for as contemplated herein will be validly issued, fully paid and non-assessable; and no preemptive rights of stockholders exist with respect to any of the Shares or the issue and sale thereof. Neither the filing of the Registration Statement nor the offering or sale of the Shares as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any shares of Common Stock. Upon completion of the Founding Company Mergers in the manner described in the Registration Statement, the shares of Common Stock of the Company to be issued in such mergers will be duly authorized, validly issued and fully paid and non-assessable.

(d) The information set forth under the caption "Capitalization" in the Prospectus is true and correct. All of the Shares conform to the description thereof contained in the Registration Statement. The form of certificates for the Shares conforms to the corporate law of the jurisdiction of the Company's incorporation.

(e) The Commission has not issued an order preventing or suspending the use of any Prospectus relating to the proposed offering of the Shares nor instituted proceedings for that purpose. The Registration Statement contains, and the Prospectus and any amendments or supplements thereto will contain, all statements which are required to be stated therein by, and will conform to the requirements of the Act and the Rules and Regulations. The Registration Statement and any amendment thereto do not contain, and will not contain, any untrue statement of a material fact and do not omit, and will not omit, to state any material fact required to be stated therein or necessary to make

the statements therein not misleading. The Prospectus and any supplements thereto do not contain, and will not contain, any untrue statement of a material fact and do not omit, and will not omit, to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any Underwriter, specifically for use in the preparation thereof.

(f) All of the financial statements of the Company and the separate financial statements of the Founding Companies, in each case together with related notes and schedules, as set forth in the Registration Statement, present fairly in all material respects the financial position and the results of operations and cash flows of the Company, of each of the Founding Companies and of the Company, respectively, at the indicated dates and for the indicated periods. Such financial statements and related schedules have been prepared in accordance with generally accepted principles of accounting, consistently applied throughout the periods involved, except as disclosed therein, and all adjustments necessary for a fair presentation of results for such periods have been made. The summary historical and pro forma financial and statistical data included in the Registration Statement present fairly the information shown therein and such data have been compiled on a basis consistent with the financial statements presented therein and the books and records of the Company and the Founding Companies, as applicable. The pro forma combined financial statements of the Company and the Founding Companies (including the supplemental pro forma information shown therein), together with the related notes, as set forth in the Registration Statement, present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the pro forma bases described therein, and in the opinion of the Company, the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein.

(g) Arthur Andersen LLP, who have certified certain of the financial statements filed with the Commission as part of the Registration Statement, are independent public accountants as required by the Act and the Rules and Regulations.

(h) There is no action, suit, claim or proceeding pending or, to the knowledge of the Company, threatened against the Company or any of the Founding Companies before any court or administrative agency or otherwise, which if determined adversely to the Company or such Founding Company is reasonably likely to result in any material adverse change in the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the

Founding Companies, taken as a whole, or to prevent the consummation of the transactions contemplated hereby except as set forth in the Registration Statement.

(i) Each of the Company and the Founding Companies has good and marketable title to all of its properties and assets reflected in its financial statements (or as described in the Registration Statement) hereinabove described, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements (or as described in the Registration Statement) or which are not material in amount. Each of the Company and the Founding Companies occupies its leased properties under valid and binding leases conforming in all material respects to the description thereof set forth in the Registration Statement.

(j) Each of the Company and the Founding Companies has filed all Federal, state, local and foreign income tax returns which have been required to be filed and have paid all taxes indicated by said returns and all assessments received by it or any of them to the extent that such taxes have become due and are not being contested in good faith. All tax liabilities have been adequately provided for in the financial statements of the Company and the Founding Companies, as applicable.

(k) Since the respective dates as of which information is given in the Registration Statement, as it may be amended or supplemented, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise), or prospects of the Company and the Founding Companies, taken as a whole, whether or not occurring in the ordinary course of business, and there has not been any material transaction entered into or any material transaction that is probable of being entered into by the Company or the Founding Companies, other than transactions in the ordinary course of business and changes and transactions described in the Registration Statement, as it may be amended or supplemented. Neither the Company nor any of the Founding Companies has any material contingent obligations which are not disclosed in the Company's or such Founding Company's financial statements, as applicable, included in the Registration Statement.

(l) Neither the Company nor any of the Founding Companies is, or with the giving of notice or lapse of time or both, will be, in violation of or in default under its Charter or By-Laws or under any agreement, lease, contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound and which default is of material significance in respect of the condition (financial or otherwise) of the Company and the Founding Companies, taken as a whole, or the business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the Founding Companies, taken as a whole. The execution and delivery of this Agreement and the consummation of the transactions

herein contemplated and the fulfillment of the terms hereof will not conflict with or result in a material breach of any of the terms or provisions of, or constitute a material default under, any indenture, mortgage, deed of trust or other agreement or instrument to which the Company or any of the Founding Companies is a party, or of the Charter or By-Laws of the Company or any of the Founding Companies or any order, rule or regulation applicable to the Company or any of the Founding Companies of any court or, assuming compliance with all applicable state securities or blue sky laws, of any regulatory body or administrative agency or other governmental body having jurisdiction.

(m) Each material approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body necessary in connection with the execution and delivery by the Company of this Agreement and the consummation of the transactions herein contemplated (except such additional steps as may be required by the Commission, the National Association of Securities Dealers, Inc. (the "NASD") or such additional steps as may be necessary to qualify the Shares for public offering by the Underwriters under state securities or Blue Sky laws) has been obtained or made and is in full force and effect.

(n) The Company and each of the Founding Companies hold all material licenses, certificates and permits from governmental authorities which are necessary to the conduct of their businesses; and neither the Company nor any of the Founding Companies has infringed any patents, patent rights, trade names, trademarks or copyrights, which infringement is material to the business of the Company or such Founding Company. The Company knows of no material infringement by others of patents, patent rights, trade names, trademarks or copyrights owned by or licensed to the Company or any of the Founding Companies.

(o) Neither the Company, nor to the Company's best knowledge, any of its affiliates or any of the Founding Companies or any of their affiliates, has taken or may take, directly or indirectly, any action designed to cause or result in, or which has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of the Shares.

(p) Neither the Company nor any of the Founding Companies is an "investment company" within the meaning of such term under the Investment Company Act of 1940 and the rules and regulations of the Commission thereunder.

(q) The Company and each of the Founding Companies maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial

statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(r) The Company and each of the Founding Companies carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar industries.

(s) The Company and each of the Founding Companies are in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company or any of the Founding Companies would have any liability; neither the Company nor any of the Founding Companies has incurred nor expects to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan," or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company or any of the Founding Companies would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

2. PURCHASE, SALE AND DELIVERY OF THE FIRM SHARES.

(a) On the basis of the representations, warranties and covenants herein contained, and subject to the conditions herein set forth, the Company agrees to sell to the Underwriters and each Underwriter agrees, severally and not jointly, to purchase, at a price of \$_____ per share, the number of Firm Shares set forth opposite the name of each Underwriter in Schedule I hereof, subject to adjustments in accordance with Section 9 hereof.

(b) Payment for the Firm Shares to be sold hereunder is to be made in New York Clearing House funds by certified or bank cashier's checks drawn to the order of the Company against delivery of certificates therefor to the Underwriters for the several accounts of the Underwriters. Such payment and delivery are to be made at the offices of Alex. Brown & Sons Incorporated, One South Street, Baltimore, Maryland, at 10:00 A.M., Baltimore time, on the third business day after the date of this Agreement or at such

other time and date not later than third business days thereafter as you and the Company shall agree upon, such time and date being herein referred to as the "Closing Date." (As used herein, "business day" means a day on which the New York Stock Exchange is open for trading and on which banks in New York are open for business and are not permitted by law or executive order to be closed.) The certificates for the Firm Shares will be delivered in such denominations and in such registrations as the Underwriters request in writing not later than the third full business day prior to the Closing Date, and will be made available for inspection by the Underwriters at least one business day prior to the Closing Date.

(c) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the several Underwriters to purchase the Option Shares at the price per share as set forth in the first paragraph of this Section 2. The option granted hereby may be exercised in whole or in part but only once and at any time upon written notice given within 30 days after the date of this Agreement, by you, as Underwriters, to the Company setting forth the number of Option Shares as to which the several Underwriters are exercising the option, the names and denominations in which the Option Shares are to be registered and the time and date at which such certificates are to be delivered. The time and date at which certificates for Option Shares are to be delivered shall be determined by the Underwriters but shall not be earlier than three nor later than 10 full business days after the exercise of such option, nor in any event prior to the Closing Date (such time and date being herein referred to as the "Option Closing Date"). If the date of exercise of the option is three or more days before the Closing Date, the notice of exercise shall set the Closing Date as the Option Closing Date. The number of Option Shares to be purchased by each Underwriter shall be in the same proportion to the total number of Option Shares being purchased as the number of Firm Shares being purchased by such Underwriter bears to 6,100,000, adjusted by you in such manner as to avoid fractional shares. The option with respect to the Option Shares granted hereunder may be exercised only to cover over-allotments in the sale of the Firm Shares by the Underwriters. You may cancel such option at any time prior to its expiration by giving written notice of such cancellation to the Company. To the extent, if any, that the option is exercised, payment for the Option Shares shall be made on the Option Closing Date in New York Clearing House funds by certified or bank cashier's check drawn to the order of the Company against delivery of certificates therefor at the offices of Alex. Brown & Sons Incorporated, One South Street, Baltimore, Maryland.

3. OFFERING BY THE UNDERWRITERS.

It is understood that the Underwriters are to make a public offering of the Firm Shares as soon as they deem it advisable to do so following execution of this Agreement. The Firm Shares are to be initially offered to the public at the public offering price set forth on the cover of the

Prospectus. The Underwriters may from time to time thereafter change the public offering price and other selling terms. To the extent, if at all, that any Option Shares are purchased pursuant to Section 2 hereof, the Underwriters will offer them to the public on the foregoing terms.

It is further understood that you will act in accordance with a Master Agreement Among Underwriters.

4. COVENANTS OF THE COMPANY.

The Company covenants and agrees with the Underwriters that:

(a) The Company will (A) use its best efforts to cause the Registration Statement to become effective or, if the procedure in Rule 430A of the Rules and Regulations is followed, to prepare and timely file with the Commission under Rule 424(b) of the Rules and Regulations a Prospectus in a form approved by the Underwriters containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A of the Rules and Regulations, and (B) not file any amendment to the Registration Statement or supplement to the Prospectus of which the Underwriters shall not previously have been advised and furnished with a copy or to which the Underwriters shall have reasonably objected in writing or which is not in compliance with the Rules and Regulations.

(b) The Company will advise the Underwriters promptly (A) when the Registration Statement or any post-effective amendment thereto shall have become effective, (B) of receipt of any comments from the Commission, (C) of any request of the Commission for amendment of the Registration Statement or for supplement to the Prospectus or for any additional information, and (D) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the use of the Prospectus or of the institution of any proceedings for that purpose. The Company will use its best efforts to prevent the issuance of any such stop order preventing or suspending the use of the Prospectus and to obtain as soon as possible the lifting thereof, if issued.

(c) The Company will cooperate with the Underwriters in endeavoring to qualify the Shares for sale under the securities laws of such jurisdictions as the Underwriters may reasonably have designated in writing and will make such applications, file such documents, and furnish such information as may be reasonably required for that purpose, provided the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent. The Company will, from time to time, prepare and file such statements, reports, and other documents, as are or may be required to

continue such qualifications in effect for so long a period as the Underwriters may reasonably request for distribution of the Shares.

(d) The Company will deliver to, or upon the order of, the Underwriters, from time to time, as many copies of any Preliminary Prospectus as the Underwriters may reasonably request. The Company will deliver to, or upon the order of, the Underwriters during the period when delivery of a Prospectus is required under the Act, as many copies of the Prospectus in final form, or as thereafter amended or supplemented, as the Underwriters may reasonably request. The Company will deliver to the Underwriters at or before the Closing Date, three signed, xeroxed copies of the Registration Statement and all amendments thereto including all exhibits filed therewith, and will deliver to the Underwriters such number of copies of the Registration Statement (including such number of copies of the exhibits filed therewith that may reasonably be requested), including any documents incorporated by reference therein, and of all amendments thereto, as the Underwriters may reasonably request.

(e) The Company will comply with the Act and the Rules and Regulations and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Commission thereunder, so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and the Prospectus. If during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, any event shall occur as a result of which, in the judgment of the Company or in the reasonable opinion of the Underwriters, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances existing at the time the Prospectus is delivered to a purchaser, not misleading, or, if it is necessary at any time to amend or supplement the Prospectus to comply with any law, the Company promptly will prepare and file with the Commission an appropriate amendment to the Registration Statement or supplement to the Prospectus so that the Prospectus as so amended or supplemented will not, in the light of the circumstances when it is so delivered, be misleading, or so that the Prospectus will comply with the law.

(f) The Company will make generally available to its security holders, as soon as it is practicable to do so, but in any event not later than 15 months after the effective date of the Registration Statement, an earnings statement (which need not be audited) in reasonable detail, covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement, which earnings statement shall satisfy the requirements of Section 11(a) of the Act and Rule 158 of the Rules and Regulations and will advise you in writing when such statement has been so made available.

(g) The Company will, for a period of five years from the Closing Date, deliver to the Underwriters copies of annual reports and copies of all other documents, reports and information furnished by the Company to its stockholders or filed with any securities

exchange pursuant to the requirements of such exchange or with the Commission pursuant to the Act or the Exchange Act. The Company will deliver to the Underwriters similar reports with respect to significant subsidiaries, as that term is defined in the Rules and Regulations, which are not consolidated in the Company's financial statements.

(h) No offering, sale, short sale or other disposition of any shares of Common Stock of the Company or other securities convertible into or exchangeable or exercisable for shares of Common Stock or derivative of Common Stock (or agreement for such) will be made for a period of 180 days after the date of the Prospectus, directly or indirectly, by the Company otherwise than hereunder or with the prior written consent of Alex. Brown & Sons Incorporated, except that the Company may, without such consent, issue shares (i) upon exercise of options granted under its stock option plans, (ii) upon exercise of warrants outstanding on the date of this Agreement, (iii) in connection with acquisitions of businesses, (iv) in connection with conversion of shares of Restricted Common Stock to Common Stock or (v) pursuant to employee benefit or compensation plans existing on the date hereof.

(i) The Company will use its best efforts to list, subject to notice of issuance, the Shares on the New York Stock Exchange.

(j) The Company has caused each executive officer and director of the Company to furnish to you, on or prior to the date of this Agreement, a letter or letters, in form and substance satisfactory to the Underwriters, pursuant to which each such person has agreed not to offer, sell, sell short or otherwise dispose of any shares of Common Stock of the Company owned by such person (or as to which such person has the right to direct the disposition of) or request the registration for the offer or sale of any of the foregoing for a period of 180 days after the date of the Prospectus, directly or indirectly, except with the prior written consent of Alex. Brown & Sons Incorporated ("Lockup Agreements").

(k) The Company will: (i) use its best efforts to satisfy all conditions to the consummation of the Founding Company Mergers as set forth in the agreements with respect thereto, (ii) use its best efforts to cause each other party to such agreements to satisfy all conditions to the consummation of the Founding Company Mergers, and (iii) promptly notify the Underwriters of the occurrence of any event which may result in the non-consummation of any of the Founding Company Mergers on the Closing Date.

(l) The Company shall apply the net proceeds of its sale of the Shares as set forth in the Prospectus and shall file such reports with the Commission with respect to the sale of the Shares and the application of the proceeds therefrom as may be required in accordance with Rule 463 under the Act.

(m) The Company shall not invest, or otherwise use, the proceeds received by the Company from its sale of the Shares in such a manner as would require the Company or any of the Founding Companies to register as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act").

(n) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock.

(o) The Company will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

5. COSTS AND EXPENSES.

The Company will pay all costs, expenses and fees incident to the performance of the obligations of the Company under this Agreement and in connection with the Founding Company Mergers, including, without limiting the generality of the foregoing, the following: accounting fees of the Company; the fees and disbursements of counsel for the Company; the cost of printing and delivering to, or as requested by, the Underwriters copies of the Registration Statement, Preliminary Prospectuses, the Prospectus, this Agreement; the filing fees of the Commission; the filing fees and expenses (including disbursements but excluding legal fees of counsel to the Underwriters) incident to securing any required review by the National Association of Securities Dealers, Inc. (the "NASD") of the terms of the sale of the Shares; the Listing Fee of The New York Stock Exchange; and the expenses, including the fees and disbursements of counsel for the Underwriters, incurred in connection with the qualification of the Shares under State securities or Blue Sky laws. The Company shall not, however, be required to pay for any of the Underwriters' expenses (other than those related to qualification under NASD regulations and State securities or Blue Sky laws) except that, if this Agreement shall not be consummated because the conditions in Section 6 hereof are not satisfied, or because this Agreement is terminated by the Underwriters pursuant to Section 11 hereof, or by reason of any failure, refusal or inability on the part of the Company to perform any undertaking or satisfy any condition of this Agreement or to comply with any of the terms hereof on its part to be performed, unless such failure to satisfy said condition or to comply with said terms be due to the default or omission of any Underwriter, then the Company shall reimburse the Underwriters for reasonable out-of-pocket expenses, including fees and disbursements of counsel, reasonably incurred in connection with investigating, marketing and proposing to market the Shares or in contemplation of performing their obligations hereunder; but the Company shall not in any event be liable to any of the Underwriters for damages on account of loss of anticipated profits from the sale by them of the Shares.

6. CONDITIONS OF OBLIGATIONS OF THE UNDERWRITERS.

The several obligations of the Underwriters to purchase the Firm Shares on the Closing Date and the Option Shares, if any, on the Option Closing Date are subject to the accuracy, as of the Closing Date or the Option Closing Date, as the case may be, of the representations and warranties of the Company contained herein, and to the performance by the Company of their covenants and obligations hereunder and to the following additional conditions:

(a) The Registration Statement and all post-effective amendments thereto shall have become effective and any and all filings required by Rule 424 and Rule 430A of the Rules and Regulations shall have been made, and any request of the Commission for additional information (to be included in the Registration Statement or otherwise) shall have been disclosed to the Underwriters and complied with to their reasonable satisfaction. No stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued and no proceedings for that purpose shall have been taken or, to the knowledge of the Company, shall be contemplated by the Commission and no injunction, restraining order, or order of any nature by a Federal or state court of competent jurisdiction shall have been issued as of the Closing Date or the Option Closing Date, as the case may be, which would prevent the issuance of the Shares.

(b) The Underwriters shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinion of Bracewell & Patterson L.L.P., counsel for the Company, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and stating that it may be relied upon by counsel to the Underwriters) to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; each of the Founding Companies has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation, with corporate power and authority to own or lease its properties and conduct its business; the Company and each of the Founding Companies are duly qualified to transact business in each of the jurisdictions set forth on a schedule to such opinion; and, upon consummation of the Founding Company Mergers, the outstanding shares of capital stock of each of the Founding Companies will have been duly authorized and validly issued and will be fully paid and non-assessable and will be owned by the Company; and, to the best of such counsel's knowledge, the outstanding shares of capital stock of each of the Founding Companies will be owned by the Company, free and clear of all liens, encumbrances and equities and claims, and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into any shares of capital stock of

or other ownership interests in any of the Founding Companies will be outstanding.

(ii) The Company has authorized capital stock as set forth under the caption "Capitalization" in the Prospectus; the authorized shares of the Company's Preferred Stock and Common Stock have been duly authorized; the outstanding shares of the Company's Common Stock have been duly authorized and validly issued and are fully paid and non-assessable; all of the Shares conform to the description thereof contained in the Prospectus; the certificates for the Shares, assuming they are in the form filed with the Commission, are in due and proper form; the Firm Shares and Option Shares, if any, to be sold by the Company pursuant to this Agreement and the shares of Common Stock of the Company to be issued in connection with the Founding Company Mergers have been duly authorized and will be validly issued, fully paid and non-assessable when issued and paid for as contemplated by this Agreement; and no preemptive rights of stockholders exist under statute or under agreements known to such counsel with respect to any of the Shares or the shares to be issued in the Founding Company Mergers or the issue or sale thereof.

(iii) Except as described in or contemplated by the Prospectus, to the knowledge of such counsel, there are no outstanding securities of the Company convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of capital stock of the Company and there are no outstanding or authorized options, warrants or rights of any character obligating the Company to issue any shares of its capital stock or any securities convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of such stock; and except as described in the Prospectus, to the knowledge of such counsel, no holder of any securities of the Company or any other person has the right, contractual or otherwise, which has not been satisfied or effectively waived, to cause the Company to sell or otherwise issue to them, or to permit them to underwrite the sale of, any of the Shares or the right to have any shares of Common Stock or other securities of the Company included in the Registration Statement or the right, as a result of the filing of the Registration Statement, to require registration under the Act of any shares of Common Stock or other securities of the Company.

(iv) The Registration Statement has become effective under the Act and, to the best of the knowledge of such counsel, no stop order proceedings with respect thereto have been instituted or are pending or threatened under the Act.

(v) The Registration Statement, the Prospectus and each amendment or supplement thereto comply as to form in all material respects with the

requirements of the Act and the applicable rules and regulations thereunder (except that such counsel need express no opinion as to the financial statements, notes thereto and related schedules and other financial and statistical information included therein or any information furnished by the Underwriters for use therein).

(vi) The statements under the captions "Business-Regulation," "Business-Legal Proceedings," "Management- Executive Compensation; Employment Agreements; Covenants-not-to-Compete," "Management-Long-Term Incentive Compensation Plan," "Certain Transactions," "Description of Capital Stock" and "Shares Eligible for Future Sale" in the Prospectus, insofar as such statements constitute a summary of documents referred to therein or matters of law, are accurate summaries and fairly present in all material respects the information called for with respect to such documents and matters.

