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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from to

Commission file number: 1-13011

COMFORT SYSTEMS USA, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**76-0526487**
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

675 Bering Drive
Suite 400
Houston, Texas 77057
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(713) 830-9600**

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer o	Accelerated filer ☒	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares outstanding of the issuer's common stock, as of October 31, 2011 was 37,455,699 (excluding treasury shares of 3,667,666).

COMFORT SYSTEMS USA, INC.
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FOR THE QUARTER ENDED SEPTEMBER 30, 2011

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COMFORT SYSTEMS USA, INC.

CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Amounts)

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 43,692	$ 86,346
Accounts receivable, less allowance for doubtful accounts of $4,766 and $5,096, respectively	259,769	233,893
Other receivables	9,598	6,682
Income tax receivable	11,478	9,544
Inventories	9,742	9,365
Prepaid expenses and other	24,602	30,470
Costs and estimated earnings in excess of billings	29,121	26,648
Total current assets	388,002	402,948
PROPERTY AND EQUIPMENT, NET	40,475	43,620
GOODWILL	93,640	147,818
IDENTIFIABLE INTANGIBLE ASSETS, NET	36,099	39,616
OTHER NONCURRENT ASSETS	7,430	6,018
Total assets	$ 565,646	$ 640,020
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 300	$ 300
Current maturities of notes to former owners	510	967
Accounts payable	101,421	101,134
Accrued compensation and benefits	36,805	42,577
Billings in excess of costs and estimated earnings	62,218	63,422
Accrued self-insurance expense	30,799	28,994
Other current liabilities	23,699	30,816
Total current liabilities	255,752	268,210
LONG-TERM DEBT, NET OF CURRENT MATURITIES	2,400	2,700
NOTES TO FORMER OWNERS, NET OF CURRENT MATURITIES	24,969	25,969
DEFERRED INCOME TAX LIABILITIES	11,599	18,871
OTHER LONG-TERM LIABILITIES	6,278	11,486
Total liabilities	300,998	327,236
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par, 5,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $.01 par, 102,969,912 shares authorized, 41,123,365 and 41,123,365 shares issued, respectively	411	411
Treasury stock, at cost, 3,626,473 and 3,221,775 shares, respectively	(38,642)	(34,714)
Additional paid-in capital	324,617	326,467
Retained earnings (deficit)	(21,738)	20,620
Total stockholders' equity	264,648	312,784
Total liabilities and stockholders' equity	$ 565,646	$ 640,020

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

COMFORT SYSTEMS USA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
REVENUE	$ 328,113	$ 307,648	$ 922,320	$ 793,711
COST OF SERVICES	279,005	257,339	791,493	661,929
Gross profit	49,108	50,309	130,827	131,782
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	41,493	41,885	126,043	114,905
GOODWILL IMPAIRMENT	55,134	—	55,134	4,446
GAIN ON SALE OF ASSETS	(58)	(29)	(162)	(502)
Operating income (loss)	(47,461)	8,453	(50,188)	12,933
OTHER INCOME (EXPENSE):				
Interest income	16	39	65	183
Interest expense	(478)	(832)	(1,431)	(1,406)
Changes in the fair value of contingent earn-out obligations	5,077	650	5,566	650
Other	(16)	19	(68)	25
Other income (expense)	4,599	(124)	4,132	(548)
INCOME (LOSS) BEFORE INCOME TAXES	(42,862)	8,329	(46,056)	12,385
INCOME TAX EXPENSE (BENEFIT)	(6,293)	2,919	(7,479)	4,164
INCOME (LOSS) FROM CONTINUING OPERATIONS	(36,569)	5,410	(38,577)	8,221
GAIN (LOSS) ON DISPOSITION OF DISCONTINUED OPERATION, NET OF INCOME TAX EXPENSE OF $—, $195, $— AND $166	—	(39)	—	723
NET INCOME (LOSS)	$ (36,569)	$ 5,371	$ (38,577)	$ 8,944
INCOME (LOSS) PER SHARE:				
Basic—				
Income (loss) from continuing operations	$ (0.98)	$ 0.14	$ (1.03)	$ 0.22
Gain on disposition of discontinued operation	—	—	—	0.02
Net income (loss)	$ (0.98)	$ 0.14	$ (1.03)	$ 0.24
Diluted—				
Income (loss) from continuing operations	$ (0.98)	$ 0.14	$ (1.03)	$ 0.22
Gain on disposition of discontinued operation	—	—	—	0.02
Net income (loss)	$ (0.98)	$ 0.14	$ (1.03)	$ 0.24
SHARES USED IN COMPUTING INCOME PER SHARE:				
Basic	37,325	37,560	37,496	37,564
Diluted	37,325	37,794	37,496	37,821
DIVIDENDS PER SHARE	$ 0.050	$ 0.050	$ 0.150	$ 0.150