(vii) Each of the Agreements and Plan or Reorganization with respect to the Founding Company Mergers (which have been filed with the Commission as exhibits to the Registration Statement) have been duly authorized, executed and delivered by the Company and constitutes the valid binding obligation of the Company; the Certificates or Articles of Merger referred to in such Agreements and Plans of Reorganization, assuming the due filing thereof with the appropriate regulatory authorities, will cause the statutory merger of each of the Founding Companies with the respective subsidiaries of the Company that are parties thereto.

(viii) Such counsel does not know of any contracts or documents required to be filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus which are not so filed or described as required, and the descriptions of such contracts and documents required to be described in the Registration Statement or the Prospectus are correct in all material respects.

(ix) Such counsel knows of no material legal or governmental proceedings pending or threatened against the Company or any of the Founding Companies except as set forth in the Prospectus.

(x) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or By-Laws of the Company, or, in any respect material to the Company and the Founding

Companies, taken as a whole, any agreement or instrument known to such counsel to which the Company or any of the Founding Companies is a party or by which the Company or any of the Founding Companies may be bound.

(xi) This Agreement has been duly authorized, executed and delivered by the Company.

(xii) No approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body is necessary in connection with the execution and delivery of this Agreement and the consummation of the transactions herein contemplated (other than as may be required by the NASD or as required by State securities and Blue Sky laws as to which such counsel need express no opinion), except such as have been obtained or made, specifying the same.

(xiii) The Company is not, and will not become, as a result of the consummation of the transactions contemplated by this Agreement, and application of the net proceeds therefrom as described in the Prospectus, required to register as an investment company under the 1940 Act.

In rendering such opinion, Bracewell & Patterson L.L.P. may provide that its opinion is limited to matters governed by the laws of Texas and the General Corporation law of the State of Delaware, and the Federal securities laws of the United States and may rely on counsel to one or more of the Founding Companies with respect to matters related to the Founding Companies, provided that, in lieu of such reliance, Bracewell & Patterson L.L.P. may provide separate opinions of such counsel so long as such opinions are addressed to the Underwriters, and further provided, that, in each case, Bracewell & Patterson L.L.P. shall state that they believe that they and the Underwriters are justified in relying on such other counsel. In addition to the matters set forth above, the opinion of Bracewell & Patterson L.L.P. shall also include a statement of belief to the effect that nothing has come to the attention of such counsel which leads them to believe that (i) the Registration Statement, at the time it became effective under the Act (but after giving effect to any modifications incorporated therein pursuant to Rule 430A under the Act) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading (except that such counsel need express no view as to financial statements, schedules or other financial and statistical information therein). With respect to such statement of belief, Bracewell & Patterson L.L.P. may state that their

belief is based upon the procedures set forth therein, but is without independent check and verification.

(c) The Underwriters shall have received from Piper & Marbury L.L.P., counsel for the Underwriters, an opinion dated the Closing Date or the Option Closing Date, as the case may be, substantially to the effect specified in subparagraphs (ii), (iii), (iv), and (xi) of Paragraph (b) of this Section 6, and that the Company is a duly organized and validly existing corporation under the laws of the State of Delaware. In rendering such opinion, Piper & Marbury L.L.P. may rely as to the matters relating to the laws of the States other than Maryland and Delaware on the opinions of counsel referred to in Paragraph (b) of this Section 6. In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel which leads them to believe that (i) the Registration Statement, or any amendment thereto, as of the time it became effective under the Act (but after giving effect to any modifications incorporated therein pursuant to Rule 430A under the Act) contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact, necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein). With respect to such statement, Piper & Marbury L.L.P. may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(d) The Underwriters shall have received at or prior to the Closing Date from Piper & Marbury L.L.P. a memorandum or summary, in form and substance satisfactory to the Underwriters, with respect to the qualification for offering and sale by the Underwriters of the Shares under the State securities or Blue Sky laws of such jurisdictions as the Underwriters may reasonably have designated to the Company.

(e) The Underwriters shall have received, on the date hereof, the Closing Date and the Option Closing Date, as the case may be, letters dated the date hereof, the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, of Arthur Andersen LLP confirming that they are independent public accountants within the meaning of the Act and the applicable published Rules and Regulations thereunder and stating that, in their opinion, the financial statements and schedules of the Company and the Founding Companies examined by them and included in the Registration Statement comply in form in all material respects with the applicable accounting requirements of the Act and the related published Rules and Regulations; and containing such other statements and information as is ordinarily included in accountants'

"comfort letters" to Underwriters with respect to such financial statements and certain financial and statistical information contained in the Registration Statement and Prospectus.

(f) The Underwriters shall have received on the Closing Date or the Option Closing Date, as the case may be, a certificate or certificates of the Company and signed by the Chief Executive Officer and the Chief Financial Officer of the Company to the effect that, as of the Closing Date or the Option Closing Date, as the case may be:

(i) The Registration Statement has become effective under the Act and no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for such purpose have been taken or are, to his knowledge, contemplated by the Commission;

(ii) The representations and warranties of the Company contained in Section 1 hereof are true and correct in all material respects as of the Closing Date or the Option Closing Date, as the case may be;

(iii) All filings required to have been made pursuant to Rules 424 or 430A under the Act have been made;

(iv) As of the effective date of the Registration Statement, the statements contained in the Registration Statement were true and correct in all material respects, and such Registration Statement and Prospectus did not omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, and since the effective date of the Registration Statement, no event has occurred which should have been set forth in a supplement to or an amendment of the Prospectus which has not been so set forth in such supplement or amendment; and

(v) Since the respective dates as of which information is given in the Registration Statement and Prospectus, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the condition, financial or otherwise, of the Company or any of the Subsidiaries or the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company or any of the Subsidiaries, whether or not arising in the ordinary course of business, except as set forth in, or contemplated by, the Prospectus or as described in such certificate.

(g) The Company shall have furnished to the Underwriters such further certificates and documents confirming the representations and warranties, covenants and

conditions contained herein and related matters as the Underwriters may reasonably have requested.

(h) The Firm Shares and Option Shares, if any, shall have been approved for designation upon notice of issuance on the New York Stock Exchange.

(i) The Lockup Agreements described in Section 4(j) shall be in full force and effect.

(j) Each of the Founding Company Mergers shall have been completed upon the terms set forth in the Prospectus simultaneously with the closing of the purchase of the Firm Shares by the Underwriters.

The opinions and certificates mentioned in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in all material respects satisfactory to the Underwriters and to Piper & Marbury L.L.P., counsel for the Underwriters, in their reasonable judgment.

If any of the conditions hereinabove provided for in this Section 6 shall not have been fulfilled when and as required by this Agreement to be fulfilled, the obligations of the Underwriters hereunder may be terminated by the Underwriters by notifying the Company of such termination in writing or by telegram at or prior to the Closing Date or the Option Closing Date, as the case may be.

In such event, the Company and the Underwriters shall not be under any obligation to each other (except to the extent provided in Sections 5 and 8 hereof).

7. CONDITIONS OF THE OBLIGATIONS OF THE COMPANY.

The obligations of the Company to sell and deliver the portion of the Shares required to be delivered as and when specified in this Agreement are subject to the conditions that: (a) at the Closing Date or the Option Closing Date, as the case may be, no stop order suspending the effectiveness of the Registration Statement shall have been issued and in effect or proceedings therefor initiated or threatened, and (b) each of the Founding Company Mergers shall have been completed upon the terms set forth in the Prospectus simultaneously with the closing of the purchase of the Firm Shares by the Underwriters.

8. INDEMNIFICATION.

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act, against any losses, claims, damages or liabilities to which such Underwriter or any such

controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse each Underwriter and each such controlling person upon demand for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage or liability, action or proceeding or in responding to a subpoena or governmental inquiry related to the offering of the Shares, whether or not such Underwriter or controlling person is a party to any action or proceeding; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Underwriters specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Underwriter severally and not jointly will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Act against any losses, claims, damages or liabilities to which the Company or any such director, officer, or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or (ii) the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made; and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, or controlling person in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that each Underwriter will be liable in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, any Preliminary Prospectus, the Prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Underwriters specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which such Underwriter may otherwise have.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to this Section 8, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing. No indemnification provided for in Section 8(a) or (b) shall be available to any party who shall fail to give notice as provided in this Section 8(c) if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was materially prejudiced by the failure to give such notice, but the failure to give such notice shall not relieve the indemnifying party or parties from any liability which it or they may have to the indemnified party for contribution or otherwise than on account of the provisions of Section 8(a) or (b). In case any such proceeding shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel at its own expense. Notwithstanding the foregoing, the indemnifying party shall pay as incurred (or within 30 days of presentation) the fees and expenses of the counsel retained by the indemnified party in the event (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them or (iii) the indemnifying party shall have failed to assume the defense and employ counsel acceptable to the indemnified party within a reasonable period of time after notice of commencement of the action. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm for all such indemnified parties. Such firm shall be designated in writing by you in the case of parties indemnified pursuant to Section 8(a) and by the Company in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. In addition, the indemnifying party will not, without the prior written consent of the indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding of which indemnification may be sought hereunder (whether or not any indemnified party is an actual or potential party to such claim, action or proceeding) unless such settlement, compromise or consent includes an

unconditional release of each indemnified party from all liability arising out of such claim, action or proceeding.

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or (b) above (other than by reason of the exceptions provided in such paragraphs) in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements, omissions or breaches of representations and warranties which resulted in such losses, claims, damages or liabilities, (or actions or proceedings in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bears to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 8(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), (i) no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter and (ii) no person guilty of fraudulent misrepresentation (within the meaning

of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this Section 8(d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) In any proceeding relating to the Registration Statement, any Preliminary Prospectus, the Prospectus or any supplement or amendment thereto, each party against whom contribution may be sought under this Section 8 hereby consents to the jurisdiction of any court having jurisdiction over any other contributing party, agrees that process issuing from such court may be served upon him or it by any other contributing party and consents to the service of such process and agrees that any other contributing party may join him or it as an additional defendant in any such proceeding in which such other contributing party is a party.

(f) Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 8 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred. The indemnity and contribution agreements contained in this Section 8 and the representations and warranties of the Company set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or any persons controlling the Company, (ii) acceptance of any Shares and payment therefor hereunder, and (iii) any termination of this Agreement. A successor to any Underwriter, or to the Company, its directors or officers, or any person controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 8.

9. DEFAULT BY UNDERWRITERS.

If on the Closing Date or the Option Closing Date, as the case may be, either Underwriter shall fail to purchase and pay for any portion of the Shares which such Underwriter has agreed to purchase and pay for on such date (otherwise than by reason of any default on the part of the Company), the non-defaulting Underwriters, shall use their reasonable efforts to procure within 36 hours thereafter one or more other underwriters to purchase from the Company such amounts as may be agreed upon and upon the terms set forth herein, the Firm Shares or Option Shares, as the case may be, which the defaulting Underwriter failed to purchase. If during such 36 hours the non-defaulting Underwriter shall not have procured such other underwriters, or any others, to purchase the Firm Shares or Option Shares, as the case may be, agreed to be purchased by the defaulting Underwriter, then (a) if the aggregate number of shares with respect to which such default shall occur does not exceed 10% of the Firm Shares or Option Shares, as the case may be, covered hereby, the non-defaulting Underwriter shall be obligated, severally, in proportion to the

respective numbers of Firm Shares or Option Shares, as the case may be, which they are obligated to purchase hereunder, to purchase the Firm Shares or Option Shares, as the case may be, which such defaulting Underwriter failed to purchase, or (b) if the aggregate number of shares of Firm Shares or Option Shares, as the case may be, with respect to which such default shall occur exceeds 10% of the Firm Shares or Option Shares, as the case may be, covered hereby, the Company or the non-defaulting Underwriter will have the right, by written notice given within the next 36-hour period to the parties to this Agreement, to terminate this Agreement without liability on the part of the non-defaulting Underwriter or of the Company except to the extent provided in Section 8 hereof. In the event of a default by any Underwriter, as set forth in this Section 9, the Closing Date or Option Closing Date, as the case may be, may be postponed for such period, not exceeding seven days, as the non-defaulting Underwriter may determine in order that the required changes in the Registration Statement or in the Prospectus or in any other documents or arrangements may be effected. The term "Underwriter" includes any person substituted for a defaulting Underwriter. Any action taken under this Section 9 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

10. NOTICES.

All communications hereunder shall be in writing and, except as otherwise provided herein, will be mailed, delivered, telecopied or telegraphed and confirmed as follows: if to the Underwriters, to Alex. Brown & Sons Incorporated, One Street, Baltimore, Maryland 21202, Attention: Jay S. Eastman, Principal, with a copy to Alex. Brown & Sons Incorporated, One South Street, Baltimore, Maryland 21202 Attention: General Counsel; and if to the Company; to Comfort Sytems USA, Inc., 4801 Woodway Drive, Suite 300E, Houston, Texas 77056, Attention: Fred M Ferreira, Chief Executive Officer, with copies to Bracewell & Patterson L.L.P., South Tower Pennzoil Place, 711 Louisiana Street, Suite 2900, Houston, Texas 77002-2718, Attention: William D. Gutermuth, Esq. and William George III, Esq., General Counsel, Comfort Systems USA, Inc., 4801 Woodway Drive, Suite 300E, Houston, Texas 77056.

11. TERMINATION.

This Agreement may be terminated by you by notice to the Company as follows:

(a) at any time prior to the earlier of (i) the time the Shares are released by you for sale by notice to the Underwriters, or (ii) 11:30 a.m. on the date of this Agreement;

(b) at any time prior to the Closing Date if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse change or any development involving a prospective material adverse change in or affecting the condition, financial or otherwise, of the Company and the Founding Companies taken as a whole or the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the Founding Companies taken as a whole, whether or not arising in the ordinary course of business, (ii) any outbreak or escalation of hostilities or declaration of war or national emergency or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, escalation, declaration, emergency, calamity, crisis or change on the financial markets of the United States would, in your reasonable judgment, make it impracticable to market the Shares or to enforce contracts for the sale of the Shares, (iii) suspension of trading in securities generally on the New York Stock Exchange or the American Stock Exchange or limitation on prices (other than limitations on hours or numbers of days of trading) for securities on either such Exchange, (iv) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which in your opinion materially and adversely affects or may materially and adversely affect the business or operations of the Company, (v) declaration of a banking moratorium by United States or New York State authorities, (vi) the suspension of trading of the Company's Common Stock by the Commission on the New York Stock Exchange, or (vii) the taking of any action by any governmental body or agency in respect of its monetary or fiscal affairs which in your reasonable opinion has a material adverse effect on the securities markets in the United States; or

(c) as provided in Sections 6 and 9 of this Agreement.

12. SUCCESSORS.

This Agreement has been and is made solely for the benefit of the Underwriters and the Company and their respective successors, executors, administrators, heirs and assigns, and the officers, directors and controlling persons referred to herein, and no other person will have any

right or obligation hereunder. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign merely because of such purchase.

13. INFORMATION PROVIDED BY UNDERWRITERS.

The Company and the Underwriters acknowledge and agree that the only information furnished or to be furnished by any Underwriter to the Company for inclusion in any Prospectus or the Registration Statement consists of the information set forth in the last paragraph on the front cover page (insofar as such information relates to the Underwriters), legends required by Item 502(d) of Regulation S-K under the Act and the information under the caption "Underwriting" in the Prospectus.

14. MISCELLANEOUS.

The reimbursement, indemnity and contribution agreements contained in this Agreement and the representations and warranties of the Company set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or any persons controlling the Company, (ii) acceptance of any Shares and payment therefor hereunder, and (iii) any termination of this Agreement.

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

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

If the foregoing letter is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicates hereof, whereupon it will become a binding agreement among the Company and the Underwriters in accordance with its terms.

Very truly yours,

COMFORT SYSTEMS USA, INC.

By: _____
Fred M. Ferreira,
Chief Executive Officer

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

ALEX. BROWN & SONS INCORPORATED
BEAR, STEARNS & CO. INC.
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
SANDERS MORRIS MUNDY INC.

By: Alex. Brown & Sons Incorporated

By _____
Authorized Officer

SCHEDULE I

SCHEDULE OF UNDERWRITERS

UNDERWRITER

NUMBER OF FIRM SHARES
TO BE PURCHASED

Alex. Brown & Sons Incorporated	
Bear, Stearns & Co. Inc.	
Donaldson, Lufkin & Jenrette Securities Corporation	
Sanders Morris Mundy Inc.	
Total.....	

SECOND AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
COMFORT SYSTEMS USA, INC.

The undersigned, Fred M. Ferreira, President, and Reagan Busbee, Assistant Secretary of Comfort Systems USA, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), do hereby certify as follows:

FIRST: The name of the Corporation is

Comfort Systems USA, Inc.

SECOND: The Certificate of Incorporation of the Corporation was filed in the Office of the Secretary of State of the State of Delaware on December 12, 1996.

THIRD: The Amended and Restated Certificate of Incorporation of the Corporation was filed in the Office of the Secretary of State of the State of Delaware on March 20, 1997.

FOURTH: A Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Corporation was filed in the Office of the Secretary of State of the State of Delaware on May 19, 1997.

FIFTH: This Second Amended and Restated Certificate of Incorporation of the Corporation (the "Second Restatement") was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law, the Board of Directors having duly adopted resolutions setting forth and declaring advisable this Second Restatement, and in lieu of a meeting of the stockholders, written consent to this Second Restatement having been given by the holders of a majority of the outstanding stock of the Corporation in accordance with Section 228 of the General Corporation Law of the state of Delaware.

SIXTH: The Amended and Restated Certificate of Incorporation of the Corporation, as amended, is hereby replaced by the Second Restatement, which reads in its entirety as follows:

ARTICLE ONE

The name of the corporation is:

Comfort Systems USA, Inc.

ARTICLE TWO

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE THREE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE FOUR

The total number of shares of all classes of stock which the Corporation shall have authority to issue is Fifty Seven Million, Nine Hundred Sixty Nine Thousand, Nine Hundred Twelve (57,969,912) shares, of which Five Million (5,000,000) shares, designated as Preferred Stock, shall have a par value of One Cent (\$.01) per share (the "Preferred Stock"), Fifty Million (50,000,000) shares, designated as Common Stock, shall have a par value of One Cent (\$.01) per share (the "Common Stock"), and Two Million, Nine Hundred Sixty Nine Thousand, Nine Hundred Twelve (2,969,912) shares, designated as Restricted Voting Common Stock, shall have a par value of One Cent (\$.01) per share (the "Restricted Voting Common Stock").

A statement of the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, in respect of each class of stock of the Corporation is as follows:

PREFERRED STOCK

The Preferred Stock may be issued from time to time by the Board of Directors as shares of one or more classes or series. Subject to the provisions of this Certificate of Incorporation and the limitations prescribed by law, the Board of Directors is expressly authorized by adopting resolutions to issue the shares, fix the number of shares and change the number of shares constituting any series, and to provide for or change the voting powers, designations, preferences and relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, including dividend rights (and whether dividends are cumulative), dividend rates, terms of redemption (including sinking fund provisions), a redemption price or prices, conversion rights and liquidation preferences of the shares constituting any class or series of the Preferred Stock, without any further action or vote by the stockholders.

COMMON STOCK

1. DIVIDENDS.

Subject to the preferred rights of the holders of shares of any class or series of Preferred Stock as provided by the Board of Directors with respect to any such class or series of Preferred Stock, the holders of the Common Stock shall be entitled to receive, as and when declared by the Board of Directors out of the funds of the Corporation legally available therefor, such dividends (payable in cash, stock or otherwise) as the Board of Directors may from time to time determine, payable to stockholders of record on such dates, not exceeding 60 days preceding the dividend payment dates, as shall be fixed for such purpose by the Board of Directors in advance of payment of each particular dividend. All dividends on Common Stock shall be paid PARI PASSU with dividends on Restricted Voting Common Stock.

2. LIQUIDATION.

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after the distribution or payment to the holders of shares of any class or series of Preferred Stock as provided by the Board of Directors with respect to any such class or series of Preferred Stock, the remaining assets of the Corporation available for distribution to stockholders shall be distributed among and paid to the holders of Common Stock and Restricted Voting Common Stock ratably in proportion to the number of shares of Common Stock and Restricted Voting Common Stock held by them respectively.

3. VOTING RIGHTS.

Except as otherwise required by law, each holder of shares of Common Stock shall be entitled to one vote for each share of Common Stock standing in such holder's name of the books of the Corporation.

RESTRICTED VOTING COMMON STOCK

1. DIVIDENDS.

Subject to the preferred rights of the holders of shares of any class or series of Preferred Stock as provided by the Board of Directors with respect to any such class or series of Preferred Stock, the holders of the Restricted Voting Common Stock shall be entitled to receive, as and when declared by the Board of Directors out of the funds of the Corporation legally available therefor, such dividends (payable in cash, stock or otherwise) as the Board of Directors may from time to time

determine, payable to stockholders of record on such dates, not exceeding 60 days preceding the dividend payment dates, as shall be fixed for such purpose by the Board of Directors in advance of payment of each particular dividend. All dividends on Restricted Voting Common Stock shall be paid PARI PASSU with dividends on Common Stock.

2 LIQUIDATION.

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after the distribution or payment to the holders of shares of any class or series of Preferred Stock as provided by the Board of Directors with respect to any such class or series of Preferred Stock, the remaining assets of the Corporation available for distribution to stockholders shall be distributed among and paid to the holders of Restricted Voting Common Stock and Common Stock ratably in proportion to the number of shares of Restricted Voting Common Stock and Common Stock held by them respectively.

3. VOTING RIGHTS.

Holders of Restricted Voting Common Stock voting as a class shall be entitled to elect one member of the Board of Directors, but shall not otherwise be entitled to vote in the election of directors of the Corporation. Subject to the foregoing, and except as otherwise required by law, each holder of shares of Restricted Voting Common Stock shall be entitled to fifty five one-hundredths (0.55) of one vote for each share of Restricted Voting Common Stock standing in such holder's name of the books of the Corporation.

4. CONVERSION OF THE RESTRICTED VOTING COMMON STOCK.

Each share of Restricted Voting Common Stock will automatically convert into Common Stock on a share-for-share basis (a) in the event of a disposition of such share of Restricted Voting Common Stock by the holder thereof (other than a disposition which is a distribution by a holder to its partners or beneficial owners or a transfer to a related party of such holder (as defined in Sections 267, 707, 318 and/or 4946 of the Internal Revenue Code of 1986, as amended)), (b) in the event any person acquires beneficial ownership of 15% or more of the outstanding shares of Common Stock of the Corporation, or (c) in the event any person offers to acquire 15% or more of the outstanding shares of Common Stock of the Corporation.

After July 1, 1998, the Corporation may elect to convert any outstanding shares of Restricted Voting Common Stock into shares of Common Stock in the event 80% or more of the outstanding shares of Restricted Voting Common Stock have been converted into shares of Common Stock.

ARTICLE FIVE

1. BOARD OF DIRECTORS.

The Directors shall be classified with respect to the time for which they shall severally hold office into three classes as nearly equal in number as possible. The Class I directors shall be elected to hold office for an initial term expiring at the 1998 annual meeting of stockholders, the Class II Directors shall be elected to hold office for an initial term expiring at the 1999 annual meeting of stockholders and the Class III Directors shall be elected to hold office for an initial term expiring at the 2000 annual meeting of stockholders, with the members of each class of directors to hold office until their successors have been duly elected and qualified. At each annual meeting of stockholders, the successors to the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors have been duly elected and qualified. At each annual meeting of stockholders at which a quorum is present, the persons receiving a plurality of the votes cast shall be directors. No director or class of directors may be removed from office by a vote of the stockholders at any time except for cause. Election of directors need not be by written ballot unless the Bylaws of the Corporation so provide.

Notwithstanding the foregoing, the holders of Restricted Voting Common Stock voting as a class shall be entitled to elect one member of the Board of Directors, and only the holders of the Restricted Voting Common Stock shall be entitled to remove such member from the Board of Directors.

2. VACANCIES.

Any vacancy on the Board of Directors resulting from death, retirement, resignation, disqualification or removal from office or other cause, as well as any vacancy resulting from an increase in the number of directors which occurs between annual meetings of the stockholders at which directors are elected, shall be filled only by a majority vote of the remaining directors then in office, though less than a quorum, except that those vacancies resulting from removal from office by a vote of the stockholders may be filled by a vote of the stockholders at the same meeting at which such removal occurs. The directors chosen to fill vacancies shall hold office for a term expiring at the end of the next annual meeting of stockholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director. If the vacancy on the Board of Directors results from the death, retirement, resignation, disqualification or removal from office of the director elected by the holders of the Restricted Voting Common Stock, only the holders of the Restricted Voting Common Stock shall be entitled to fill such vacancy.

Notwithstanding the foregoing, whenever the holders of one or more classes or series of Preferred Stock shall have the right, voting separately, as a class or series, to elect directors, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of the resolution or resolutions adopted by the Board of Directors pursuant to ARTICLE FOUR applicable thereto, and each director so elected shall not be subject to the provisions of this ARTICLE FIVE unless otherwise provided therein.

3. POWER TO MAKE, ALTER AND REPEAL BYLAWS.

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter and repeal the Bylaws of the Corporation.

4. AMENDMENT AND REPEAL OF ARTICLE FIVE.

Notwithstanding any provision of this Certificate of Incorporation and of the Bylaws, and notwithstanding the fact that a lesser percentage may be specified by Delaware law, unless such action has been approved by a majority vote of the full Board of Directors, the affirmative vote of 66 2/3 percent of the votes which all stockholders of the then outstanding shares of capital stock of the Corporation would be entitled to cast thereon, voting together as a single class, shall be required to amend or repeal any provisions of this ARTICLE FIVE or to adopt any provision inconsistent with this ARTICLE FIVE. In the event such action has been previously approved by a majority vote of the full Board of Directors, the affirmative vote of a majority of the outstanding stock entitled to vote thereon shall be sufficient to amend or repeal any provision of this ARTICLE FIVE or adopt any provision inconsistent with this ARTICLE FIVE.

ARTICLE SIX

The Corporation reserves the right to amend, alter, change or repeal any provision in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute.

ARTICLE SEVEN

No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit.

ARTICLE EIGHT

The Corporation shall, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, as the same may be amended and supplemented, indemnify each director and officer of the Corporation from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, agreement, vote of stockholders, vote of disinterested directors or otherwise, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such persons and the Corporation may purchase and maintain insurance on behalf of any director or officer to the extent permitted by Section 145 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, the undersigned have executed this Second Amended and Restated Certificate of Incorporation on behalf of the Corporation and have attested such execution and do verify and affirm, under penalty of perjury, that this Second Amended and Restated Certificate of Incorporation is the act and deed of the Corporation and that the facts stated herein are true as of this 2nd day of June, 1997.

COMFORT SYSTEMS USA, INC.

By: /s/ FRED M. FERREIRA
Fred M. Ferreira
President

Attest:

/s/ REAGAN BUSBEE
Reagan Busbee
Assistant Secretary

COMMON STOCK
NUMBER

COMMON STOCK
NUMBER

THIS CERTIFICATE TRANSFERABLE
IN NEW YORK, NEW YORK

INCORPORATED UNDER THE LAWS OF
THE STATE OF DELAWARE

CUSIP 199908 10 4
SEE REVERSE FOR CERTAIN DEFINITIONS

COMFORT SYSTEMS USA, INC.

This Certifies that

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF COMMON STOCK OF THE
PAR VALUE OF \$.01 EACH OF
[CERTIFICATE OF STOCK]

COMFORT SYSTEMS USA, INC. transferable only on the books of the Corporation by
the holder hereof or by duly authorized attorney upon surrender of this
Certificate properly endorsed. This Certificate is not valid unless
countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of
its duly authorized officers.

[SEAL]

Dated

/s/ WILLIAM GEORGE
SECRETARY

/s/ FRED M. FERREIRA
PRESIDENT

Countersigned and Registered:
AMERICAN STOCK TRANSFER & TRUST COMPANY
(New York, New York) Transfer Agent and Registrar

By
Authorized Signature

COMFORT SYSTEMS USA, INC.

The Corporation will furnish without charge to each stockholder who so
requests a statement of the powers, designations, preferences and relative,
participating, optional, or other special rights of each class of stock or
series thereof and the qualifications, limitations or restrictions of such
preferences and/or rights.

The following abbreviations, when used in the inscription on the face of
this certificate, shall be construed as though they were written out in full
according to applicable laws or regulations:

TEN COM-	as tenants in common	UNIF TRANS MIN ACT-	Custodian
TEN ENT-	as tenants by the entireties		(Cust) (Minor)
JT TEN-	as joint tenants with right of survivorship and not as tenants in common		under Uniform Transfers to Minors Act (State)

Additional abbreviations may also be used though not in the above list.

For Value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE

----- Shares
of the Stock represented by the within Certificate, and do hereby irrevocably
constitute and appoint

----- Attorney to
transfer the said shares on the books of the within named Corporation with full
power of substitution.

Dated,

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

SIGNATURE(S) GUARANTEED: _____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION, (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

KEEP THIS CERTIFICATE IN A SAFE PLACE, IF IT IS LOST, STOLEN, OR DESTROYED, THE CORPORATION MAY REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

Comfort Systems USA, Inc.
4801 Woodway Drive, Suite 300E
Houston, Texas 77056

Gentlemen:

We have acted as counsel to Comfort Systems USA, Inc., a Delaware corporation (the "Company"), in connection with the preparation of its Registration Statement on Form S-1 (Registration No. 333-24021) (the "Registration Statement"), filed by the Company under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the offering and sale by the Company of up to 7,015,000 shares of its common stock, par value \$.01 per share (the "Common Stock").

We have examined originals or copies of (i) the Second Amended and Restated Certificate of Incorporation of the Company; (ii) the Bylaws of the Company, as amended; (iii) certain resolutions of the Board of Directors of the Company; and (iv) such other documents and records as we have deemed necessary and relevant for purposes hereof. We have relied upon certificates of public officials and of officers of the Company as to certain matters of fact relating to this opinion and have made such investigations of law as we have deemed necessary and relevant as a basis hereof. We have not independently verified any factual matter relating to this opinion.

We have assumed the genuineness of all signatures, the authenticity of all documents, certificates and records submitted to us as copies, and the conformity to original documents, certificates and records of all documents, certificates and records submitted to us as copies.

Based upon the foregoing, and subject to the limitations and assumptions set forth herein, and having due regard for such legal considerations as we deem relevant, we are of the opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

Comfort Systems USA, Inc.
_____, 1997
Page 2

2. The issuance of the Common Stock has been duly authorized, and when issued and delivered by the Company against payment therefor as described in the Registration Statement, such shares will be validly issued, fully paid and nonassessable.

The foregoing opinion is based on and is limited to the laws of the State of Delaware and the relevant law of the United States of America, and we render no opinion with respect to the law of any other jurisdiction.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as Exhibit 5.1 to the Registration Statement and to the reference to this firm as having passed on the validity of the issuance of the Common Stock under the caption "Legal Matters" in the prospectus contained in the Registration Statement. By giving such consent, we do not admit that we are included within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations issued thereunder.

Very truly yours,

Bracewell & Patterson, L.L.P.

COMFORT SYSTEMS USA, INC.

1997 LONG-TERM INCENTIVE PLAN

1. PURPOSE. The purpose of this 1997 Long-Term Incentive Plan (the "Plan") of Comfort Systems USA, Inc., a Delaware corporation (the "Company"), is to advance the interests of the Company and its stockholders by providing a means to attract, retain and reward executive officers and other key employees and consultants of and service providers to the Company and its subsidiaries (including consultants and others providing services of substantial value) and to enable such persons to acquire or increase a proprietary interest in the Company, thereby promoting a closer identity of interests between such persons and the Company's stockholders.

2. DEFINITIONS. The definitions of awards under the Plan, including Options, SARs (including Limited SARs), Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of other awards, Dividend Equivalents and Other Stock-Based Awards are set forth in Section 6 of the Plan. Such awards, together with any other right or interest granted to a Participant under the Plan, are termed "Awards." For purposes of the Plan, the following additional terms shall be defined as set forth below:

(a) "Award Agreement" means any written agreement, contract, notice or other instrument or document evidencing an Award.

(b) "Beneficiary" shall mean the person, persons, trust or trusts which have been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under the Plan upon such Participant's death or, if there is no designated Beneficiary or surviving designated Beneficiary, then the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive such benefits.

(c) "Board" means the Board of Directors of the Company.

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

(i) any person, other than the Company or an employee benefit plan of the Company, acquires directly or indirectly the Beneficial Ownership (as defined in Section 13(d) of the Exchange Act) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50 percent or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board: (A) the individuals who, as of the closing date of the Initial Public Offering, constitute the Board (the "Original Directors"); (B) the individuals who thereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election);

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

(iv) the stockholders of the Company shall approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or a substantial portion of the Company's assets (i.e., 50 percent or more of the total assets of the Company).

(e) "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include regulations thereunder and successor provisions and regulations thereto.

(f) "Committee" means the Compensation Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan.

(g) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time. References to any provision of the Exchange Act shall be deemed to include rules thereunder and successor provisions and rules thereto.

(h) "Fair Market Value" means, with respect to Stock, Awards, or other property, the fair market value of such Stock, Awards, or other property determined by such methods or procedures as shall be established from time to time by the Committee, PROVIDED, HOWEVER, that (i) if the

Stock is listed on a national securities exchange or quoted in an interdealer quotation system, the Fair Market Value of such Stock on a given date shall be based upon the last sales price or, if unavailable, the average of the closing bid and asked prices per share of the Stock on such date (or, if there was no trading or quotation in the Stock on such date, on the next preceding date on which there was trading or quotation) as reported in the WALL STREET JOURNAL (or other reporting service approved by the Committee), (ii) the "Fair Market Value" of Stock subject to Options granted effective upon commencement of the Initial Public Offering shall be the Initial Public Offering price of the shares so issued and sold in the Initial Public Offering, as set forth in the first final prospectus used in such offering (the provisions of clause (i) notwithstanding) and (iii) the "Fair Market Value" of Stock prior to the date of the Initial Public Offering shall be as determined by the Board of Directors.

(i) "Initial Public Offering" shall mean an initial public offering of shares of Stock in a firm commitment underwriting registered with the Securities and Exchange Commission in compliance with the provisions of the Securities Act of 1933, as amended.

(j) "ISO" means any Option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.

(k) "Participant" means a person who, at a time when eligible under Section 5 hereof, has been granted an Award under the Plan.

(l) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(m) "Stock" means the Common Stock, \$.01 par value, of the Company and such other securities as may be substituted for Stock or such other securities pursuant to Section 4.

3. ADMINISTRATION.

(a) AUTHORITY OF THE COMMITTEE. The Plan shall be administered by the Committee. The Committee shall have full and final authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:

(i) to select persons to whom Awards may be granted;

(ii) to determine the type or types of Awards to be granted to each such person;

(iii) to determine the number of Awards to be granted, the number of shares of Stock to which an Award will relate, the terms and conditions of any Award granted under the Plan (including, but not limited to, any exercise price, grant price or purchase price, any restriction or condition, any schedule for lapse of restrictions or conditions relating to transferability or forfeiture, exercisability or settlement of an Award, and waivers or accelerations thereof, performance conditions relating to an Award (including performance conditions relating to Awards not intended to be governed by Section 7(f) and waivers and modifications thereof), based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with an Award;

(iv) to determine whether, to what extent and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(v) to determine whether, to what extent and under what circumstances cash, Stock, other Awards or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee or at the election of the Participant;

(vi) to prescribe the form of each Award Agreement, which need not be identical for each Participant;

(vii) to adopt, amend, suspend, waive and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(viii) to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award Agreement or other instrument hereunder; and

(ix) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

(b) MANNER OF EXERCISE OF COMMITTEE AUTHORITY. Unless authority is specifically reserved to the Board under the terms of the Plan, the Company's Certificate of Incorporation or Bylaws, or applicable law, the Committee shall have sole discretion in exercising authority under the Plan. Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all persons, including the Company, subsidiaries of the Company, Participants, any person claiming any rights under the Plan from or through any Participant and stockholders, except to the extent the Committee may subsequently modify, or take further action

not consistent with, its prior action. If not specified in the Plan, the time at which the Committee must or may make any determination shall be determined by the Committee, and any such determination may thereafter be modified by the Committee (subject to Section 8(e)). The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any subsidiary of the Company the authority, subject to such terms as the Committee shall determine, to perform administrative functions and, with respect to Participants not subject to Section 16 of the Exchange Act, to perform such other functions as the Committee may determine, to the extent permitted under Rule 16b-3, if applicable, and other applicable law.

(c) LIMITATION OF LIABILITY. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him by any officer or other employee of the Company or any subsidiary, the Company's independent certified public accountants or any executive compensation consultant, legal counsel or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, nor any officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company acting on its behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination or interpretation.

4. STOCK SUBJECT TO PLAN.

(a) AMOUNT OF STOCK RESERVED. The total amount of Stock that may be subject to outstanding awards, determined immediately after the grant of any Award, shall not exceed the greater of 2,500,000 shares of Stock or 13% of the total number of shares of Stock outstanding at the time of such grant. Notwithstanding the foregoing, the number of shares that may be delivered upon the exercise of ISOs shall not exceed 500,000, subject in each case to adjustment as provided in Section 4(c), and the number of shares that may be delivered as Restricted Stock and Deferred Stock (other than pursuant to an Award granted under Section 7(f)) shall not in the aggregate exceed 500,000, provided, however, that shares subject to ISOs, Restricted Stock or Deferred Stock Awards shall not be deemed delivered if such Awards are forfeited, expire or otherwise terminate without delivery of shares to the Participant. To the extent that an Award is only to be paid in cash or is paid in cash, any shares of Stock subject to such Award shall again be available for the grant of an Award. Any shares of Stock delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares acquired in the market for a Participant's Account.

(b) ANNUAL PER-PARTICIPANT LIMITATIONS. During any calendar year, no Participant may be granted Awards that may be settled by delivery of more than 250,000 shares of Stock, subject to adjustment as provided in Section 4(c). In addition, with respect to Awards that may be settled in cash (in whole or in part), no Participant may be paid during any calendar year cash amounts relating to such Awards that exceed the greater of the Fair Market Value of the number of shares of Stock set forth in the preceding sentence at the date of grant or the date of settlement of Award. This provision sets forth two separate limitations, so that Awards that may be settled solely by delivery of Stock will not operate to reduce the amount of cash-only Awards, and vice versa; nevertheless, Awards that may be settled in Stock or cash must not exceed either limitation.

(c) ADJUSTMENTS. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Stock or other property), recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase or exchange of Stock or other securities, liquidation, dissolution, or other similar corporate transaction or event, affects the Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock reserved and available for Awards under Section 4(a), including shares reserved for the ISOs and Restricted and Deferred Stock, (ii) the number and kind of shares of Stock specified in the Annual Per-Participant Limitations under Section 4(b), (iii) the number and kind of shares of outstanding Restricted Stock or other outstanding Award in connection with which shares have been issued, (iv) the number and kind of shares that may be issued in respect of other outstanding Awards and (v) the exercise price, grant price or purchase price relating to any Award (or, if deemed appropriate, the Committee may make provision for a cash payment with respect to any outstanding Award). In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any subsidiary or the financial statements of the Company or any subsidiary, or in response to changes in applicable laws, regulations, or accounting principles. The foregoing notwithstanding, no adjustments shall be authorized under this Section 4(c) with respect to ISOs or SARs in tandem therewith to the extent that such authority would cause the Plan to fail to comply with Section 422(b)(1) of the Code, and no such adjustment shall be authorized with respect to Options, SARs or other Awards subject to Section 7(f) to the extent that such authority would cause such Awards to fail to qualify as "qualified performance-based compensation" under Section 162(m)(4)(C) of the Code.

5. ELIGIBILITY. Executive officers and other key employees of the Company and its subsidiaries, including any director or officer who is also such an employee, and persons who provide consulting or other services to the Company deemed by the Committee to be of substantial value to the Company, are eligible to be granted Awards under the Plan. In addition, a person who

has been offered employment by the Company or its subsidiaries is eligible to be granted an Award under the Plan, provided that such Award shall be cancelled if such person fails to commence such employment, and no payment of value may be made in connection with such Award until such person has commenced such employment. The foregoing notwithstanding, no member of the Committee shall be eligible to be granted Awards under the Plan.

6. SPECIFIC TERMS OF AWARDS.

(a) GENERAL. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service of the Participant. Except as provided in Section 6(f), 6(h), or 7(a), or to the extent required to comply with requirements of the Delaware General Corporation Law that lawful consideration be paid for Stock, only services may be required as consideration for the grant (but not the exercise) of any Award.

(b) OPTIONS. The Committee is authorized to grant Options (including "reload" options automatically granted to offset specified exercises of Options) on the following terms and conditions ("Options"):

(i) EXERCISE PRICE. The exercise price per share of Stock purchasable under an Option shall be determined by the Committee; PROVIDED, HOWEVER, that, except as provided in Section 7(a), such exercise price shall be not less than the Fair Market Value of a share on the date of grant of such Option.

(ii) TIME AND METHOD OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including, without limitation, cash, Stock, other Awards or awards granted under other Company plans or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis, such as through "cashless exercise" arrangements, to the extent permitted by applicable law), and the methods by which Stock will be delivered or deemed to be delivered to Participants.

(iii) ISOS. The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, including but not limited to the requirement that no ISO shall be granted more than ten years after the effective date of the Plan. Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to ISOs shall be interpreted,

amended, or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify either the Plan or any ISO under Section 422 of the Code, unless requested by the affected Participant.

(iv) TERMINATION OF EMPLOYMENT. Unless otherwise determined by the Committee, upon termination of a Participant's employment with the Company and its subsidiaries, such Participant may exercise any Options during the three-month period following such termination of employment, but only to the extent such Option was exercisable immediately prior to such termination of employment. Notwithstanding the foregoing, if the Committee determines that such termination is for cause, all Options held by the Participant shall terminate as of the termination of employment.

(c) STOCK APPRECIATION RIGHTS. The Committee is authorized to grant SARs on the following terms and conditions ("SARs"):

(i) RIGHT TO PAYMENT. An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise (or, if the Committee shall so determine in the case of any such right other than one related to an ISO, the Fair Market Value of one share at any time during a specified period before or after the date of exercise), over (B) the grant price of the SAR as determined by the Committee as of the date of grant of the SAR, which, except as provided in Section 7(a), shall be not less than the Fair Market Value of one share of Stock on the date of grant.

(ii) OTHER TERMS. The Committee shall determine the time or times at which an SAR may be exercised in whole or in part, the method of exercise, method of settlement, form of consideration payable in settlement, method by which Stock will be delivered or deemed to be delivered to Participants, whether or not an SAR shall be in tandem with any other Award, and any other terms and conditions of any SAR. Limited SARs that may only be exercised upon the occurrence of a Change in Control may be granted on such terms, not inconsistent with this Section 6(c), as the Committee may determine. Limited SARs may be either freestanding or in tandem with other Awards.

(d) RESTRICTED STOCK. The Committee is authorized to grant Restricted Stock on the following terms and conditions ("Restricted Stock"):

(i) GRANT AND RESTRICTIONS. Restricted Stock shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances, in such

installments, or otherwise, as the Committee may determine. Except to the extent restricted under the terms of the Plan and any Award Agreement relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder including, without limitation, the right to vote Restricted Stock or the right to receive dividends thereon.

(ii) FORFEITURE. Except as otherwise determined by the Committee, upon termination of employment or service (as determined under criteria established by the Committee) during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; PROVIDED, HOWEVER, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of termination resulting from specified causes.

(iii) CERTIFICATES FOR STOCK. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, such certificates may bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, the Company may retain physical possession of the certificate, and the Participant shall have delivered a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iv) DIVIDENDS. Dividends paid on Restricted Stock shall be either paid at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or the payment of such dividends shall be deferred and/or the amount or value thereof automatically reinvested in additional Restricted Stock, other Awards, or other investment vehicles, as the Committee shall determine or permit the Participant to elect. Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed, unless otherwise determined by the Committee.