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

COMFORT SYSTEMS USA, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In Thousands, Except Share Amounts)

		STOCKHOLDERS' EQUITY							
		Common Stock		Treasury Stock					
	Comprehensive Income (Loss)	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Stockholders' Equity
BALANCE AT DECEMBER 31, 2009		41,123,365	$ 411	(3,129,460)	$ (33,810)	$ 326,103	$ (181)	$ 13,461	$ 305,984
Comprehensive income:									
Net income	$ 14,740	—	—	—	—	—	—	14,740	14,740
Realized gain on marketable securities reclassified into earnings, net of tax	181	—	—	—	—	—	181	—	181
Comprehensive income	$ 14,921								
Issuance of Stock:									
Issuance of shares for options exercised including tax benefit		—	—	183,686	1,982	(875)	—	—	1,107
Issuance of restricted stock		—	—	235,122	2,864	(2,614)	—	—	250
Shares received in lieu of tax withholding payment on vested restricted stock		—	—	(50,575)	(616)	—	—	—	(616)
Tax benefit from vesting of restricted stock		—	—	—	—	106	—	—	106
Forfeiture of unvested restricted stock		—	—	(5,610)	(60)	60	—	—	—
Stock-based compensation expense		—	—	—	—	3,687	—	—	3,687
Dividends		—	—	—	—	—	—	(7,581)	(7,581)
Share repurchase		—	—	(454,938)	(5,074)	—	—	—	(5,074)
BALANCE AT DECEMBER 31, 2010		41,123,365	411	(3,221,775)	(34,714)	326,467	—	20,620	312,784
Comprehensive income (loss):									
Net loss (unaudited)	$ (38,577)	—	—	—	—	—	—	(38,577)	(38,577)
Issuance of Stock:									
Issuance of shares for options exercised including tax benefit (unaudited)		—	—	51,950	559	(188)	—	—	371
Issuance of restricted stock (unaudited)		—	—	230,702	2,488	(2,488)	—	—	—
Shares received in lieu of tax withholding payment on vested restricted stock (unaudited)		—	—	(49,911)	(654)	—	—	—	(654)
Tax benefit from vesting of restricted stock (unaudited)		—	—	—	—	54	—	—	54
Stock-based compensation expense (unaudited)		—	—	—	—	2,672	—	—	2,672
Dividends (unaudited)		—	—	—	—	(1,900)	—	(3,781)	(5,681)
Share repurchase (unaudited)		—	—	(637,439)	(6,321)	—	—	—	(6,321)
BALANCE AT SEPTEMBER 30, 2011 (unaudited)		41,123,365	$ 411	(3,626,473)	$ (38,642)	$ 324,617	$ —	$ (21,738)	$ 264,648

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

COMFORT SYSTEMS USA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$ (36,569)	$ 5,371	$ (38,577)	$ 8,944
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities—				
Loss (gain) on disposition of discontinued operation	—	39	—	(723)
Write-off of debt financing costs	—	181	—	181
Amortization of identifiable intangible assets	1,722	1,877	5,080	4,023
Depreciation expense	2,974	2,925	9,148	7,859
Goodwill impairment	55,134	—	55,134	4,446
Bad debt expense	(202)	578	509	701
Deferred tax benefit	(4,939)	(1,484)	(6,255)	(4,750)
Amortization of debt financing costs	56	48	168	102
Gain on sale of assets	(58)	(29)	(162)	(502)
Changes in the fair value of contingent earn-out obligations	(5,077)	(650)	(5,566)	(650)
Stock-based compensation expense	340	517	2,672	2,591
Changes in operating assets and liabilities, net of effects of acquisitions—				
(Increase) decrease in—				
Receivables, net	(3,226)	(19,814)	(25,781)	(21,483)
Inventories	320	230	(199)	762
Prepaid expenses and other current assets	(4,172)	(6,777)	(1,969)	(4,448)
Costs and estimated earnings in excess of billings	(2,698)	5,875	(2,473)	4,254
Other noncurrent assets	3,049	(747)	726	(1,079)
Increase (decrease) in—				
Accounts payable and accrued liabilities	(5,622)	11,656	(13,468)	(4,634)
Billings in excess of costs and estimated earnings	660	3,385	(1,204)	(2,988)
Taxes paid related to pre-acquisition equity transactions of an acquired company	—	(7,056)	—	(7,056)
Other long-term liabilities	(214)	103	252	(21)
Net cash provided by (used in) operating activities	1,478	(3,772)	(21,965)	(14,471)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment	(2,548)	(2,021)	(6,452)	(4,103)
Proceeds from sales of property and equipment	230	11	611	1,229
Proceeds from businesses sold	39	203	117	1,467
Sale of marketable securities	—	1,000	2,000	2,925
Cash paid for acquisitions, earn-outs and intangible assets, net of cash acquired	(288)	(38,358)	(2,609)	(41,935)
Net cash used in investing activities	(2,567)	(39,165)	(6,333)	(40,417)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net borrowings on revolving line of credit	—	—	—	—
Payments on other long-term debt	(300)	(16,382)	(1,589)	(17,299)
Debt financing costs	(550)	(911)	(550)	(911)
Payments of dividends to shareholders	(1,864)	(1,881)	(5,667)	(5,652)
Share repurchase program	(2,609)	(851)	(6,321)	(4,504)
Shares received in lieu of tax withholding	—	(10)	(654)	(619)
Excess tax benefit of stock-based compensation	2	15	206	447
Proceeds from exercise of options	1	16	219	237
Net cash used in financing activities	(5,320)	(20,004)	(14,356)	(28,301)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,409)	(62,941)	(42,654)	(83,189)
CASH AND CASH EQUIVALENTS, beginning of period—continuing and discontinued operations	50,101	107,602	86,346	127,850
CASH AND CASH EQUIVALENTS, end of period—continuing and discontinued operations	$ 43,692	$ 44,661	$ 43,692	$ 44,661