(e) DEFERRED STOCK. The Committee is authorized to grant Deferred Stock subject to the following terms and conditions ("Deferred Stock"):

(i) AWARD AND RESTRICTIONS. Delivery of Stock will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times, separately or in combination, in installments or otherwise, as the Committee may determine.

(ii) FORFEITURE. Except as otherwise determined by the Committee, upon termination of employment or service (as determined under criteria established by the Committee) during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award Agreement evidencing the Deferred Stock), all Deferred Stock that is at that time subject to such forfeiture conditions shall be forfeited; PROVIDED, HOWEVER, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will be waived in whole or in part in the event of termination resulting from specified causes.

(f) BONUS STOCK AND AWARDS IN LIEU OF CASH OBLIGATIONS. The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of Company obligations to pay cash under other plans or compensatory arrangements. Stock or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee.

(g) DIVIDEND EQUIVALENTS. The Committee is authorized to grant Dividend Equivalents entitling the Participant to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock ("Dividend Equivalents"). Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify.

(h) OTHER STOCK-BASED AWARDS. The Committee is authorized, subject to limitations under applicable law, to grant such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock and factors that may influence the value of Stock, as deemed by the Committee to be consistent with the purposes of the Plan, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or any other factors designated by the Committee and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries ("Other Stock Based Awards"). The Committee shall determine the terms and conditions of such Awards. Stock issued pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may be granted pursuant to this Section 6(h).

7. CERTAIN PROVISIONS APPLICABLE TO AWARDS.

(a) STAND-ALONE, ADDITIONAL, TANDEM, AND SUBSTITUTE AWARDS.

Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award granted under the Plan or any award granted under any other plan of the Company, any subsidiary or any business entity to be acquired by the Company or a subsidiary, or any other right of a Participant to receive payment from the Company or any subsidiary. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards.

(b) TERM OF AWARDS. The term of each Award shall be for such period as may be determined by the Committee; PROVIDED, HOWEVER, that in no event shall the term of any ISO or an SAR granted in tandem therewith exceed a period of ten years from the date of its grant (or such shorter period as may be applicable under Section 422 of the Code).

(c) FORM OF PAYMENT UNDER AWARDS. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or a subsidiary upon the grant, exercise or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments or on a deferred basis. Such payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments denominated in Stock.

(d) LOAN PROVISIONS. With the consent of the Committee, and subject at all times to, and only to the extent, if any, permitted under and in accordance with, laws and regulations and other binding obligations or provisions applicable to the Company, the Company may make, guarantee or arrange for a loan or loans to a Participant with respect to the exercise of any Option or other payment in connection with any Award, including the payment by a Participant of any or all federal, state or local income or other taxes due in connection with any Award. Subject to such limitations, the Committee shall have full authority to decide whether to make a loan or loans hereunder and to determine the amount, terms and provisions of any such loan or loans, including the interest rate to be charged in respect of any such loan or loans, whether the loan or loans are to be with or without recourse against the borrower, the terms on which the loan is to be repaid and conditions, if any, under which the loan or loans may be forgiven.

(e) PERFORMANCE-BASED AWARDS. The Committee may, in its discretion, designate any Award the exercisability or settlement of which is subject to the achievement of

performance conditions as a performance-based Award subject to this Section 7(f), in order to qualify such Award as "qualified performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder. The performance objectives for an Award subject to this Section 7(f) shall consist of one or more business criteria and a targeted level or levels of performance with respect to such criteria, as specified by the Committee but subject to this Section 7(f). Performance objectives shall be objective and shall otherwise meet the requirements of Section 162(m) (4) (C) of the Code. Business criteria used by the Committee in establishing performance objectives for Awards subject to this Section 7(f) shall be selected exclusively from among the following:

- (1) Annual return on capital;
- (2) Annual earnings per share;
- (3) Annual cash flow provided by operations;
- (4) Changes in annual revenues; and/or

(5) Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, cost targets, and goals relating to acquisitions or divestitures.

The levels of performance required with respect to such business criteria may be expressed in absolute or relative levels. Achievement of performance objectives with respect to such Awards shall be measured over a period of not less than one year nor more than five years, as the Committee may specify. Performance objectives may differ for such Awards to different Participants. The Committee shall specify the weighting to be given to each performance objective for purposes of determining the final amount payable with respect to any such Award. The Committee may, in its discretion, reduce the amount of a payout otherwise to be made in connection with an Award subject to this Section 7(f), but may not exercise discretion to increase such amount, and the Committee may consider other performance criteria in exercising such discretion. All determinations by the Committee as to the achievement of performance objectives shall be in writing. The Committee may not delegate any responsibility with respect to an Award subject to this Section 7(f).

(f) ACCELERATION UPON A CHANGE OF CONTROL. Notwithstanding anything contained herein to the contrary, unless otherwise provided by the Committee in an Award Agreement, all conditions and restrictions relating to an Award, including limitations on exercisability, risks of forfeiture and conditions and restrictions requiring the continued performance

of services or the achievement of performance objectives with respect to the exercisability or settlement of such Award, shall immediately lapse upon a Change in Control.

8. GENERAL PROVISIONS.

(a) COMPLIANCE WITH LAWS AND OBLIGATIONS. The Company shall not be obligated to issue or deliver Stock in connection with any Award or take any other action under the Plan in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any other federal or state securities law, any requirement under any listing agreement between the Company and any national securities exchange or automated quotation system or any other law, regulation or contractual obligation of the Company until the Company is satisfied that such laws, regulations, and other obligations of the Company have been complied with in full. Certificates representing shares of Stock issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be applicable under such laws, regulations and other obligations of the Company, including any requirement that a legend or legends be placed thereon.

(b) LIMITATIONS ON TRANSFERABILITY. Awards and other rights under the Plan will not be transferable by a Participant except by will or the laws of descent and distribution or to a Beneficiary in the event of the Participant's death, and, if exercisable, shall be exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative; PROVIDED, HOWEVER, that such Awards and other rights (other than ISOs and SARs in tandem therewith) may be transferred to one or more transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award consistent with the registration of the offer and sale of Stock on Form S-8 or Form S-3 or a successor registration form of the Securities and Exchange Commission, and permitted by the Committee. Awards and other rights under the Plan may not be pledged, mortgaged, hypothecated or otherwise encumbered, and shall not be subject to the claims of creditors.

(c) NO RIGHT TO CONTINUED EMPLOYMENT OR SERVICE. Neither the Plan nor any action taken hereunder shall be construed as giving any employee or other person the right to be retained in the employ or service of the Company or any of its subsidiaries, nor shall it interfere in any way with the right of the Company or any of its subsidiaries to terminate any employee's employment or other person's service at any time.

(d) TAXES. The Company and any subsidiary is authorized to withhold from any Award granted or to be settled, any delivery of Stock in connection with an Award, any other payment relating to an Award or any payroll or other payment to a Participant amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and

Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations.

(e) CHANGES TO THE PLAN AND AWARDS. The Board may amend, alter, suspend, discontinue or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of stockholders or Participants, except that any such action shall be subject to the approval of the Company's stockholders at or before the next annual meeting of stockholders for which the record date is after such Board action if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, and the Board may otherwise, in its discretion, determine to submit other such changes to the Plan to stockholders for approval; PROVIDED, HOWEVER, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant under any Award theretofore granted to him. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue, or terminate, any Award theretofore granted and any Award Agreement relating thereto; PROVIDED, HOWEVER, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant under such Award.

(f) NO RIGHTS TO AWARDS; NO STOCKHOLDER RIGHTS. No Participant or employee shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants and employees. No Award shall confer on any Participant any of the rights of a stockholder of the Company unless and until Stock is duly issued or transferred and delivered to the Participant in accordance with the terms of the Award or, in the case of an Option, the Option is duly exercised.

(g) UNFUNDED STATUS OF AWARDS; CREATION OF TRUSTS. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; PROVIDED, HOWEVER, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company's obligations under the Plan to deliver cash, Stock, other Awards, or other property pursuant to any Award, which trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) NONEXCLUSIVITY OF THE PLAN. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating

any limitations on the power of the Board to adopt such other compensatory arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

(i) NO FRACTIONAL SHARES. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) COMPLIANCE WITH CODE SECTION 162(M). It is the intent of the Company that employee Options, SARs and other Awards designated as Awards subject to Section 7(f) shall constitute "qualified performance-based compensation" within the meaning of Code Section 162(m). Accordingly, if any provision of the Plan or any Award Agreement relating to such an Award does not comply or is inconsistent with the requirements of Code Section 162(m), such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee or any other person discretion to increase the amount of compensation otherwise payable in connection with any such Award upon attainment of the performance objectives.

(k) GOVERNING LAW. The validity, construction and effect of the Plan, any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of laws, and applicable federal law.

(l) EFFECTIVE DATE; PLAN TERMINATION. The Plan shall become effective as of the date of its adoption by the Board, subject to stockholder approval prior to the commencement of the Initial Public Offering, and shall continue in effect until terminated by the Board.

This Employment Agreement (the "Agreement") by and among Comfort Systems USA, Inc., a Delaware corporation ("Company"), and Fred M. Ferreira ("Employee") is hereby entered into and effective as of the _____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of the Company. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Employee.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services.

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Employee as Chief Executive Officer and President of the Company. As such, Employee shall have responsibilities, duties and authority reasonably accorded to and expected of a Chief Executive Officer and President of the Company and will report directly to the Board of Directors of the Company. Employee hereby accepts this employment upon the terms and conditions herein contained and, subject to paragraph 1(c), agrees to devote his time, attention and efforts to promote and further the business of the Company.

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

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

2. COMPENSATION. For all services rendered by Employee, the Company shall compensate Employee as follows:

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Employee shall be \$150,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Employee's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Employee shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Employee and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Employee under this clause (i) to be at least equal to such benefits provided to other Company executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Employee in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Employee upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Employee with other executive perquisites as may be available to or deemed appropriate for Employee by the Board and participation in all other Company-wide employee benefits as are available from time to time.

3. NON-COMPETITION AGREEMENT.

(a) Employee will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, directly or indirectly, for himself or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any HVAC, plumbing or electrical services business in direct competition with the Company within 100 miles of where the Company or any of its subsidiaries conducts business, including any territory serviced by the Company or any of such subsidiaries (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Employee from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or over-the-counter.

(b) Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to the Company for which they would have no other adequate remedy, Employee agrees that the foregoing covenant may be enforced by the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants of Employee made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this paragraph 3.

4. PLACE OF PERFORMANCE.

(a) Employee understands that he may be requested by the Board to relocate from his present residence to another geographic location in order to more efficiently carry out his duties and responsibilities under this Agreement or as part of a promotion or other increase in duties and responsibilities. In such event, if Employee agrees to relocate, the Company will pay all relocation costs to move Employee, his immediate family and their personal property and effects. Such costs may include, by way of example, but are not limited to, pre-move visits to search for a new residence, investigate schools or for other purposes; temporary lodging and living costs prior to moving into a new permanent residence; duplicate home carrying costs; all closing costs on the sale of Employee's present residence and on the purchase of a comparable residence in the new location; and added income taxes that Employee may incur if any relocation costs are not deductible for tax purposes. The general intent of the foregoing is that Employee shall not personally bear any out-of-pocket cost as a result of the relocation, with an understanding that Employee will use his best efforts to incur only those costs which are reasonable and necessary to effect a smooth, efficient and orderly relocation with minimal disruption to the business affairs of the Company and the personal life of Employee and his family.

(b) Notwithstanding the above, if Employee is requested by the Board to relocate and Employee refuses, such refusal shall not constitute "cause" for termination of this Agreement under the terms of paragraph 5(c).

5. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for three (3) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Employee's employment may be terminated in any one of the followings ways:

(a) DEATH. The death of Employee shall immediately terminate this Agreement with no severance compensation due to Employee's estate.

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Employee shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Employee's employment hereunder provided Employee is unable to resume his full-time duties at the conclusion of such notice period. Also, Employee may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Employee shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request

made within thirty (30) days of the date of such written statement, Employee shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Employee or Employee's doctor and such doctor shall have concurred in the conclusion of Employee's doctor. In the event this Agreement is terminated as a result of Employee's disability, Employee shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Employee for good cause, which shall be: (1) Employee's willful, material and irreparable breach of this Agreement; (2) Employee's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Employee's material duties and responsibilities hereunder; (3) Employee's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company which materially and adversely affects the operations or reputation of the Company; (4) Employee's conviction of a felony crime; or (5) confirmed positive drug and/or alcohol test result. In the event of a termination for good cause, as enumerated above, Employee shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Employee may, without cause, terminate this Agreement and Employee's employment, effective thirty (30) days after written notice is provided to the Company. Employee may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board. Should Employee be terminated by the Company without cause during the first three (3) years of the Term (the "Initial Term"), Employee shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Employee be terminated by the Company without cause during the final two (2) year period of the Term, Employee shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Employee resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Employee shall receive no severance compensation.

(e) CHANGE IN CONTROL OF THE COMPANY. In the event of a "Change in Control of the Company" (as defined below) during the Initial Term, refer to paragraph 12 below.

Upon termination of this Agreement for any reason provided above, Employee shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable

to Employee only to the extent and in the manner expressly provided above or in paragraph 12. All other rights and obligations of the Company and Employee under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under paragraph 9 herein and Employee's obligations under paragraphs 3, 6, 7, 8 and 10 herein shall survive such termination in accordance with their terms.

If termination of Employee's employment arises out of the Company's failure to pay Employee on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent jurisdiction or pursuant to the provisions of paragraph 16 below, the Company shall pay all amounts and damages to which Employee may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Employee to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

6. RETURN OF COMPANY PROPERTY. All records, designs, patents, business plans, financial statements, manuals, memoranda, lists and other property delivered to or compiled by Employee by or on behalf of the Company or its representatives, vendors or customers which pertain to the business of the Company shall be and remain the property of the Company and be subject at all times to its discretion and control. Likewise, all correspondence, reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of the Company which is collected by Employee shall be delivered promptly to the Company without request by it upon termination of Employee's employment.

7. INVENTIONS. Employee shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Employee, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Employee conceives as a result of his employment by the Company. Employee hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Employee shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

9. INDEMNIFICATION. In the event Employee is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Company against Employee), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Employee against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Employee in connection therewith. In the event that both Employee and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Employee agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Employee, Employee may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Employee is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Employee cannot be held liable to the Company for errors or omissions made in good faith where Employee has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company.

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

11. ASSIGNMENT; BINDING EFFECT. Employee understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Employee agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

12. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Employee understands and acknowledges that the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 12 shall be applicable.

(b) In the event of a pending Change in Control wherein the Company and Employee have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by the Company without cause during the Initial Term and the applicable portions of paragraph 5(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Employee shall be triple the amount calculated under the terms of paragraph 5(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Employee may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 5(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Employee shall be double the amount calculated under the terms of paragraph 5(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Employee must be paid in full by the Company at or prior to such closing. Further, Employee will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase the Company's Common Stock, including any options with accelerated vesting under the provisions of the Comfort's 1997 Long-Term Incentive Plan, such that he may convert the options to shares of the Company's Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than the Company or an employee benefit plan of the Company acquires directly or indirectly the Beneficial Ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of the Company: (A) the individuals who, as of the closing date of the Company's initial public offering, constitute the Board of Directors of the Company (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of the Company and whose election, or nomination for election, to the Board of Directors of the Company was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board of Directors of the Company and whose election, or nomination for election, to the Board of Directors of the Company was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of the Company shall approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or a substantial portion of the Company's assets (i.e., 50% or more of the total assets of the Company).

(f) Employee must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Employee shall be reimbursed by the Company or its successor for any excise taxes that Employee incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Employee delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Employee.

13. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Employee has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement

between the Company and Employee and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed by a duly authorized officer of the Company and Employee, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Comfort Systems USA, Inc.
 4801 Woodway, Suite 300E
 Houston, Texas 77056

To Employee: -----

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 14.

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

16. ARBITRATION. With the exception of paragraphs 3 and 8, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the rules of the American Arbitration Association then in effect. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Employee was terminated without disability or good cause, as defined in paragraphs 5(b) and 5(c), respectively, or that the Company has otherwise materially

breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

17. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

18. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:
Name:
Title:

EMPLOYEE:

- -----
Fred M. Ferreira

This Employment Agreement (the "Agreement") by and among Comfort Systems USA, Inc., a Delaware corporation ("Company"), and J. Gordon Beittenmiller ("Employee") is hereby entered into and effective as of the _____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of the Company. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Employee.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services.

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Employee as Senior Vice President and Chief Financial Officer of the Company. As such, Employee shall have responsibilities, duties and authority reasonably accorded to and expected of a Senior Vice President and Chief Financial Officer of the Company and will report directly to the Board of Directors of the Company. Employee hereby accepts this employment upon the terms and conditions herein contained and, subject to

paragraph 1(c), agrees to devote his time, attention and efforts to promote and further the business of the Company.

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

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

2. COMPENSATION. For all services rendered by Employee, the Company shall compensate Employee as follows:

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Employee shall be \$150,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Employee's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Employee shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Employee and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Employee under this clause (i) to be at least equal to such benefits provided to other Company executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Employee in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Employee upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Employee with other executive perquisites as may be available to or deemed appropriate for Employee by the Board and participation in all other Company-wide employee benefits as are available from time to time.

3. NON-COMPETITION AGREEMENT.

(a) Employee will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, directly or indirectly, for himself or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any HVAC, plumbing or electrical services business in direct competition with the Company within 100 miles of where the Company or any of its subsidiaries conducts business, including any territory serviced by the Company or any of such subsidiaries (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Employee from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or over-the-counter.

(b) Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to the Company for which they would have no other adequate remedy, Employee agrees that the foregoing covenant may be enforced by the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants of Employee made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this paragraph 3.

4. PLACE OF PERFORMANCE.

(a) Employee understands that he may be requested by the Board to relocate from his present residence to another geographic location in order to more efficiently carry out his duties and responsibilities under this Agreement or as part of a promotion or other increase in duties and responsibilities. In such event, if Employee agrees to relocate, the Company will pay all relocation costs to move Employee, his immediate family and their personal property and effects. Such costs may include, by way of example, but are not limited to, pre-move visits to search for a new residence, investigate schools or for other purposes; temporary lodging and living costs prior to moving into a new permanent residence; duplicate home carrying costs; all closing costs on the sale of Employee's present residence and on the purchase of a comparable residence in the new location; and added income taxes that Employee may incur if any relocation costs are not deductible for tax purposes. The general intent of the foregoing is that Employee shall not personally bear any out-of-pocket cost as a result of the relocation, with an understanding that Employee will use his best efforts to incur only those costs which are reasonable and necessary to effect a smooth, efficient and orderly relocation with minimal disruption to the business affairs of the Company and the personal life of Employee and his family.

(b) Notwithstanding the above, if Employee is requested by the Board to relocate and Employee refuses, such refusal shall not constitute "cause" for termination of this Agreement under the terms of paragraph 5(c).

5. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for three (3) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Employee's employment may be terminated in any one of the followings ways:

(a) DEATH. The death of Employee shall immediately terminate this Agreement with no severance compensation due to Employee's estate.

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Employee shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Employee's employment hereunder provided Employee is unable to resume his full-time duties at the conclusion of such notice period. Also, Employee may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Employee shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Employee shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Employee or Employee's doctor and such doctor shall have concurred in the conclusion of Employee's doctor. In

the event this Agreement is terminated as a result of Employee's disability, Employee shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Employee for good cause, which shall be: (1) Employee's willful, material and irreparable breach of this Agreement; (2) Employee's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Employee's material duties and responsibilities hereunder; (3) Employee's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company which materially and adversely affects the operations or reputation of the Company; (4) Employee's conviction of a felony crime; or (5) confirmed positive drug and/or alcohol test result. In the event of a termination for good cause, as enumerated above, Employee shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Employee may, without cause, terminate this Agreement and Employee's employment, effective thirty (30) days after written notice is provided to the Company. Employee may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board. Should Employee be terminated by the Company without cause during the first three (3) years of the Term (the "Initial Term"), Employee shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Employee be terminated by the Company without cause during the final two (2) year period of the Term, Employee shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Employee resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Employee shall receive no severance compensation.

(e) CHANGE IN CONTROL OF THE COMPANY. In the event of a "Change in Control of the Company" (as defined below) during the Initial Term, refer to paragraph 12 below.

Upon termination of this Agreement for any reason provided above, Employee shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Employee only to the extent and in the manner expressly provided above or in paragraph 12. All other rights and obligations of the Company and Employee under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under paragraph 9 herein and

Employee's obligations under paragraphs 3, 6, 7, 8 and 10 herein shall survive such termination in accordance with their terms.

If termination of Employee's employment arises out of the Company's failure to pay Employee on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent jurisdiction or pursuant to the provisions of paragraph 16 below, the Company shall pay all amounts and damages to which Employee may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Employee to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

6. RETURN OF COMPANY PROPERTY. All records, designs, patents, business plans, financial statements, manuals, memoranda, lists and other property delivered to or compiled by Employee by or on behalf of the Company or its representatives, vendors or customers which pertain to the business of the Company shall be and remain the property of the Company and be subject at all times to its discretion and control. Likewise, all correspondence, reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of the Company which is collected by Employee shall be delivered promptly to the Company without request by it upon termination of Employee's employment.

7. INVENTIONS. Employee shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Employee, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Employee conceives as a result of his employment by the Company. Employee hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Employee shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

9. INDEMNIFICATION. In the event Employee is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Company against Employee), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Employee against all expenses

(including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Employee in connection therewith. In the event that both Employee and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Employee agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Employee, Employee may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Employee is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Employee cannot be held liable to the Company for errors or omissions made in good faith where Employee has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company.

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

11. ASSIGNMENT; BINDING EFFECT. Employee understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Employee agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

12. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Employee understands and acknowledges that the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 12 shall be applicable.