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

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

(Unaudited)

1. Business and Organization

Comfort Systems USA, Inc., a Delaware corporation, provides comprehensive heating, ventilation and air conditioning ("HVAC") installation, maintenance, repair and replacement services within the mechanical services industry. We operate primarily in the commercial, industrial and institutional HVAC markets and perform most of our services within office buildings, retail centers, apartment complexes, manufacturing plants and healthcare, education and government facilities. In addition to standard HVAC services, we provide specialized applications such as building automation control systems, fire protection, process cooling, electronic monitoring and process piping. Certain locations also perform related activities such as electrical service and plumbing. Approximately 42% of our consolidated 2011 revenue is attributable to installation of systems in newly constructed facilities, with the remaining 58% attributable to maintenance, repair and replacement services. The following service activities account for our consolidated 2011 revenue: HVAC 74%, plumbing 16%, building automation control systems 4% and other 6%. These service activities are within the mechanical services industry which is the single industry segment we serve.

2. Summary of Significant Accounting Policies

Basis of Presentation

These interim statements should be read in conjunction with the historical Consolidated Financial Statements and related notes of Comfort Systems included in the Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC") for the year ended December 31, 2010 (the "Form 10-K").

The accompanying unaudited consolidated financial statements were prepared using generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and applicable rules of Regulation S-X of the SEC. Accordingly, these financial statements do not include all the footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the Form 10-K. We believe all adjustments necessary for a fair presentation of these interim statements have been included and are of a normal and recurring nature. The results of operations for interim periods are not necessarily indicative of the results for the full fiscal year.

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, revenue and expenses and disclosures regarding contingent assets and liabilities. Actual results could differ from those estimates. The most significant estimates used in our financial statements affect revenue and cost recognition for construction contracts, the allowance for doubtful accounts, self-insurance accruals, deferred tax assets, warranty accruals, fair value accounting for acquisitions and the quantification of fair value for reporting units in connection with our goodwill impairment testing.

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2011

(Unaudited)

2. Summary of Significant Accounting Policies (Continued)

Cash Flow Information

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Cash paid (in thousands) for:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Interest	$ 388	$ 308	$ 1,198	$ 720
Income taxes for continuing operations	118	655	1,116	2,308
Total	$ 506	$ 963	$ 2,314	$ 3,028

Income Taxes

We are subject to income tax in the United States and Puerto Rico and we file a consolidated return for federal income tax purposes. Income taxes are provided for under the liability method, which takes into account differences between financial statement treatment and tax treatment of certain transactions.

Deferred income taxes are based on the difference between the financial reporting and tax basis of assets and liabilities. The deferred income tax provision represents the change during the reporting period in the deferred tax assets and deferred tax liabilities, net of the effect of acquisitions and dispositions. Deferred tax assets include tax loss and credit carry-forwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

We regularly evaluate valuation allowances established for deferred tax assets for which future realization is uncertain. We perform this evaluation each quarter. Estimations of required valuation allowances include estimates of future taxable income. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the activity underlying these assets becomes deductible. We consider projected future taxable income and tax planning strategies in making this assessment. If actual future taxable income is less than the estimates, we may not realize all or a portion of the recorded deferred tax assets.

Significant judgment is required in assessing the timing and amounts of deductible and taxable items. We establish reserves when, despite our belief that our tax return positions are fully supportable, we believe that certain positions may be challenged and potentially disallowed. When facts and circumstances change, we adjust these reserves through our provision for income taxes.

To the extent interest and penalties may be assessed by taxing authorities on any underpayment of income tax, such amounts have been accrued and are classified as a component of income tax expense in our consolidated statements of operations.

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2011

(Unaudited)

2. Summary of Significant Accounting Policies (Continued)

For the nine months ended September 30, 2011 our tax benefit is $7,479 with an effective tax rate of 16.2% as compared to tax expense of $4,164 with an effective tax rate of 33.6% for the nine months ended September 30, 2010. The effective tax rate in the current year was lower than the federal statutory rate primarily due to the impact of a permanent difference related to the portion of the goodwill impairment charge that is not deductible for tax purposes and an increase in valuation allowances related to certain state net operating loss carryforwards. This was partially offset by permanent differences generated by acquisition related fair value adjustments. The effective tax rate in 2010 was lower than the federal statutory rate due to the release of certain valuation allowances during the second quarter of 2010. Tax reserves are analyzed and adjusted quarterly as events occur to warrant such changes. Adjustments to tax reserves are a component of the effective tax rate.

Financial Instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, other receivables, accounts payable, notes to former owners and a revolving credit facility. We believe that the carrying values of these instruments on the accompanying balance sheets approximate their fair values.

Segment Disclosure

Our activities are within the mechanical services industry which is the single industry segment we serve. Each operating subsidiary represents an operating segment and these segments have been aggregated, as the operating units meet all of the aggregation criteria.

Reclassifications

Certain reclassifications have been made in prior period financial statements to conform to current period presentation. These reclassifications are of a normal and recurring nature and have not resulted in any changes to previously reported net income for any periods.

3. Fair Value Measurements

We classify and disclose assets and liabilities carried at fair value in one of the following three categories:

- Level 1—quoted prices in active markets for identical assets and liabilities;
- Level 2—observable market based inputs or unobservable inputs that are corroborated by market data; and
- Level 3—significant unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2011

(Unaudited)

3. Fair Value Measurements (Continued)

The following table summarizes the fair values and levels within the fair value hierarchy in which the fair value measurements fall for assets and liabilities measured on a recurring basis as of September 30, 2011 (in thousands):

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 43,692	$ 43,692	$ —	$ —
Contingent earn-out obligations	$ 1,900	$ —	$ —	$ 1,900

Cash and cash equivalents consist primarily of highly rated money market funds at a variety of well-known institutions with original maturities of three months or less. The original cost of these assets approximates fair value due to their short term maturity.

As of December 31, 2010, our marketable securities consisted of $2.0 million of auction rate securities, which are variable rate debt instruments, having long-term maturities (with final maturities up to June 2032). We sold the entire $2.0 million of these auction rate securities (Level 2) during the first quarter of 2011 at face value.

The valuation of the Company's contingent earn-out obligations is determined using a probability weighted discounted cash flow method. This fair value measurement is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. This analysis reflects the contractual terms of the purchase agreements (e.g., minimum and maximum payments, length of earn-out periods, manner of calculating any amounts due, etc.) and utilizes assumptions with regard to future cash flows, probabilities of achieving such future cash flows and a discount rate. The contingent earn-out obligations are measured at fair value each reporting period and changes in estimates of fair value are recognized in earnings.

The table below presents a reconciliation of the fair value of our contingent earn-out obligations that use significant unobservable inputs (Level 3).

Balance at beginning of year	$ 7,466
Issuances	—
Settlements	—
Adjustments to fair value	(5,566)
Balance at end of period	$ 1,900

We measure certain assets at fair value on a nonrecurring basis. These assets are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the nine months ended September 30, 2011, we recorded a goodwill impairment charge of $55.1 million as discussed in Note 5 "Goodwill and Identifiable Intangible Assets, Net". We did not recognize any other impairments on those assets required to be measured at fair value on a nonrecurring basis.

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2011

(Unaudited)

4. Acquisitions

Acquisition of ColonialWebb

On July 28, 2010, we entered into a stock purchase agreement to purchase all of the issued and outstanding stock of ColonialWebb Contractors Company ("ColonialWebb"). ColonialWebb operates as a comprehensive, single-source construction, service, manufacturing and refrigeration service firm servicing the Mid-Atlantic region. ColonialWebb is headquartered in Richmond, Virginia with seven other locations. The acquisition date fair value of consideration transferred was $110.3 million, of which $49.9 million was allocated to goodwill. See Note 5 "Goodwill and Identifiable Intangible Assets, Net" for discussion of the goodwill impairment of ColonialWebb recorded during the third quarter of 2011.