(b) In the event of a pending Change in Control wherein the Company and Employee have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform the Company's obligations under this Agreement in the same manner

and to the same extent that the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by the Company without cause during the Initial Term and the applicable portions of paragraph 5(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Employee shall be triple the amount calculated under the terms of paragraph 5(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Employee may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 5(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Employee shall be double the amount calculated under the terms of paragraph 5(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Employee must be paid in full by the Company at or prior to such closing. Further, Employee will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase the Company's Common Stock, including any options with accelerated vesting under the provisions of the Comfort's 1997 Long-Term Incentive Plan, such that he may convert the options to shares of the Company's Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than the Company or an employee benefit plan of the Company acquires directly or indirectly the Beneficial Ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of the Company: (A) the individuals who, as of the closing date of the Company's initial public offering, constitute the Board of Directors of the Company (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of the Company and whose election, or nomination for election, to the Board of Directors of the Company was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately

following their election); and (C) the individuals who are elected to the Board of Directors of the Company and whose election, or nomination for election, to the Board of Directors of the Company was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of the Company shall approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or a substantial portion of the Company's assets (i.e., 50% or more of the total assets of the Company).

(f) Employee must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Employee shall be reimbursed by the Company or its successor for any excise taxes that Employee incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Employee delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Employee.

13. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Employee has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Employee and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed by a duly authorized officer of the Company and Employee, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, Texas 77056

To Employee: -----

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 14.

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

16. ARBITRATION. With the exception of paragraphs 3 and 8, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the rules of the American Arbitration Association then in effect. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Employee was terminated without disability or good cause, as defined in paragraphs 5(b) and 5(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

17. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

18. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:
Name:
Title:

EMPLOYEE:

J. Gordon Beittenmiller

This Employment Agreement (the "Agreement") by and among Comfort Systems USA, Inc., a Delaware corporation ("Company"), and William George, III ("Employee") is hereby entered into and effective as of the _____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of the Company. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Employee.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services.

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Employee as Vice President, General Counsel and Secretary of the Company. As such, Employee shall have responsibilities, duties and authority reasonably accorded to and expected of a Vice President, General Counsel and Secretary of the Company and will report directly to the Board of Directors of the Company. Employee hereby accepts this employment upon the terms and conditions herein contained and, subject to paragraph 1(c), agrees to devote his time, attention and efforts to promote and further the business of the Company.

1

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

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

2. COMPENSATION. For all services rendered by Employee, the Company shall compensate Employee as follows:

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Employee shall be \$150,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Employee's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Employee shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Employee and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Employee under this clause (i) to be at least equal to such benefits provided to other Company executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Employee in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Employee upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Employee with other executive perquisites as may be available to or deemed appropriate for Employee by the Board and participation in all other Company-wide employee benefits as are available from time to time.

2

3. NON-COMPETITION AGREEMENT.

(a) Employee will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, directly or indirectly, for himself or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any HVAC, plumbing or electrical services business in direct competition with the Company within 100 miles of where the Company or any of its subsidiaries conducts business, including any territory serviced by the Company or any of such subsidiaries (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Employee from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or over-the-counter.

(b) Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to the Company for which they would have no other adequate remedy, Employee agrees that the foregoing covenant may be enforced by the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants of Employee made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this paragraph 3.

4. PLACE OF PERFORMANCE.

(a) Employee understands that he may be requested by the Board to relocate from his present residence to another geographic location in order to more efficiently carry out his duties and responsibilities under this Agreement or as part of a promotion or other increase in duties and responsibilities. In such event, if Employee agrees to relocate, the Company will pay all relocation costs to move Employee, his immediate family and their personal property and effects. Such costs may include, by way of example, but are not limited to, pre-move visits to search for a new residence, investigate schools or for other purposes; temporary lodging and living costs prior to moving into a new permanent residence; duplicate home carrying costs; all closing costs on the sale of Employee's present residence and on the purchase of a comparable residence in the new location; and added income taxes that Employee may incur if any relocation costs are not deductible for tax purposes. The general intent of the foregoing is that Employee shall not personally bear any out-of-pocket cost as a result of the relocation, with an understanding that Employee will use his best efforts to incur only those costs which are reasonable and necessary to effect a smooth, efficient and orderly relocation with minimal disruption to the business affairs of the Company and the personal life of Employee and his family.

(b) Notwithstanding the above, if Employee is requested by the Board to relocate and Employee refuses, such refusal shall not constitute "cause" for termination of this Agreement under the terms of paragraph 5(c).

5. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for three (3) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Employee's employment may be terminated in any one of the followings ways:

(a) DEATH. The death of Employee shall immediately terminate this Agreement with no severance compensation due to Employee's estate.

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Employee shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Employee's employment hereunder provided Employee is unable to resume his full-time duties at the conclusion of such notice period. Also, Employee may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Employee shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Employee shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Employee or Employee's doctor and such doctor shall have concurred in the conclusion of Employee's doctor. In

the event this Agreement is terminated as a result of Employee's disability, Employee shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Employee for good cause, which shall be: (1) Employee's willful, material and irreparable breach of this Agreement; (2) Employee's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Employee's material duties and responsibilities hereunder; (3) Employee's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company which materially and adversely affects the operations or reputation of the Company; (4) Employee's conviction of a felony crime; or (5) confirmed positive drug and/or alcohol test result. In the event of a termination for good cause, as enumerated above, Employee shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Employee may, without cause, terminate this Agreement and Employee's employment, effective thirty (30) days after written notice is provided to the Company. Employee may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board. Should Employee be terminated by the Company without cause during the first three (3) years of the Term (the "Initial Term"), Employee shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Employee be terminated by the Company without cause during the final two (2) year period of the Term, Employee shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Employee resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Employee shall receive no severance compensation.

(e) CHANGE IN CONTROL OF THE COMPANY. In the event of a "Change in Control of the Company" (as defined below) during the Initial Term, refer to paragraph 12 below.

Upon termination of this Agreement for any reason provided above, Employee shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Employee only to the extent and in the manner expressly provided above or in paragraph 12. All other rights and obligations of the Company and Employee under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under paragraph 9 herein and

Employee's obligations under paragraphs 3, 6, 7, 8 and 10 herein shall survive such termination in accordance with their terms.

If termination of Employee's employment arises out of the Company's failure to pay Employee on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent jurisdiction or pursuant to the provisions of paragraph 16 below, the Company shall pay all amounts and damages to which Employee may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Employee to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

6. RETURN OF COMPANY PROPERTY. All records, designs, patents, business plans, financial statements, manuals, memoranda, lists and other property delivered to or compiled by Employee by or on behalf of the Company or its representatives, vendors or customers which pertain to the business of the Company shall be and remain the property of the Company and be subject at all times to its discretion and control. Likewise, all correspondence, reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of the Company which is collected by Employee shall be delivered promptly to the Company without request by it upon termination of Employee's employment.

7. INVENTIONS. Employee shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Employee, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Employee conceives as a result of his employment by the Company. Employee hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Employee shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

9. INDEMNIFICATION. In the event Employee is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Company against Employee), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Employee against all expenses

(including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Employee in connection therewith. In the event that both Employee and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Employee agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Employee, Employee may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Employee is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Employee cannot be held liable to the Company for errors or omissions made in good faith where Employee has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company.

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

11. ASSIGNMENT; BINDING EFFECT. Employee understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Employee agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

12. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Employee understands and acknowledges that the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 12 shall be applicable.

(b) In the event of a pending Change in Control wherein the Company and Employee have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform the Company's obligations under this Agreement in the same manner

and to the same extent that the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by the Company without cause during the Initial Term and the applicable portions of paragraph 5(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Employee shall be triple the amount calculated under the terms of paragraph 5(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Employee may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 5(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Employee shall be double the amount calculated under the terms of paragraph 5(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Employee must be paid in full by the Company at or prior to such closing. Further, Employee will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase the Company's Common Stock, including any options with accelerated vesting under the provisions of the Comfort's 1997 Long-Term Incentive Plan, such that he may convert the options to shares of the Company's Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than the Company or an employee benefit plan of the Company acquires directly or indirectly the Beneficial Ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of the Company: (A) the individuals who, as of the closing date of the Company's initial public offering, constitute the Board of Directors of the Company (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of the Company and whose election, or nomination for election, to the Board of Directors of the Company was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately

following their election); and (C) the individuals who are elected to the Board of Directors of the Company and whose election, or nomination for election, to the Board of Directors of the Company was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of the Company shall approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or a substantial portion of the Company's assets (i.e., 50% or more of the total assets of the Company).

(f) Employee must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Employee shall be reimbursed by the Company or its successor for any excise taxes that Employee incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Employee delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Employee.

13. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Employee has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Employee and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed by a duly authorized officer of the Company and Employee, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, Texas 77056

To Employee: -----

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 14.

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

16. ARBITRATION. With the exception of paragraphs 3 and 8, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the rules of the American Arbitration Association then in effect. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Employee was terminated without disability or good cause, as defined in paragraphs 5(b) and 5(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

17. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

18. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:
Name:
Title:

EMPLOYEE:

William George, III

This Employment Agreement (the "Agreement") by and among Comfort Systems USA, Inc., a Delaware corporation ("Company"), and Reagan S. Busbee ("Employee") is hereby entered into and effective as of the _____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of the Company. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Employee.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services.

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Employee as Senior Vice President of the Company. As such, Employee shall have responsibilities, duties and authority reasonably accorded to and expected of a Senior Vice President of the Company and will report directly to the Board of Directors of the Company. Employee hereby accepts this employment upon the terms and conditions herein contained and, subject to paragraph 1(c), agrees to devote his time, attention and efforts to promote and further the business of the Company.

1

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

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

2. COMPENSATION. For all services rendered by Employee, the Company shall compensate Employee as follows:

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Employee shall be \$125,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Employee's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Employee shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Employee and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Employee under this clause (i) to be at least equal to such benefits provided to other Company executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Employee in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Employee upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Employee with other executive perquisites as may be available to or deemed appropriate for Employee by the Board and participation in all other Company-wide employee benefits as are available from time to time.

2

3. NON-COMPETITION AGREEMENT.

(a) Employee will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, directly or indirectly, for himself or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any HVAC, plumbing or electrical services business in direct competition with the Company within 100 miles of where the Company or any of its subsidiaries conducts business, including any territory serviced by the Company or any of such subsidiaries (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Employee from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or over-the-counter.

(b) Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to the Company for which they would have no other adequate remedy, Employee agrees that the foregoing covenant may be enforced by the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants of Employee made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this paragraph 3.

4. PLACE OF PERFORMANCE.

(a) Employee understands that he may be requested by the Board to relocate from his present residence to another geographic location in order to more efficiently carry out his duties and responsibilities under this Agreement or as part of a promotion or other increase in duties and responsibilities. In such event, if Employee agrees to relocate, the Company will pay all relocation costs to move Employee, his immediate family and their personal property and effects. Such costs may include, by way of example, but are not limited to, pre-move visits to search for a new residence, investigate schools or for other purposes; temporary lodging and living costs prior to moving into a new permanent residence; duplicate home carrying costs; all closing costs on the sale of Employee's present residence and on the purchase of a comparable residence in the new location; and added income taxes that Employee may incur if any relocation costs are not deductible for tax purposes. The general intent of the foregoing is that Employee shall not personally bear any out-of-pocket cost as a result of the relocation, with an understanding that Employee will use his best efforts to incur only those costs which are reasonable and necessary to effect a smooth, efficient and orderly relocation with minimal disruption to the business affairs of the Company and the personal life of Employee and his family.

(b) Notwithstanding the above, if Employee is requested by the Board to relocate and Employee refuses, such refusal shall not constitute "cause" for termination of this Agreement under the terms of paragraph 5(c).

5. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for three (3) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Employee's employment may be terminated in any one of the followings ways:

(a) DEATH. The death of Employee shall immediately terminate this Agreement with no severance compensation due to Employee's estate.

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Employee shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Employee's employment hereunder provided Employee is unable to resume his full-time duties at the conclusion of such notice period. Also, Employee may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Employee shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Employee shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Employee or Employee's doctor and such doctor shall have concurred in the conclusion of Employee's doctor. In

the event this Agreement is terminated as a result of Employee's disability, Employee shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Employee for good cause, which shall be: (1) Employee's willful, material and irreparable breach of this Agreement; (2) Employee's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Employee's material duties and responsibilities hereunder; (3) Employee's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company which materially and adversely affects the operations or reputation of the Company; (4) Employee's conviction of a felony crime; or (5) confirmed positive drug and/or alcohol test result. In the event of a termination for good cause, as enumerated above, Employee shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Employee may, without cause, terminate this Agreement and Employee's employment, effective thirty (30) days after written notice is provided to the Company. Employee may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board. Should Employee be terminated by the Company without cause during the first three (3) years of the Term (the "Initial Term"), Employee shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Employee be terminated by the Company without cause during the final two (2) year period of the Term, Employee shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Employee resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Employee shall receive no severance compensation.

(e) CHANGE IN CONTROL OF THE COMPANY. In the event of a "Change in Control of the Company" (as defined below) during the Initial Term, refer to paragraph 12 below.

Upon termination of this Agreement for any reason provided above, Employee shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Employee only to the extent and in the manner expressly provided above or in paragraph 12. All other rights and obligations of the Company and Employee under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under paragraph 9 herein and

Employee's obligations under paragraphs 3, 6, 7, 8 and 10 herein shall survive such termination in accordance with their terms.

If termination of Employee's employment arises out of the Company's failure to pay Employee on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent jurisdiction or pursuant to the provisions of paragraph 16 below, the Company shall pay all amounts and damages to which Employee may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Employee to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

6. RETURN OF COMPANY PROPERTY. All records, designs, patents, business plans, financial statements, manuals, memoranda, lists and other property delivered to or compiled by Employee by or on behalf of the Company or its representatives, vendors or customers which pertain to the business of the Company shall be and remain the property of the Company and be subject at all times to its discretion and control. Likewise, all correspondence, reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of the Company which is collected by Employee shall be delivered promptly to the Company without request by it upon termination of Employee's employment.

7. INVENTIONS. Employee shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Employee, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Employee conceives as a result of his employment by the Company. Employee hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Employee shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

9. INDEMNIFICATION. In the event Employee is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Company against Employee), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Employee against all expenses

(including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Employee in connection therewith. In the event that both Employee and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Employee agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Employee, Employee may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Employee is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Employee cannot be held liable to the Company for errors or omissions made in good faith where Employee has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company.

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

11. ASSIGNMENT; BINDING EFFECT. Employee understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Employee agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

12. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Employee understands and acknowledges that the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 12 shall be applicable.

(b) In the event of a pending Change in Control wherein the Company and Employee have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform the Company's obligations under this Agreement in the same manner

and to the same extent that the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by the Company without cause during the Initial Term and the applicable portions of paragraph 5(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Employee shall be triple the amount calculated under the terms of paragraph 5(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Employee may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 5(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Employee shall be double the amount calculated under the terms of paragraph 5(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Employee must be paid in full by the Company at or prior to such closing. Further, Employee will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase the Company's Common Stock, including any options with accelerated vesting under the provisions of the Comfort's 1997 Long-Term Incentive Plan, such that he may convert the options to shares of the Company's Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than the Company or an employee benefit plan of the Company acquires directly or indirectly the Beneficial Ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of the Company: (A) the individuals who, as of the closing date of the Company's initial public offering, constitute the Board of Directors of the Company (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of the Company and whose election, or nomination for election, to the Board of Directors of the Company was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately

following their election); and (C) the individuals who are elected to the Board of Directors of the Company and whose election, or nomination for election, to the Board of Directors of the Company was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of the Company shall approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or a substantial portion of the Company's assets (i.e., 50% or more of the total assets of the Company).

(f) Employee must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Employee shall be reimbursed by the Company or its successor for any excise taxes that Employee incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Employee delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Employee.

13. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Employee has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Employee and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed by a duly authorized officer of the Company and Employee, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, Texas 77056

To Employee: -----

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 14.

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

16. ARBITRATION. With the exception of paragraphs 3 and 8, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the rules of the American Arbitration Association then in effect. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Employee was terminated without disability or good cause, as defined in paragraphs 5(b) and 5(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

17. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

18. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:
Name:
Title:

EMPLOYEE:

Reagan S. Busbee

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") by and between Accurate Air Systems, Inc. (the "Company"), a Texas corporation and a wholly-owned subsidiary of Comfort Systems USA, Inc., a Delaware corporation ("Comfort"), and Thomas J. Beaty ("Executive") is hereby entered into and effective as of the ____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of Comfort. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Executive.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services (collectively, "HVAC Business").

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Executive as President and Chief Executive Officer of the Company. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of, and consistent with Executive's position as, President and Chief Executive Officer of the Company and will report directly to the Board of Directors of the Company (the "Board"). Executive hereby accepts this employment upon the terms and conditions herein contained

1

and, subject to paragraph 1(c), agrees to devote substantially all of his business time, attention and efforts to promote and further the business of the Company.

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

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

(d) Executive shall not be required by the Company or the performance of his duties to relocate from Houston, Texas.

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

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Executive shall be \$100,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Executive's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof. In no event shall Executive's base salary be reduced to a level below the greater of \$100,000, or 90% of Executive's base salary during the prior contract year.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Executive shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Executive and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Executive under this clause (i) to be at least equal to such benefits provided to Comfort executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Executive in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Executive with other executive perquisites as may be available to or deemed appropriate for Executive by the Board and participation in all other Company-wide employee benefits as are available from time to time.

3. NON-COMPETITION AGREEMENT.

(a) Executive will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, other than a termination by the Company without cause or by Executive for Good Reason, directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

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

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company or Comfort (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company or Comfort (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company or Comfort (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company or Comfort within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than three percent (3%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or on an over-the-counter or similar market.

(b) Because of the difficulty of measuring economic losses to the Company and Comfort as a result of a breach of the foregoing covenant, and because of the immediate and irreparable

damage that could be caused to the Company and Comfort for which they would have no other adequate remedy, Executive agrees that the foregoing covenant may be enforced by Comfort or the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company or Comfort, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Comfort or the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants

of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

4. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for five (5) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Executive's employment may be terminated in any one of the followings ways:

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

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Executive's employment hereunder provided Executive is unable to resume his full-time duties at the conclusion of such notice period. Also, Executive may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Executive shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Executive for good cause, which shall be: (1) Executive's willful, material and irreparable breach of this Agreement; (2) Executive's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities hereunder; (3) Executive's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company or Comfort which materially and adversely affects the operations or reputation of the Company or Comfort; (4) Executive's conviction of a felony crime; or (5) confirmed positive illegal drug test result. In the event of a termination for good cause, as enumerated above, Executive shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Executive may, without cause, and without Good Reason (as hereinafter defined) terminate this Agreement and Executive's employment, effective thirty (30) days after written notice is provided to the Company. Executive may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board of Directors of Comfort. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the first three (3) years of the Term (the "Initial Term"), Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the final two (2) year period of the Term, Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Executive resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Executive shall receive no severance compensation.

Executive shall have "Good Reason" to terminate this Agreement and his employment hereunder upon the occurrence of any of the following events: (a) Executive is demoted by means of a reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; or (b) Executive's annual base salary as determined pursuant to Section 2 hereof is reduced to a level that is less than 90% of the base salary paid to Executive during any prior contract year under this Agreement, unless Executive has agreed in writing to that demotion or reduction.

(e) CHANGE IN CONTROL OF COMFORT. In the event of a "Change in Control of Comfort" (as defined below) during the Initial Term, refer to paragraph 11 below.

Upon termination of this Agreement for any reason provided above, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Executive only to the extent and in the manner expressly provided above or in paragraph 11. All other rights and obligations of the Company and Executive under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under paragraph 8 herein and Executive's obligations under paragraphs 3, 5, 6, 7 and 9 herein shall survive such termination in accordance with their terms.

If termination of Executive's employment arises out of the Company's failure to pay Executive on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent

jurisdiction or pursuant to the provisions of paragraph 15 below, the Company shall pay all amounts and damages to which Executive may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Executive to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

If Executive is terminated without cause or terminates his employment hereunder with Good Reason, (a) the Company shall make the insurance premium payments contemplated by COBRA for a period of 18 months after such termination, (b) the Executive shall be entitled to receive a pro rated portion of any annual bonus to which the Executive would have been entitled for the year during which the termination occurred had the Executive not been terminated and (c) all options to purchase CSI stock shall vest thereupon.

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

6. INVENTIONS. Executive shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Executive conceives as a result of his employment by the Company. Executive hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Executive shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

8. INDEMNIFICATION. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other

than an action by the Company or Comfort against Executive), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith to the maximum extent permitted by applicable law. The advancement of expenses shall be mandatory. In the event that both Executive and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Executive is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Executive cannot be held liable to the Company or Comfort for errors or omissions made in good faith where Executive has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company or Comfort.

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

10. ASSIGNMENT; BINDING EFFECT. Executive understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

11. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Executive understands and acknowledges that Comfort and/or the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of Comfort and/or the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 11 shall be applicable.

(b) In the event of a pending Change in Control wherein Comfort and/or the Company and Executive have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of Comfort's and/or the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform Comfort's and/or the Company's obligations under this Agreement in the same manner and to the same extent that Comfort and/or the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by Comfort and/or the Company without cause during the Initial Term and the applicable portions of paragraph 4(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be triple the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Executive may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 4(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be double the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Executive must be paid in full by the Company at or prior to such closing. Further, Executive will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase Comfort Common Stock, such that he may convert the options to shares of Comfort Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than Comfort or an employee benefit plan of Comfort, acquires directly or indirectly the beneficial ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of Comfort: (A) the individuals who, as of the closing date of

Comfort's initial public offering, constitute the Board of Directors of Comfort (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of Comfort shall approve a plan of complete liquidation of Comfort or an agreement for the sale or disposition by Comfort of all or a substantial portion of Comfort's assets (i.e., 50% or more of the total assets of Comfort).

(f) Executive must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Executive shall be reimbursed by the Company or its successor for any excise taxes that Executive incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Executive delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Executive.

12. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Executive has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Executive and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed

by a duly authorized officer of the Company and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Accurate Air Systems, Inc.
 8505 Rannie Road
 Houston, TX 77080

To Executive -----

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 13.

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

15. ARBITRATION. With the exception of paragraphs 3 and 7, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA") then in effect provided that the parties may agree to use arbitrators other than those provided by the AAA. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Executive was terminated without disability or good cause, as defined in paragraphs 4(b) and 4(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award

in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

16. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

17. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ACCURATE AIR SYSTEMS, INC.

By:
Name:
Title:

EXECUTIVE:

Thomas J. Beaty

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") by and between Atlas Comfort Services USA, Inc. (the "Company"), a Texas corporation and a wholly-owned subsidiary of Comfort Systems USA, Inc., a Delaware corporation ("Comfort"), and Brian S. Atlas ("Executive") is hereby entered into and effective as of the _____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of Comfort. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Executive.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services (collectively, "HVAC Business").

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Executive as President and Chief Executive Officer of the Company. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of, and consistent with Executive's position as, President and Chief Executive Officer of the Company and will report directly to the Board of Directors of the Company (the "Board"). Executive hereby accepts this employment upon the terms and conditions herein contained

1

and, subject to paragraph 1(c), agrees to devote substantially all of his business time, attention and efforts to promote and further the business of the Company.

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

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

(d) Executive shall not be required by the Company or the performance of his duties to relocate from Houston, Texas.

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

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Executive shall be \$100,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Executive's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof. In no event shall Executive's base salary be reduced to a level below the greater of \$100,000, or 90% of Executive's base salary during the prior contract year.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Executive shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Executive and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Executive under this clause (i) to be at least equal to such benefits provided to Comfort executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Executive in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Executive with other executive perquisites as may be available to or deemed appropriate for Executive by the Board and participation in all other Company-wide employee benefits as are available from time to time.

3. NON-COMPETITION AGREEMENT.

(a) Executive will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, other than a termination by the Company without cause or by Executive for Good Reason, directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

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

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company or Comfort (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company or Comfort (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company or Comfort (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company or Comfort within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than three percent (3%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or on an over-the-counter or similar market.

(b) Because of the difficulty of measuring economic losses to the Company and Comfort as a result of a breach of the foregoing covenant, and because of the immediate and irreparable

damage that could be caused to the Company and Comfort for which they would have no other adequate remedy, Executive agrees that the foregoing covenant may be enforced by Comfort or the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company or Comfort, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Comfort or the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants

of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

4. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for five (5) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Executive's employment may be terminated in any one of the followings ways:

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

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Executive's employment hereunder provided Executive is unable to resume his full-time duties at the conclusion of such notice period. Also, Executive may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Executive shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Executive for good cause, which shall be: (1) Executive's willful, material and irreparable breach of this Agreement; (2) Executive's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities hereunder; (3) Executive's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company or Comfort which materially and adversely affects the operations or reputation of the Company or Comfort; (4) Executive's conviction of a felony crime; or (5) confirmed positive illegal drug test result. In the event of a termination for good cause, as enumerated above, Executive shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Executive may, without cause, and without Good Reason (as hereinafter defined) terminate this Agreement and Executive's employment, effective thirty (30) days after written notice is provided to the Company. Executive may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board of Directors of Comfort. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the first three (3) years of the Term (the "Initial Term"), Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the final two (2) year period of the Term, Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Executive resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Executive shall receive no severance compensation.

Executive shall have "Good Reason" to terminate this Agreement and his employment hereunder upon the occurrence of any of the following events: (a) Executive is demoted by means of a reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; or (b) Executive's annual base salary as determined pursuant to Section 2 hereof is reduced to a level that is less than 90% of the base salary paid to Executive during any prior contract year under this Agreement, unless Executive has agreed in writing to that demotion or reduction.

(e) CHANGE IN CONTROL OF COMFORT. In the event of a "Change in Control of Comfort" (as defined below) during the Initial Term, refer to paragraph 11 below.

Upon termination of this Agreement for any reason provided above, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Executive only to the extent and in the manner expressly provided above or in paragraph 11. All other rights and obligations of the Company and Executive under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under paragraph 8 herein and Executive's obligations under paragraphs 3, 5, 6, 7 and 9 herein shall survive such termination in accordance with their terms.

If termination of Executive's employment arises out of the Company's failure to pay Executive on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent

jurisdiction or pursuant to the provisions of paragraph 15 below, the Company shall pay all amounts and damages to which Executive may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Executive to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

If Executive is terminated without cause or terminates his employment hereunder with Good Reason, (a) the Company shall make the insurance premium payments contemplated by COBRA for a period of 18 months after such termination, (b) the Executive shall be entitled to receive a pro rated portion of any annual bonus to which the Executive would have been entitled for the year during which the termination occurred had the Executive not been terminated and (c) all options to purchase CSI stock shall vest thereupon.

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

6. INVENTIONS. Executive shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Executive conceives as a result of his employment by the Company. Executive hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Executive shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

8. INDEMNIFICATION. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other

than an action by the Company or Comfort against Executive), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith to the maximum extent permitted by applicable law. The advancement of expenses shall be mandatory. In the event that both Executive and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Executive is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Executive cannot be held liable to the Company or Comfort for errors or omissions made in good faith where Executive has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company or Comfort.

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

10. ASSIGNMENT; BINDING EFFECT. Executive understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

11. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Executive understands and acknowledges that Comfort and/or the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of Comfort and/or the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 11 shall be applicable.

(b) In the event of a pending Change in Control wherein Comfort and/or the Company and Executive have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of Comfort's and/or the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform Comfort's and/or the Company's obligations under this Agreement in the same manner and to the same extent that Comfort and/or the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by Comfort and/or the Company without cause during the Initial Term and the applicable portions of paragraph 4(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be triple the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Executive may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 4(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be double the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Executive must be paid in full by the Company at or prior to such closing. Further, Executive will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase Comfort Common Stock, such that he may convert the options to shares of Comfort Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than Comfort or an employee benefit plan of Comfort, acquires directly or indirectly the beneficial ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of Comfort: (A) the individuals who, as of the closing date of

Comfort's initial public offering, constitute the Board of Directors of Comfort (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of Comfort shall approve a plan of complete liquidation of Comfort or an agreement for the sale or disposition by Comfort of all or a substantial portion of Comfort's assets (i.e., 50% or more of the total assets of Comfort).

(f) Executive must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Executive shall be reimbursed by the Company or its successor for any excise taxes that Executive incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Executive delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Executive.

12. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Executive has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Executive and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed

by a duly authorized officer of the Company and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Atlas Comfort Services USA, Inc.
4125 Southerland
Houston, TX 77092-4416

To Executive -----

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 13.

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

15. ARBITRATION. With the exception of paragraphs 3 and 7, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA") then in effect provided that the parties may agree to use arbitrators other than those provided by the AAA. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Executive was terminated without disability or good cause, as defined in paragraphs 4(b) and 4(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award

in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

16. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

17. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

ATLAS COMFORT SERVICES USA, INC.

By:
Name:
Title:

EXECUTIVE:

Brian S. Atlas

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") by and between Contract Service, Inc. (the "Company"), a Utah corporation and a wholly-owned subsidiary of Comfort Systems USA, Inc., a Delaware corporation ("Comfort"), and John C. Phillips ("Executive") is hereby entered into and effective as of the ____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of Comfort. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Executive.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services (collectively, "HVAC Business").

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Executive as President and Chief Executive Officer of the Company. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of, and consistent with Executive's position as, President and Chief Executive Officer of the Company and will report directly to the Board of Directors of the Company (the "Board"). Executive hereby accepts this employment upon the terms and conditions herein

contained and, subject to paragraph 1(c), agrees to devote substantially all of his business time, attention and efforts to promote and further the business of the Company.

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

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

(d) Executive shall not be required by the Company or the performance of his duties to relocate from Salt Lake City, Utah.

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

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Executive shall be \$105,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Executive's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof. In no event shall Executive's base salary be reduced to a level below the greater of \$105,000, or 90% of Executive's base salary during the prior contract year.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Executive shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Executive and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Executive under this clause (i) to be at least equal to such benefits provided to Comfort executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Executive in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable

detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Executive with other executive perquisites as may be available to or deemed appropriate for Executive by the Board and participation in all other Company-wide employee benefits as are available from time to time.

3. NON-COMPETITION AGREEMENT.

(a) Executive will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, other than a termination by the Company without cause or by Executive for Good Reason, directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

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

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company or Comfort (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company or Comfort (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company or Comfort (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company or Comfort within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than three percent (3%) of the capital stock of a competing

business, whose stock is traded on a national securities exchange or on an over-the-counter or similar market.

(b) Because of the difficulty of measuring economic losses to the Company and Comfort as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to the Company and Comfort for which they would have no other adequate remedy, Executive agrees that the foregoing covenant may be enforced by Comfort or the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company or Comfort, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Comfort or the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

4. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for five (5) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Executive's employment may be terminated in any one of the followings ways:

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

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Executive's employment hereunder provided Executive is unable to resume his full-time duties at the conclusion of such notice period. Also, Executive may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Executive shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Executive for good cause, which shall be: (1) Executive's willful, material and irreparable breach of this Agreement; (2) Executive's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities hereunder; (3) Executive's willful dishonesty,

fraud or misconduct with respect to the business or affairs of the Company or Comfort which materially and adversely affects the operations or reputation of the Company or Comfort; (4) Executive's conviction of a felony crime; or (5) confirmed positive illegal drug test result. In the event of a termination for good cause, as enumerated above, Executive shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Executive may, without cause, and without Good Reason (as hereinafter defined) terminate this Agreement and Executive's employment, effective thirty (30) days after written notice is provided to the Company. Executive may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board of Directors of Comfort. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the first three (3) years of the Term (the "Initial Term"), Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the final two (2) year period of the Term, Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Executive resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Executive shall receive no severance compensation.

Executive shall have "Good Reason" to terminate this Agreement and his employment hereunder upon the occurrence of any of the following events: (a) Executive is demoted by means of a reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; or (b) Executive's annual base salary as determined pursuant to Section 2 hereof is reduced to a level that is less than 90% of the base salary paid to Executive during any prior contract year under this Agreement, unless Executive has agreed in writing to that demotion or reduction.

(e) CHANGE IN CONTROL OF COMFORT. In the event of a "Change in Control of Comfort" (as defined below) during the Initial Term, refer to paragraph 11 below.

Upon termination of this Agreement for any reason provided above, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Executive only to the extent and in the manner expressly provided above or in paragraph 11. All other rights and obligations of the Company and Executive under this Agreement

shall cease as of the effective date of termination, except that the Company's obligations under paragraph 8 herein and Executive's obligations under paragraphs 3, 5, 6, 7 and 9 herein shall survive such termination in accordance with their terms.

If termination of Executive's employment arises out of the Company's failure to pay Executive on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent jurisdiction or pursuant to the provisions of paragraph 15 below, the Company shall pay all amounts and damages to which Executive may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Executive to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

If Executive is terminated without cause or terminates his employment hereunder with Good Reason, (a) the Company shall make the insurance premium payments contemplated by COBRA for a period of 18 months after such termination, (b) the Executive shall be entitled to receive a pro rated portion of any annual bonus to which the Executive would have been entitled for the year during which the termination occurred had the Executive not been terminated and (c) all options to purchase CSI stock shall vest thereupon.

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

6. INVENTIONS. Executive shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Executive conceives as a result of his employment by the Company. Executive hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Executive shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

8. INDEMNIFICATION. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Company or Comfort against Executive), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith to the maximum extent permitted by applicable law. The advancement of expenses shall be mandatory. In the event that both Executive and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Executive is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Executive cannot be held liable to the Company or Comfort for errors or omissions made in good faith where Executive has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company or Comfort.

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

10. ASSIGNMENT; BINDING EFFECT. Executive understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

11. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Executive understands and acknowledges that Comfort and/or the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of Comfort and/or the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 11 shall be applicable.

(b) In the event of a pending Change in Control wherein Comfort and/or the Company and Executive have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of Comfort's and/or the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform Comfort's and/or the Company's obligations under this Agreement in the same manner and to the same extent that Comfort and/or the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by Comfort and/or the Company without cause during the Initial Term and the applicable portions of paragraph 4(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be triple the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Executive may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 4(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be double the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Executive must be paid in full by the Company at or prior to such closing. Further, Executive will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase Comfort Common Stock, such that he may convert the options to shares of Comfort Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than Comfort or an employee benefit plan of Comfort, acquires directly or indirectly the beneficial ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of Comfort: (A) the individuals who, as of the closing date of Comfort's initial public offering, constitute the Board of Directors of Comfort (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of Comfort shall approve a plan of complete liquidation of Comfort or an agreement for the sale or disposition by Comfort of all or a substantial portion of Comfort's assets (i.e., 50% or more of the total assets of Comfort).

(f) Executive must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Executive shall be reimbursed by the Company or its successor for any excise taxes that Executive incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any

Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Executive delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Executive.

12. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Executive has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Executive and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed by a duly authorized officer of the Company and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Contract Service, Inc.
3222 S. Washington Street
Salt Lake City, Utah 84165

To Executive: John C. Phillips
2030 Maple Hollow Way
Bountiful, UT 84010

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 13.

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

15. ARBITRATION. With the exception of paragraphs 3 and 7, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with

the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA") then in effect provided that the parties may agree to use arbitrators other than those provided by the AAA. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Executive was terminated without disability or good cause, as defined in paragraphs 4(b) and 4(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

16. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

17. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CONTRACT SERVICE, INC.

By:
Name:
Title:

EXECUTIVE:

John C. Phillips

This Employment Agreement (the "Agreement") by and between Eastern Heating & Cooling, Inc. (the "Company"), a New York corporation and a wholly-owned subsidiary of Comfort Systems USA, Inc., a Delaware corporation ("Comfort"), and Alfred J. Giardenelli, Jr. ("Executive") is hereby entered into and effective as of the _____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of Comfort. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Executive.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services (collectively, "HVAC Business").

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Executive as President and Chief Executive Officer of the Company. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of, and consistent with Executive's position as, President and Chief Executive Officer of the Company and will report directly to the Board of Directors of the Company (the "Board"). Executive hereby accepts this employment upon the terms and conditions herein contained

1

and, subject to paragraph 1(c), agrees to devote substantially all of his business time, attention and efforts to promote and further the business of the Company.

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

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

(d) Executive shall not be required by the Company or the performance of his duties to relocate from Albany, New York.

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

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Executive shall be \$100,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Executive's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof. In no event shall Executive's base salary be reduced to a level below the greater of \$100,000, or 90% of Executive's base salary during the prior contract year.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Executive shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Executive and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Executive under this clause (i) to be at least equal to such benefits provided to Comfort executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Executive in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Executive with other executive perquisites as may be available to or deemed appropriate for Executive by the Board and participation in all other Company-wide employee benefits as are available from time to time.

3. NON-COMPETITION AGREEMENT.

(a) Executive will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, other than a termination by the Company without cause or by Executive for Good Reason, directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

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

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company or Comfort (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company or Comfort (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company or Comfort (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company or Comfort within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than three percent (3%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or on an over-the-counter or similar market.

(b) Because of the difficulty of measuring economic losses to the Company and Comfort as a result of a breach of the foregoing covenant, and because of the immediate and irreparable

damage that could be caused to the Company and Comfort for which they would have no other adequate remedy, Executive agrees that the foregoing covenant may be enforced by Comfort or the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company or Comfort, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Comfort or the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants

of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

4. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for five (5) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Executive's employment may be terminated in any one of the followings ways:

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

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Executive's employment hereunder provided Executive is unable to resume his full-time duties at the conclusion of such notice period. Also, Executive may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Executive shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Executive for good cause, which shall be: (1) Executive's willful, material and irreparable breach of this Agreement; (2) Executive's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities hereunder; (3) Executive's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company or Comfort which materially and adversely affects the operations or reputation of the Company or Comfort; (4) Executive's conviction of a felony crime; or (5) confirmed positive illegal drug test result. In the event of a termination for good cause, as enumerated above, Executive shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Executive may, without cause, and without Good Reason (as hereinafter defined) terminate this Agreement and Executive's employment, effective thirty (30) days after written notice is provided to the Company. Executive may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board of Directors of Comfort. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the first three (3) years of the Term (the "Initial Term"), Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the final two (2) year period of the Term, Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Executive resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Executive shall receive no severance compensation.

Executive shall have "Good Reason" to terminate this Agreement and his employment hereunder upon the occurrence of any of the following events: (a) Executive is demoted by means of a reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; or (b) Executive's annual base salary as determined pursuant to Section 2 hereof is reduced to a level that is less than 90% of the base salary paid to Executive during any prior contract year under this Agreement, unless Executive has agreed in writing to that demotion or reduction.

(e) CHANGE IN CONTROL OF COMFORT. In the event of a "Change in Control of Comfort" (as defined below) during the Initial Term, refer to paragraph 11 below.

Upon termination of this Agreement for any reason provided above, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Executive only to the extent and in the manner expressly provided above or in paragraph 11. All other rights and obligations of the Company and Executive under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under paragraph 8 herein and Executive's obligations under paragraphs 3, 5, 6, 7 and 9 herein shall survive such termination in accordance with their terms.

If termination of Executive's employment arises out of the Company's failure to pay Executive on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent

jurisdiction or pursuant to the provisions of paragraph 15 below, the Company shall pay all amounts and damages to which Executive may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Executive to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

If Executive is terminated without cause or terminates his employment hereunder with Good Reason, (a) the Company shall make the insurance premium payments contemplated by COBRA for a period of 18 months after such termination, (b) the Executive shall be entitled to receive a pro rated portion of any annual bonus to which the Executive would have been entitled for the year during which the termination occurred had the Executive not been terminated and (c) all options to purchase CSI stock shall vest thereupon.

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

6. INVENTIONS. Executive shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Executive conceives as a result of his employment by the Company. Executive hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Executive shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

8. INDEMNIFICATION. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other

than an action by the Company or Comfort against Executive), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith to the maximum extent permitted by applicable law. The advancement of expenses shall be mandatory. In the event that both Executive and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Executive is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Executive cannot be held liable to the Company or Comfort for errors or omissions made in good faith where Executive has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company or Comfort.

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

10. ASSIGNMENT; BINDING EFFECT. Executive understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

11. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Executive understands and acknowledges that Comfort and/or the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of Comfort and/or the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 11 shall be applicable.

(b) In the event of a pending Change in Control wherein Comfort and/or the Company and Executive have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of Comfort's and/or the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform Comfort's and/or the Company's obligations under this Agreement in the same manner and to the same extent that Comfort and/or the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by Comfort and/or the Company without cause during the Initial Term and the applicable portions of paragraph 4(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be triple the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Executive may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 4(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be double the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Executive must be paid in full by the Company at or prior to such closing. Further, Executive will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase Comfort Common Stock, such that he may convert the options to shares of Comfort Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than Comfort or an employee benefit plan of Comfort, acquires directly or indirectly the beneficial ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of Comfort: (A) the individuals who, as of the closing date of

Comfort's initial public offering, constitute the Board of Directors of Comfort (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of Comfort shall approve a plan of complete liquidation of Comfort or an agreement for the sale or disposition by Comfort of all or a substantial portion of Comfort's assets (i.e., 50% or more of the total assets of Comfort).

(f) Executive must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Executive shall be reimbursed by the Company or its successor for any excise taxes that Executive incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Executive delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Executive.

12. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Executive has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Executive and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed

by a duly authorized officer of the Company and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Eastern Heating & Cooling, Inc.
60 Loudonville Road
Albany, NY 12204

To Executive: Alfred J. Giardenelli, Jr.
1240 Milton Keynes Dr.
Niskayuna, NY 12309

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 13.

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

15. ARBITRATION. With the exception of paragraphs 3 and 7, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA") then in effect provided that the parties may agree to use arbitrators other than those provided by the AAA. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Executive was terminated without disability or good cause, as defined in paragraphs 4(b) and 4(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award

in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

16. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

17. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

EASTERN HEATING & COOLING, INC.

By:

Name:

Title:

EXECUTIVE:

Alfred J. Giardenelli, Jr.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") by and between Quality Air Heating & Cooling, Inc. (the "Company"), a Michigan corporation and a wholly-owned subsidiary of Comfort Systems USA, Inc., a Delaware corporation ("Comfort"), and Robert J. Powers ("Executive") is hereby entered into and effective as of the _____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of Comfort. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Executive.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services (collectively, "HVAC Business").

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Executive as President and Chief Executive Officer of the Company. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of, and consistent with Executive's position as, President and Chief Executive Officer of the Company and will report directly to the Board of Directors of the Company (the "Board"). Executive hereby accepts this employment upon the terms and conditions herein contained

1

and, subject to paragraph 1(c), agrees to devote substantially all of his business time, attention and efforts to promote and further the business of the Company.

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

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

(d) Executive shall not be required by the Company or the performance of his duties to relocate from Grand Rapids, Michigan.

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

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Executive shall be \$150,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Executive's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof. In no event shall Executive's base salary be reduced to a level below the greater of \$150,000, or 90% of Executive's base salary during the prior contract year.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Executive shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Executive and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Executive under this clause (i) to be at least equal to such benefits provided to Comfort executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Executive in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Executive with other executive perquisites as may be available to or deemed appropriate for Executive by the Board and participation in all other Company-wide employee benefits as are available from time to time.

3. NON-COMPETITION AGREEMENT.

(a) Executive will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, other than a termination by the Company without cause or by Executive for Good Reason, directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

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

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company or Comfort (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company or Comfort (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company or Comfort (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company or Comfort within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than three percent (3%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or on an over-the-counter or similar market.

(b) Because of the difficulty of measuring economic losses to the Company and Comfort as a result of a breach of the foregoing covenant, and because of the immediate and irreparable

damage that could be caused to the Company and Comfort for which they would have no other adequate remedy, Executive agrees that the foregoing covenant may be enforced by Comfort or the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company or Comfort, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Comfort or the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants

of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

4. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for five (5) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Executive's employment may be terminated in any one of the followings ways:

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

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Executive's employment hereunder provided Executive is unable to resume his full-time duties at the conclusion of such notice period. Also, Executive may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Executive shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Executive for good cause, which shall be: (1) Executive's willful, material and irreparable breach of this Agreement; (2) Executive's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities hereunder; (3) Executive's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company or Comfort which materially and adversely affects the operations or reputation of the Company or Comfort; (4) Executive's conviction of a felony crime; or (5) confirmed positive illegal drug test result. In the event of a termination for good cause, as enumerated above, Executive shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Executive may, without cause, and without Good Reason (as hereinafter defined) terminate this Agreement and Executive's employment, effective thirty (30) days after written notice is provided to the Company. Executive may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board of Directors of Comfort. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the first three (3) years of the Term (the "Initial Term"), Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the final two (2) year period of the Term, Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Executive resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Executive shall receive no severance compensation.

Executive shall have "Good Reason" to terminate this Agreement and his employment hereunder upon the occurrence of any of the following events: (a) Executive is demoted by means of a reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; or (b) Executive's annual base salary as determined pursuant to Section 2 hereof is reduced to a level that is less than 90% of the base salary paid to Executive during any prior contract year under this Agreement, unless Executive has agreed in writing to that demotion or reduction.

(e) CHANGE IN CONTROL OF COMFORT. In the event of a "Change in Control of Comfort" (as defined below) during the Initial Term, refer to paragraph 11 below.

Upon termination of this Agreement for any reason provided above, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Executive only to the extent and in the manner expressly provided above or in paragraph 11. All other rights and obligations of the Company and Executive under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under paragraph 8 herein and Executive's obligations under paragraphs 3, 5, 6, 7 and 9 herein shall survive such termination in accordance with their terms.

If termination of Executive's employment arises out of the Company's failure to pay Executive on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent

jurisdiction or pursuant to the provisions of paragraph 15 below, the Company shall pay all amounts and damages to which Executive may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Executive to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

If Executive is terminated without cause or terminates his employment hereunder with Good Reason, (a) the Company shall make the insurance premium payments contemplated by COBRA for a period of 18 months after such termination, (b) the Executive shall be entitled to receive a pro rated portion of any annual bonus to which the Executive would have been entitled for the year during which the termination occurred had the Executive not been terminated and (c) all options to purchase CSI stock shall vest thereupon.

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

6. INVENTIONS. Executive shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Executive conceives as a result of his employment by the Company. Executive hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Executive shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

8. INDEMNIFICATION. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other

than an action by the Company or Comfort against Executive), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith to the maximum extent permitted by applicable law. The advancement of expenses shall be mandatory. In the event that both Executive and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Executive is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Executive cannot be held liable to the Company or Comfort for errors or omissions made in good faith where Executive has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company or Comfort.

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

10. ASSIGNMENT; BINDING EFFECT. Executive understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

11. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Executive understands and acknowledges that Comfort and/or the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of Comfort and/or the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 11 shall be applicable.

(b) In the event of a pending Change in Control wherein Comfort and/or the Company and Executive have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of Comfort's and/or the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform Comfort's and/or the Company's obligations under this Agreement in the same manner and to the same extent that Comfort and/or the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by Comfort and/or the Company without cause during the Initial Term and the applicable portions of paragraph 4(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be triple the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Executive may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 4(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be double the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Executive must be paid in full by the Company at or prior to such closing. Further, Executive will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase Comfort Common Stock, such that he may convert the options to shares of Comfort Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than Comfort or an employee benefit plan of Comfort, acquires directly or indirectly the beneficial ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of Comfort: (A) the individuals who, as of the closing date of

Comfort's initial public offering, constitute the Board of Directors of Comfort (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of Comfort shall approve a plan of complete liquidation of Comfort or an agreement for the sale or disposition by Comfort of all or a substantial portion of Comfort's assets (i.e., 50% or more of the total assets of Comfort).

(f) Executive must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Executive shall be reimbursed by the Company or its successor for any excise taxes that Executive incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Executive delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Executive.

12. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Executive has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Executive and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed

by a duly authorized officer of the Company and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Quality Air Heating & Cooling, Inc.
 3395 Kraft Ave., SE
 Grand Rapids, MI 49512

To Executive: _____

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 13.

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

15. ARBITRATION. With the exception of paragraphs 3 and 7, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA") then in effect provided that the parties may agree to use arbitrators other than those provided by the AAA. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Executive was terminated without disability or good cause, as defined in paragraphs 4(b) and 4(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award

in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

16. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

17. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

QUALITY AIR HEATING & COOLING, INC.

By:

Name:

Title:

EXECUTIVE:

Robert J. Powers

12

This Employment Agreement (the "Agreement") by and between S. M. Lawrence Company, Inc. (the "Company"), a Tennessee corporation and a wholly-owned subsidiary of Comfort Systems USA, Inc., a Delaware corporation ("Comfort"), and Samuel M. Lawrence III ("Executive") is hereby entered into and effective as of the ____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of Comfort. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Executive.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services (collectively, "HVAC Business").

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Executive as Chief Executive Officer of the Company. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of, and consistent with Executive's position as, Chief Executive Officer of the Company and will report directly to the Board of Directors of the Company (the "Board"). Executive hereby accepts this employment upon the terms and conditions herein contained

1

and, subject to paragraph 1(c), agrees to devote substantially all of his business time, attention and efforts to promote and further the business of the Company.

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

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

(d) Executive shall not be required by the Company or the performance of his duties to relocate from Jackson, Tennessee.

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

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Executive shall be \$125,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Executive's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof. In no event shall Executive's base salary be reduced to a level below the greater of \$125,000, or 90% of Executive's base salary during the prior contract year.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Executive shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Executive and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Executive under this clause (i) to be at least equal to such benefits provided to Comfort executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Executive in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Executive with other executive perquisites as may be available to or deemed appropriate for Executive by the Board and participation in all other Company-wide employee benefits as are available from time to time.

3. NON-COMPETITION AGREEMENT.

(a) Executive will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, other than a termination by the Company without cause or by Executive for Good Reason, directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

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

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company or Comfort (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company or Comfort (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company or Comfort (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company or Comfort within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than three percent (3%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or on an over-the-counter or similar market.

(b) Because of the difficulty of measuring economic losses to the Company and Comfort as a result of a breach of the foregoing covenant, and because of the immediate and irreparable

damage that could be caused to the Company and Comfort for which they would have no other adequate remedy, Executive agrees that the foregoing covenant may be enforced by Comfort or the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company or Comfort, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Comfort or the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants

of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

4. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for five (5) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Executive's employment may be terminated in any one of the followings ways:

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

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Executive's employment hereunder provided Executive is unable to resume his full-time duties at the conclusion of such notice period. Also, Executive may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Executive shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Executive for good cause, which shall be: (1) Executive's willful, material and irreparable breach of this Agreement; (2) Executive's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities hereunder; (3) Executive's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company or Comfort which materially and adversely affects the operations or reputation of the Company or Comfort; (4) Executive's conviction of a felony crime; or (5) confirmed positive illegal drug test result. In the event of a termination for good cause, as enumerated above, Executive shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Executive may, without cause, and without Good Reason (as hereinafter defined) terminate this Agreement and Executive's employment, effective thirty (30) days after written notice is provided to the Company. Executive may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board of Directors of Comfort. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the first three (3) years of the Term (the "Initial Term"), Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the final two (2) year period of the Term, Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Executive resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Executive shall receive no severance compensation.

Executive shall have "Good Reason" to terminate this Agreement and his employment hereunder upon the occurrence of any of the following events: (a) Executive is demoted by means of a reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; or (b) Executive's annual base salary as determined pursuant to Section 2 hereof is reduced to a level that is less than 90% of the base salary paid to Executive during any prior contract year under this Agreement, unless Executive has agreed in writing to that demotion or reduction.

(e) CHANGE IN CONTROL OF COMFORT. In the event of a "Change in Control of Comfort" (as defined below) during the Initial Term, refer to paragraph 11 below.

Upon termination of this Agreement for any reason provided above, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Executive only to the extent and in the manner expressly provided above or in paragraph 11. All other rights and obligations of the Company and Executive under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under paragraph 8 herein and Executive's obligations under paragraphs 3, 5, 6, 7 and 9 herein shall survive such termination in accordance with their terms.

If termination of Executive's employment arises out of the Company's failure to pay Executive on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent

jurisdiction or pursuant to the provisions of paragraph 15 below, the Company shall pay all amounts and damages to which Executive may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Executive to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

If Executive is terminated without cause or terminates his employment hereunder with Good Reason, (a) the Company shall make the insurance premium payments contemplated by COBRA for a period of 18 months after such termination, (b) the Executive shall be entitled to receive a pro rated portion of any annual bonus to which the Executive would have been entitled for the year during which the termination occurred had the Executive not been terminated and (c) all options to purchase CSI stock shall vest thereupon.

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

6. INVENTIONS. Executive shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Executive conceives as a result of his employment by the Company. Executive hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Executive shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

8. INDEMNIFICATION. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other

than an action by the Company or Comfort against Executive), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith to the maximum extent permitted by applicable law. The advancement of expenses shall be mandatory. In the event that both Executive and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Executive is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Executive cannot be held liable to the Company or Comfort for errors or omissions made in good faith where Executive has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company or Comfort.

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

10. ASSIGNMENT; BINDING EFFECT. Executive understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

11. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Executive understands and acknowledges that Comfort and/or the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of Comfort and/or the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 11 shall be applicable.

(b) In the event of a pending Change in Control wherein Comfort and/or the Company and Executive have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of Comfort's and/or the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform Comfort's and/or the Company's obligations under this Agreement in the same manner and to the same extent that Comfort and/or the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by Comfort and/or the Company without cause during the Initial Term and the applicable portions of paragraph 4(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be triple the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Executive may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 4(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be double the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Executive must be paid in full by the Company at or prior to such closing. Further, Executive will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase Comfort Common Stock, such that he may convert the options to shares of Comfort Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than Comfort or an employee benefit plan of Comfort, acquires directly or indirectly the beneficial ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of Comfort: (A) the individuals who, as of the closing date of

Comfort's initial public offering, constitute the Board of Directors of Comfort (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of Comfort shall approve a plan of complete liquidation of Comfort or an agreement for the sale or disposition by Comfort of all or a substantial portion of Comfort's assets (i.e., 50% or more of the total assets of Comfort).

(f) Executive must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Executive shall be reimbursed by the Company or its successor for any excise taxes that Executive incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Executive delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Executive.

12. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Executive has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Executive and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed

by a duly authorized officer of the Company and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: S. M. Lawrence Company, Inc.
 245 Preston Street
 Jackson, Tennessee 38302-0638

To Executive: Samuel M. Lawrence III
 4525 Bells Hwy
 Jackson TN 38305

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 13.

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

15. ARBITRATION. With the exception of paragraphs 3 and 7, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA") then in effect provided that the parties may agree to use arbitrators other than those provided by the AAA. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Executive was terminated without disability or good cause, as defined in paragraphs 4(b) and 4(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award

in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

16. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

17. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

S. M. LAWRENCE COMPANY, INC.

By:

Name:

Title:

EXECUTIVE:

Samuel M. Lawrence III

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") by and between Tech Heating and Air Conditioning, Inc. (the "Company"), an Ohio corporation and a wholly-owned subsidiary of Comfort Systems USA, Inc., a Delaware corporation ("Comfort"), and Robert R. Cook ("Executive") is hereby entered into and effective as of the _____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of Comfort. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Executive.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services (collectively, "HVAC Business").

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Executive as President and Chief Executive Officer of the Company. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of, and consistent with Executive's position as, President and Chief Executive Officer of the Company and will report directly to the Board of Directors of the Company (the "Board"). Executive hereby accepts this employment upon the terms and conditions herein contained

1

and, subject to paragraph 1(c), agrees to devote substantially all of his business time, attention and efforts to promote and further the business of the Company.

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

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

(d) Executive shall not be required by the Company or the performance of his duties to relocate from Solon, Ohio.

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

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Executive shall be \$150,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Executive's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof. In no event shall Executive's base salary be reduced to a level below the greater of \$150,000, or 90% of Executive's base salary during the prior contract year.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Executive shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Executive and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Executive under this clause (i) to be at least equal to such benefits provided to Comfort executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Executive in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Executive with other executive perquisites as may be available to or deemed appropriate for Executive by the Board and participation in all other Company-wide employee benefits as are available from time to time.

3. NON-COMPETITION AGREEMENT.

(a) Executive will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, other than a termination by the Company without cause or by Executive for Good Reason, directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

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

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company or Comfort (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company or Comfort (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company or Comfort (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company or Comfort within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than three percent (3%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or on an over-the-counter or similar market.

(b) Because of the difficulty of measuring economic losses to the Company and Comfort as a result of a breach of the foregoing covenant, and because of the immediate and irreparable

damage that could be caused to the Company and Comfort for which they would have no other adequate remedy, Executive agrees that the foregoing covenant may be enforced by Comfort or the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company or Comfort, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Comfort or the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants

of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

4. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for five (5) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Executive's employment may be terminated in any one of the followings ways:

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

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Executive's employment hereunder provided Executive is unable to resume his full-time duties at the conclusion of such notice period. Also, Executive may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Executive shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Executive for good cause, which shall be: (1) Executive's willful, material and irreparable breach of this Agreement; (2) Executive's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities hereunder; (3) Executive's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company or Comfort which materially and adversely affects the operations or reputation of the Company or Comfort; (4) Executive's conviction of a felony crime; or (5) confirmed positive illegal drug test result. In the event of a termination for good cause, as enumerated above, Executive shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Executive may, without cause, and without Good Reason (as hereinafter defined) terminate this Agreement and Executive's employment, effective thirty (30) days after written notice is provided to the Company. Executive may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board of Directors of Comfort. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the first three (3) years of the Term (the "Initial Term"), Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the final two (2) year period of the Term, Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Executive resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Executive shall receive no severance compensation.

Executive shall have "Good Reason" to terminate this Agreement and his employment hereunder upon the occurrence of any of the following events: (a) Executive is demoted by means of a reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; or (b) Executive's annual base salary as determined pursuant to Section 2 hereof is reduced to a level that is less than 90% of the base salary paid to Executive during any prior contract year under this Agreement, unless Executive has agreed in writing to that demotion or reduction.

(e) CHANGE IN CONTROL OF COMFORT. In the event of a "Change in Control of Comfort" (as defined below) during the Initial Term, refer to paragraph 11 below.

Upon termination of this Agreement for any reason provided above, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Executive only to the extent and in the manner expressly provided above or in paragraph 11. All other rights and obligations of the Company and Executive under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under paragraph 8 herein and Executive's obligations under paragraphs 3, 5, 6, 7 and 9 herein shall survive such termination in accordance with their terms.

If termination of Executive's employment arises out of the Company's failure to pay Executive on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent

jurisdiction or pursuant to the provisions of paragraph 15 below, the Company shall pay all amounts and damages to which Executive may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Executive to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

If Executive is terminated without cause or terminates his employment hereunder with Good Reason, (a) the Company shall make the insurance premium payments contemplated by COBRA for a period of 18 months after such termination, (b) the Executive shall be entitled to receive a pro rated portion of any annual bonus to which the Executive would have been entitled for the year during which the termination occurred had the Executive not been terminated and (c) all options to purchase CSI stock shall vest thereupon.

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

6. INVENTIONS. Executive shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Executive conceives as a result of his employment by the Company. Executive hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Executive shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

8. INDEMNIFICATION. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other

than an action by the Company or Comfort against Executive), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith to the maximum extent permitted by applicable law. The advancement of expenses shall be mandatory. In the event that both Executive and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Executive is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Executive cannot be held liable to the Company or Comfort for errors or omissions made in good faith where Executive has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company or Comfort.

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

10. ASSIGNMENT; BINDING EFFECT. Executive understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

11. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Executive understands and acknowledges that Comfort and/or the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of Comfort and/or the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 11 shall be applicable.

(b) In the event of a pending Change in Control wherein Comfort and/or the Company and Executive have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of Comfort's and/or the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform Comfort's and/or the Company's obligations under this Agreement in the same manner and to the same extent that Comfort and/or the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by Comfort and/or the Company without cause during the Initial Term and the applicable portions of paragraph 4(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be triple the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Executive may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 4(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be double the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Executive must be paid in full by the Company at or prior to such closing. Further, Executive will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase Comfort Common Stock, such that he may convert the options to shares of Comfort Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than Comfort or an employee benefit plan of Comfort, acquires directly or indirectly the beneficial ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of Comfort: (A) the individuals who, as of the closing date of

Comfort's initial public offering, constitute the Board of Directors of Comfort (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of Comfort shall approve a plan of complete liquidation of Comfort or an agreement for the sale or disposition by Comfort of all or a substantial portion of Comfort's assets (i.e., 50% or more of the total assets of Comfort).

(f) Executive must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Executive shall be reimbursed by the Company or its successor for any excise taxes that Executive incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Executive delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Executive.

12. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Executive has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Executive and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed

by a duly authorized officer of the Company and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Tech Heating and Air Conditioning, Inc.
 30300 Bruce Industrial Parkway
 Solon, Ohio 44139

To Executive: _____
 =====

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 13.

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

15. ARBITRATION. With the exception of paragraphs 3 and 7, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA") then in effect provided that the parties may agree to use arbitrators other than those provided by the AAA. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Executive was terminated without disability or good cause, as defined in paragraphs 4(b) and 4(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award

in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

16. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

17. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

TECH HEATING AND AIR CONDITIONING, INC.

By:

Name:

Title:

EXECUTIVE:

Robert R. Cook

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") by and between Tri-City Mechanical, Inc., (the "Company") an Arizona corporation and a wholly-owned subsidiary of Comfort Systems USA, Inc., a Delaware corporation ("Comfort"), and Michael Nothum, Jr. ("Executive") is hereby entered into and effective as of the _____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of Comfort. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Executive.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services (collectively, "HVAC Business").

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Executive as President and Chief Executive Officer of the Company. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of, and consistent with Executive's position as, President and Chief Executive Officer of the Company and will report directly to the Board of Directors of the Company (the "Board"). Executive hereby accepts this employment upon the terms and conditions herein contained

1

and, subject to paragraph 1(c), agrees to devote substantially all of his business time, attention and efforts to promote and further the business of the Company.

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

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

(d) Executive shall only be required to perform his duties in _____ unless otherwise agreed by Executive. Executive shall not be required by the Company or the performance of his duties to relocate from _____ unless otherwise agreed by Executive.

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

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Executive shall be \$150,000 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Executive's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof. In no event shall Executive's base salary be reduced to a level below the greater of \$150,000, or 90% of Executive's base salary during the prior contract year.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Executive shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Executive and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Executive under this clause (i) to be at least equal to such benefits provided to Comfort executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Executive in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable

detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Executive with other executive perquisites as may be available to or deemed appropriate for Executive by the Board and participation in all other Company-wide employee benefits as are available from time to time.

3. NON-COMPETITION AGREEMENT.

(a) Subject to, and so long as the Company is not in violation of its obligations under this Agreement, Executive will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, other than a termination by the Company without cause or by Executive for Good Reason, directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

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

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company or Comfort (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company or Comfort (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company or Comfort (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company or Comfort within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than three percent (3%) of the capital stock of a competing

business, whose stock is traded on a national securities exchange or on an over-the-counter or similar market.

(b) Because of the difficulty of measuring economic losses to the Company and Comfort as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to the Company and Comfort for which they would have no other adequate remedy, Executive agrees that the foregoing covenant may be enforced by Comfort or the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company or Comfort, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Comfort or the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

4. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for five (5) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Executive's employment may be terminated in any one of the followings ways:

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

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Executive's employment hereunder provided Executive is unable to resume his full-time duties at the conclusion of such notice period. Also, Executive may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Executive shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Executive for good cause, which shall be: (1) Executive's willful, material and irreparable breach of this Agreement; (2) Executive's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities hereunder; (3) Executive's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company or Comfort which

materially and adversely affects the operations or reputation of the Company or Comfort; (4) Executive's conviction of a felony crime; or (5) confirmed positive illegal drug test result. In the event of a termination for good cause, as enumerated above, Executive shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Executive may, without cause, and without Good Reason (as hereinafter defined) terminate this Agreement and Executive's employment, effective thirty (30) days after written notice is provided to the Company. Executive may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board of Directors of Comfort. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the first three (3) years of the Term (the "Initial Term"), Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the final two (2) year period of the Term, Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Executive resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Executive shall receive no severance compensation.

Executive shall have "Good Reason" to terminate this Agreement and his employment hereunder upon the occurrence of any of the following events: (a) Executive is demoted by means of a reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; (b) Executive's annual base salary as determined pursuant to Section 2 hereof is reduced to a level that is less than 90% of the base salary paid to Executive during the prior contract year under this Agreement, unless Executive has agreed in writing to that demotion or reduction; or (c) Executive is required to relocate from _____ without his prior approval.

(e) CHANGE IN CONTROL OF COMFORT. In the event of a "Change in Control of Comfort" (as defined below) during the Initial Term, refer to paragraph 11 below.

Upon termination of this Agreement for any reason provided above, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Executive only to the extent and in the manner expressly provided above or in paragraph 11. All other rights and obligations of the Company and Executive under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under

paragraph 8 herein and Executive's obligations under paragraphs 3, 5, 6, 7 and 9 herein shall survive such termination in accordance with their terms.

If termination of Executive's employment arises out of the Company's failure to pay Executive on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent jurisdiction or pursuant to the provisions of paragraph 15 below, the Company shall pay all amounts and damages to which Executive may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Executive to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

If Executive is terminated without cause or terminates his employment hereunder with Good Reason, (a) the Company shall make the insurance premium payments contemplated by COBRA for a period of 18 months after such termination, (b) the Executive shall be entitled to receive a pro rated portion of any annual bonus to which the Executive would have been entitled for the year during which the termination occurred had the Executive not been terminated and (c) all of Executive's options to purchase CSI stock shall vest thereupon.

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

6. INVENTIONS. Executive shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Executive conceives as a result of his employment by the Company. Executive hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Executive shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

7. TRADE SECRETS. Executive agrees that he will not, during or after the Term of this Agreement with the Company, disclose the specific terms of the Company's or Comfort's

relationships or agreements with their respective significant vendors or customers or any other significant and material trade secret of the Company or Comfort, whether in existence or proposed, to any person, firm, partnership, corporation or business for any reason or purpose whatsoever.

8. INDEMNIFICATION. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Company or Comfort against Executive), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith to the maximum extent permitted by applicable law. The advancement of expenses shall be mandatory. In the event that both Executive and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Executive is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Executive cannot be held liable to the Company or Comfort for errors or omissions made in good faith where Executive has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company or Comfort.

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

10. ASSIGNMENT; BINDING EFFECT. Executive understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

11. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Executive understands and acknowledges that Comfort and/or the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and

obligations of Comfort and/or the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 11 shall be applicable.

(b) In the event of a pending Change in Control wherein Comfort and/or the Company and Executive have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of Comfort's and/or the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform Comfort's and/or the Company's obligations under this Agreement in the same manner and to the same extent that Comfort and/or the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by Comfort and/or the Company without cause during the Initial Term and the applicable portions of paragraph 4(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be triple the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Executive may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 4(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be double the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Executive must be paid in full by the Company at or prior to such closing. Further, Executive will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase Comfort Common Stock, such that he may convert the options to shares of Comfort Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than Comfort or an employee benefit plan of Comfort, acquires directly or indirectly the beneficial ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner

of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of Comfort: (A) the individuals who, as of the closing date of Comfort's initial public offering, constitute the Board of Directors of Comfort (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of Comfort shall approve a plan of complete liquidation of Comfort or an agreement for the sale or disposition by Comfort of all or a substantial portion of Comfort's assets (i.e., 50% or more of the total assets of Comfort).

(f) Executive must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Executive shall be reimbursed by the Company or its successor for any excise taxes that Executive incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Executive delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Executive.

12. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Executive has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This

written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Executive and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed by a duly authorized officer of the Company and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Tri-City Mechanical, Inc.
 1741 S. Holbrook Lane
 Tempe, AZ 85281

To Executive -----

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 13.

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

15. ARBITRATION. With the exception of paragraphs 3 and 7, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA") then in effect provided that the parties may agree to use arbitrators other than those provided by the AAA. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Executive was

terminated without disability or good cause, as defined in paragraphs 4(b) and 4(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

16. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

17. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

TRI-CITY MECHANICAL, INC.

By:
Name:
Title:

EXECUTIVE:

Michael Nothum, Jr.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") by and between Western Building Services, Inc. (the "Company"), a Colorado corporation and a wholly-owned subsidiary of Comfort Systems USA, Inc., a Delaware corporation ("Comfort"), and Charles W. Klapperich ("Executive") is hereby entered into and effective as of the _____ day of _____, 1997, the date of the consummation of the initial public offering of the common stock of Comfort. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between the Company and Executive.

R E C I T A L S

The following statements are true and correct:

As of the date of this Agreement, the Company is engaged primarily in the business of providing commercial and residential heating, ventilation and air conditioning ("HVAC"), plumbing and electrical services (collectively, "HVAC Business").

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

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

A G R E E M E N T S

1. EMPLOYMENT AND DUTIES.

(a) The Company hereby employs Executive as President and Chief Executive Officer of the Company. As such, Executive shall have responsibilities, duties and authority reasonably accorded to, expected of, and consistent with Executive's position as, President and Chief Executive Officer of the Company and will report directly to the Board of Directors of the Company (the "Board"). Executive hereby accepts this employment upon the terms and conditions herein contained

1

and, subject to paragraph 1(c), agrees to devote substantially all of his business time, attention and efforts to promote and further the business of the Company.

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

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

(d) Executive shall not be required by the Company or the performance of his duties to relocate from Denver, Colorado.

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

(a) BASE SALARY. Effective _____, 1997, the base salary payable to Executive shall be \$107,082 per year, payable on a regular basis in accordance with the Company's standard payroll procedures but not less than monthly. On at least an annual basis, the Board will review Executive's performance and may make increases to such base salary if, in its discretion, any such increase is warranted. Such recommended increase would, in all likelihood, require approval by the Board or a duly constituted committee thereof. In no event shall Executive's base salary be reduced to a level below the greater of \$107,082, or 90% of Executive's base salary during the prior contract year.

(b) EXECUTIVE PERQUISITES, BENEFITS AND OTHER COMPENSATION. Executive shall be entitled to receive additional benefits and compensation from the Company in such form and to such extent as specified below:

(i) Payment of all premiums for coverage for Executive and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that the Company may have in effect from time to time, benefits provided to Executive under this clause (i) to be at least equal to such benefits provided to Comfort executives.

(ii) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Executive in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with the Company's expense reporting policy.

(iii) The Company shall provide Executive with other executive perquisites as may be available to or deemed appropriate for Executive by the Board and participation in all other Company-wide employee benefits as are available from time to time.

3. NON-COMPETITION AGREEMENT.

(a) Executive will not, during the period of his employment by or with the Company, and for a period of two (2) years immediately following the termination of his employment under this Agreement, for any reason whatsoever, other than a termination by the Company without cause or by Executive for Good Reason, directly or indirectly, for himself or on behalf of or in conjunction with any other person, company, partnership, corporation or business of whatever nature:

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

(ii) call upon any person who is, at that time, within the Territory, an employee of the Company or Comfort (including the respective subsidiaries thereof) in a managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of the Company or Comfort (including the respective subsidiaries thereof);

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of the Company or Comfort (including the respective subsidiaries thereof) within the Territory for the purpose of soliciting or selling products or services in direct competition with the Company or Comfort within the Territory;

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

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than three percent (3%) of the capital stock of a competing business, whose stock is traded on a national securities exchange or on an over-the-counter or similar market.

(b) Because of the difficulty of measuring economic losses to the Company and Comfort as a result of a breach of the foregoing covenant, and because of the immediate and irreparable

damage that could be caused to the Company and Comfort for which they would have no other adequate remedy, Executive agrees that the foregoing covenant may be enforced by Comfort or the Company in the event of breach by him, by injunctions and restraining orders.

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

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

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

(e) All of the covenants in this paragraph 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company or Comfort, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Comfort or the Company of such covenants. It is specifically agreed that the period of two (2) years following termination of employment stated at the beginning of this paragraph 3, during which the agreements and covenants

of Executive made in this paragraph 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this paragraph 3.

4. TERM; TERMINATION; RIGHTS ON TERMINATION. The term of this Agreement shall begin on the date hereof and continue for five (5) years (the "Term"), and, unless terminated sooner as herein provided, shall continue thereafter on a year-to-year basis on the same terms and conditions contained herein in effect as of the time of renewal. This Agreement and Executive's employment may be terminated in any one of the followings ways:

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

(b) DISABILITY. If, as a result of incapacity due to physical or mental illness or injury, Executive shall have been absent from his full-time duties hereunder for four (4) consecutive months, then thirty (30) days after receiving written notice (which notice may occur before or after the end of such four (4) month period, but which shall not be effective earlier than the last day of such four (4) month period), the Company may terminate Executive's employment hereunder provided Executive is unable to resume his full-time duties at the conclusion of such notice period. Also, Executive may terminate his employment hereunder if his health should become impaired to an extent that makes the continued performance of his duties hereunder hazardous to his physical or mental health or his life, provided that Executive shall have furnished the Company with a written statement from a qualified doctor to such effect and provided, further, that, at the Company's request made within thirty (30) days of the date of such written statement, Executive shall submit to an examination by a doctor selected by the Company who is reasonably acceptable to Executive or Executive's doctor and such doctor shall have concurred in the conclusion of Executive's doctor. In the event this Agreement is terminated as a result of Executive's disability, Executive shall receive from the Company, in a lump-sum payment due within ten (10) days of the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater.

(c) GOOD CAUSE. The Company may terminate the Agreement ten (10) days after written notice to Executive for good cause, which shall be: (1) Executive's willful, material and irreparable breach of this Agreement; (2) Executive's gross negligence in the performance or intentional nonperformance (continuing for ten (10) days after receipt of written notice of need to cure) of any of Executive's material duties and responsibilities hereunder; (3) Executive's willful dishonesty, fraud or misconduct with respect to the business or affairs of the Company or Comfort which materially and adversely affects the operations or reputation of the Company or Comfort; (4) Executive's conviction of a felony crime; or (5) confirmed positive illegal drug test result. In the event of a termination for good cause, as enumerated above, Executive shall have no right to any severance compensation.

(d) WITHOUT CAUSE. At any time after the commencement of employment, Executive may, without cause, and without Good Reason (as hereinafter defined) terminate this Agreement and Executive's employment, effective thirty (30) days after written notice is provided to the Company. Executive may only be terminated without cause by the Company during the Term hereof if such termination is approved by at least eighty percent (80%) of the members of the Board of Directors of Comfort. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the first three (3) years of the Term (the "Initial Term"), Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary at the rate then in effect for whatever time period is remaining under the Initial Term of this Agreement or for one (1) year, whichever amount is greater. Should Executive be terminated by the Company without cause or should Executive terminate with Good Reason during the final two (2) year period of the Term, Executive shall receive from the Company, in a lump-sum payment due on the effective date of termination, the base salary rate then in effect equivalent to one (1) year of salary. Further, any termination without cause by the Company shall operate to shorten the period set forth in paragraph 3(a) and during which the terms of paragraph 3 apply to one (1) year from the date of termination of employment. If Executive resigns or otherwise terminates his employment without cause, rather than the Company terminating his employment pursuant to this paragraph 5(d), Executive shall receive no severance compensation.

Executive shall have "Good Reason" to terminate this Agreement and his employment hereunder upon the occurrence of any of the following events: (a) Executive is demoted by means of a reduction in authority, responsibilities or duties to a position of less stature or importance within the Company than the position described in Section 1 hereof; or (b) Executive's annual base salary as determined pursuant to Section 2 hereof is reduced to a level that is less than 90% of the base salary paid to Executive during any prior contract year under this Agreement, unless Executive has agreed in writing to that demotion or reduction.

(e) CHANGE IN CONTROL OF COMFORT. In the event of a "Change in Control of Comfort" (as defined below) during the Initial Term, refer to paragraph 11 below.

Upon termination of this Agreement for any reason provided above, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Executive only to the extent and in the manner expressly provided above or in paragraph 11. All other rights and obligations of the Company and Executive under this Agreement shall cease as of the effective date of termination, except that the Company's obligations under paragraph 8 herein and Executive's obligations under paragraphs 3, 5, 6, 7 and 9 herein shall survive such termination in accordance with their terms.

If termination of Executive's employment arises out of the Company's failure to pay Executive on a timely basis the amounts to which he is entitled under this Agreement or as a result of any other breach of this Agreement by the Company, as determined by a court of competent

jurisdiction or pursuant to the provisions of paragraph 15 below, the Company shall pay all amounts and damages to which Executive may be entitled as a result of such breach, including interest thereon and all reasonable legal fees and expenses and other costs incurred by Executive to enforce his rights hereunder. Further, none of the provisions of paragraph 3 shall apply in the event this Agreement is terminated as a result of a breach by the Company.

If Executive is terminated without cause or terminates his employment hereunder with Good Reason, (a) the Company shall make the insurance premium payments contemplated by COBRA for a period of 18 months after such termination, (b) the Executive shall be entitled to receive a pro rated portion of any annual bonus to which the Executive would have been entitled for the year during which the termination occurred had the Executive not been terminated and (c) all options to purchase CSI stock shall vest thereupon.

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

6. INVENTIONS. Executive shall disclose promptly to the Company any and all significant conceptions and ideas for inventions, improvements and valuable discoveries, whether patentable or not, which are conceived or made by Executive, solely or jointly with another, during the period of employment or within one (1) year thereafter, and which are directly related to the business or activities of the Company and which Executive conceives as a result of his employment by the Company. Executive hereby assigns and agrees to assign all his interests therein to the Company or its nominee. Whenever requested to do so by the Company, Executive shall execute any and all applications, assignments or other instruments that the Company shall deem necessary to apply for and obtain Letters Patent of the United States or any foreign country or to otherwise protect the Company's interest therein.

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

8. INDEMNIFICATION. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other

than an action by the Company or Comfort against Executive), by reason of the fact that he is or was performing services under this Agreement, then the Company shall indemnify Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith to the maximum extent permitted by applicable law. The advancement of expenses shall be mandatory. In the event that both Executive and the Company are made a party to the same third-party action, complaint, suit or proceeding, the Company agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by the Company shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and the Company shall pay all attorneys' fees of such separate counsel. Further, while Executive is expected at all times to use his best efforts to faithfully discharge his duties under this Agreement, Executive cannot be held liable to the Company or Comfort for errors or omissions made in good faith where Executive has not exhibited gross, willful and wanton negligence and misconduct or performed criminal and fraudulent acts which materially damage the business of the Company or Comfort.

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

10. ASSIGNMENT; BINDING EFFECT. Executive understands that he has been selected for employment by the Company on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of paragraph 12 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

11. CHANGE IN CONTROL.

(a) Unless he elects to terminate this Agreement pursuant to (c) below, Executive understands and acknowledges that Comfort and/or the Company may be merged or consolidated with or into another entity and that such entity shall automatically succeed to the rights and obligations of Comfort and/or the Company hereunder or that the Company may undergo another type of Change in Control. In the event such a merger or consolidation or other Change in Control is initiated prior to the end of the Initial Term, then the provisions of this paragraph 11 shall be applicable.

(b) In the event of a pending Change in Control wherein Comfort and/or the Company and Executive have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of Comfort's and/or the Company's business and/or assets that such successor is willing as of the closing to assume and agree to perform Comfort's and/or the Company's obligations under this Agreement in the same manner and to the same extent that Comfort and/or the Company is hereby required to perform, then such Change in Control shall be deemed to be a termination of this Agreement by Comfort and/or the Company without cause during the Initial Term and the applicable portions of paragraph 4(d) will apply; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be triple the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall not apply whatsoever.

(c) In any Change in Control situation, Executive may, at his sole discretion, elect to terminate this Agreement by providing written notice to the Company at least five (5) business days prior to the anticipated closing of the transaction giving rise to the Change in Control. In such case, the applicable provisions of paragraph 4(d) will apply as though the Company had terminated the Agreement without cause during the Initial Term; however, under such circumstances, the amount of the lump-sum severance payment due to Executive shall be double the amount calculated under the terms of paragraph 4(d) and the non-competition provisions of paragraph 3 shall all apply for a period of two (2) years from the effective date of termination.

(d) For purposes of applying paragraph 5 under the circumstances described in (b) and (c) above, the effective date of termination will be the closing date of the transaction giving rise to the Change in Control and all compensation, reimbursements and lump-sum payments due Executive must be paid in full by the Company at or prior to such closing. Further, Executive will be given sufficient time and opportunity to elect whether to exercise all or any of his vested options to purchase Comfort Common Stock, such that he may convert the options to shares of Comfort Common Stock at or prior to the closing of the transaction giving rise to the Change in Control, if he so desires.

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

(i) any person, other than Comfort or an employee benefit plan of Comfort, acquires directly or indirectly the beneficial ownership (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50% or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board of Directors of Comfort: (A) the individuals who, as of the closing date of

Comfort's initial public offering, constitute the Board of Directors of Comfort (the "Original Directors"); (B) the individuals who thereafter are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board of Directors of Comfort and whose election, or nomination for election, to the Board of Directors of Comfort was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election).

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

(iv) the stockholders of Comfort shall approve a plan of complete liquidation of Comfort or an agreement for the sale or disposition by Comfort of all or a substantial portion of Comfort's assets (i.e., 50% or more of the total assets of Comfort).

(f) Executive must be notified in writing by the Company at any time that the Company or any member of its Board anticipates that a Change in Control may take place.

(g) Executive shall be reimbursed by the Company or its successor for any excise taxes that Executive incurs under Section 4999 of the Internal Revenue Code of 1986, as a result of any Change in Control. Such amount will be due and payable by the Company or its successor within ten (10) days after Executive delivers a written request for reimbursement accompanied by a copy of his tax return(s) showing the excise tax actually incurred by Executive.

12. COMPLETE AGREEMENT. This Agreement is not a promise of future employment. Executive has no oral representations, understandings or agreements with the Company or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement is the final, complete and exclusive statement and expression of the agreement between the Company and Executive and of all the terms of this Agreement, and it cannot be varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This written Agreement may not be later modified except by a further writing signed

by a duly authorized officer of the Company and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

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

To the Company: Western Building Services, Inc.
6820 N. Broadway, #G
Denver, CO 80221-2850

To Executive: Charles W. Klapperich
9650 W. 92nd Pl.
Arvada, CO 80005

Notice shall be deemed given and effective on the earlier of three (3) days after the deposit in the U.S. mail of a writing addressed as above and sent first class mail, certified, return receipt requested, or when actually received. Either party may change the address for notice by notifying the other party of such change in accordance with this paragraph 13.

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

15. ARBITRATION. With the exception of paragraphs 3 and 7, any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three (3) arbitrators in Houston, Texas, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association ("AAA") then in effect provided that the parties may agree to use arbitrators other than those provided by the AAA. The arbitrators shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrators shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrators determine that Executive was terminated without disability or good cause, as defined in paragraphs 4(b) and 4(c), respectively, or that the Company has otherwise materially breached this Agreement. A decision by a majority of the arbitration panel shall be final and binding. Judgment may be entered on the arbitrators' award

in any court having jurisdiction. The direct expense of any arbitration proceeding shall be borne by the Company.

16. GOVERNING LAW. This Agreement shall in all respects be construed according to the laws of the State of Texas.

17. COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

WESTERN BUILDING SERVICES, INC.

By:
Name:
Title:

EXECUTIVE:

Charles W. Klapperich

May 8, 1997

To the Stockholders of the Companies

Reference is made to those certain Agreements and Plans of Organization (the "Agreements"), each dated as of March 18, 1997, by and among the parties as reflected on Exhibit A attached hereto. Each of the undersigned hereby agrees, and Comfort Systems USA, Inc., a Delaware corporation ("Comfort"), hereby agrees with respect to Section 5, as follows:

1. NONCOMPETITION. Each of the undersigned hereby agrees to adhere to and be bound by the terms, covenants, restrictions, prohibitions and limitations of Section 13 of the Agreements as if each of the undersigned was a STOCKHOLDER as defined therein.

2. NONDISCLOSURE OF CONFIDENTIAL INFORMATION. Each of the undersigned hereby agrees to adhere to and be bound by the terms, covenants, restrictions, prohibitions and limitations of Section 14.1, 14.3 and 14.4 of the Agreements as if each of the undersigned was a STOCKHOLDER as defined therein, and agrees to adhere to and be bound by the terms, covenants, restrictions, prohibitions and limitations of Sections 14.2, 14.3 and 14.4 of the Agreements as if each was COMFORT and NEWCO as defined therein.

3. TRANSFER RESTRICTIONS. Each of the undersigned hereby agrees to adhere to and be bound by the terms, covenants, restrictions, prohibitions and limitations of Section 15 of the Agreements with respect to all of the shares of Comfort Common Stock owned of record by each of the undersigned as of the Funding and Consummation Date (as defined in the Agreements) as if each of the undersigned was a STOCKHOLDER as defined therein. Each of the undersigned expressly acknowledges and agrees that the stock certificates evidencing

Stockholders of the Companies
May 8, 1997
Page 2

all of such shares shall bear the restrictive legend contained in Section 15.1 of the Agreements.

4. FEDERAL SECURITIES ACT REPRESENTATIONS. Each of the undersigned hereby agrees to adhere to and be bound by the terms, covenants, restrictions, prohibitions and limitations of Section 16 of the Agreements with respect to all of the shares of Comfort Common Stock owned of record by the undersigned as of the Funding and Consummation Date as if each of the undersigned was a STOCKHOLDER as defined therein. Further, each of the undersigned expressly acknowledges and agrees that the stock certificates evidencing all of such shares shall bear the restrictive legend contained in Section 16.1 of the Agreements.

5. REGISTRATION RIGHTS. Comfort hereby grants each of the undersigned the same piggyback registration rights set forth in Section 17.1 of the agreements granted to the STOCKHOLDERS (as defined in the Agreements), subject to the terms, covenants, restrictions, prohibitions and limitations of Sections 17.3, 17.4 and 17.5 of the Agreements, which the undersigned agree to adhere to and to be bound by.

6. COUNTERPARTS. This letter may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have set their hands as of the day and year first above written.

Fred M. Ferreira

J. Gordon Beittenmiller

Reagan S. Busbee

Notre Capital Ventures, II L.L.C.

By: _____
Name: Steven S. Harter
Title: President

S. Craig Lemmon

Milburn E. Honeycutt

William George, III

Brian Vensel

Emmett E. Moore

John W. Boulabasis

Stephen R. Baur

Shellie LePori

Constance Drew

John Mercandante, Jr.

Lawrence Martin

Norton Family Trust, Carl L. Norton, Trustee

Larry E. Jacobs

Richard T. Howell

Rod Crosby

Jennifer Summerford

Infoscope Partners, Inc.

Melinda Malik

Steven T. Zellers

Stockholders of the Companies
May 8, 1997
Page 6

ACCEPTED AND AGREED, as of the day and year first above written as to Section 5.

COMFORT SYSTEMS USA, INC.

By: _____

EXHIBIT A

Quality Air Heating and Cooling, Inc.

Tri-City Mechanical, Inc.

Atlas Air Conditioning Co.

S.M. Lawrence Co., Inc.

Accurate Air Systems, Inc.

Contract Service Inc.

Tech Heating and Air Conditioning, Inc.

Western Building Services, Inc.

Eastern Heating and Cooling, Inc.

Seasonair, Inc.

Standard Heating and Air Conditioning Co.

Freeway Heating and Air Conditioning, Inc.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made a part of this registration statement.

ARTHUR ANDERSEN LLP

Houston, Texas
May 27, 1997