Other Acquisitions

We completed one acquisition in the first quarter and one in the third quarter of 2011. There were two acquisitions for the nine months ending September 30, 2010. These acquisitions were not material, individually or in the aggregate, and were "tucked-in" with existing operations. Our consolidated balance sheet includes preliminary allocations of the purchase price to the assets acquired and liabilities assumed based on estimates of fair value, pending completion of final valuation and purchase price adjustments. The results of operations of acquisitions are included in our consolidated financial statements from their respective acquisition dates. Additional contingent purchase price ("earn-out") has been or will be paid if certain acquisitions achieve predetermined profitability targets.

5. Goodwill and Identifiable Intangible Assets, Net

Goodwill

The changes in the carrying amount of goodwill are as follows (in thousands):

	September 30, 2011	December 31, 2010
Balance at beginning of year	$ 147,818	$ 100,194
Additions	956	53,358
Impairment adjustment	(55,134)	(5,734)
Balance at end of period	$ 93,640	$ 147,818

During the third quarter of 2011 and prior to our annual impairment testing on October 1, we concluded that impairment indicators existed at four reporting units serving the Virginia, Maryland and North Carolina markets, including ColonialWebb, based upon year to date results and recent forecasts. Significant declines in year to date revenues and operating margins through the summer months when the demand for new installation and replacement services is generally higher caused us to revise our expectations in our financial models for these reporting units.

We performed a step one goodwill impairment test for these four reporting units and concluded that the carrying value exceeded the fair value for each of the units tested. Therefore, we commenced the required second step of the assessment for these four reporting units in which the implied fair value of the goodwill is compared to the book value of the goodwill. There is a significant amount of

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2011

(Unaudited)

5. Goodwill and Identifiable Intangible Assets, Net (Continued)

work required to perform the second step of the impairment assessment and that work has not been completed as of the date of filing these financial statements. Our preliminary assessment is that the book value of each of the reporting units' goodwill exceeded the implied fair value. These reporting units had a total goodwill balance of $75.7 million. Our best estimate of the impairment is a $55.1 million non-cash goodwill impairment charge which we recorded during the third quarter of 2011. Any adjustments to this estimated goodwill impairment charge will be recognized in the fourth quarter of 2011.

There were no changes in our methodologies for valuing goodwill during the current year. The fair value of each reporting unit was estimated using a discounted cash flow model combined with market valuation approaches. We assigned a weighting of 50% to the discounted cash flow analysis, 50% to the public company approach and 0% to the transaction approach due to the lack of comparable market data. The material assumptions used for the income approach included a weighted average cost of capital of 13% and a long-term growth rate of 2-3%.

Under the income approach which is weighted 50%, a one percentage point increase in the discount rate and a one percentage point decrease in the long-term growth rate would have decreased the fair value of each of these reporting units ranging from $0.1 million to $1.8 million. Under the public company market approach which has a weighting of 50%, a 10% decrease in the market approach multiples would have decreased the fair value of each of these reporting units by $0.2 million to $2.5 million.

There are significant inherent uncertainties and management judgment involved in estimating the fair value of each reporting unit. While we believe we have made reasonable estimates and assumptions to estimate the fair value of our reporting units, it is possible that a material change could occur. If actual results are not consistent with our current estimates and assumptions, or the current economic downturn worsens or the projected recovery is significantly delayed beyond our projections, goodwill impairment charges may be recorded in future periods.

During 2010, we recorded a goodwill impairment charge of $4.4 million during the second quarter and an impairment charge for $1.3 million in the fourth quarter. Based on market activity declines and write-downs incurred on several jobs, we determined that the operating environment, conditions and performance at our operating location based in Delaware could no longer support the related goodwill balance.

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2011

(Unaudited)

5. Goodwill and Identifiable Intangible Assets, Net (Continued)

Identifiable Intangible Assets, Net

Identifiable intangible assets consist of the following (dollars in thousands):

		September 30, 2011		December 31, 2010	
	Estimated Useful Lives in Years	Gross Book Value	Accumulated Amortization	Gross Book Value	Accumulated Amortization
Customer relationships	2 - 15	$ 27,451	$ (8,695)	$ 25,948	$ (5,378)
Backlog	1 - 2	4,790	(4,639)	4,740	(4,253)
Noncompete agreements	2 - 7	3,500	(2,190)	3,490	(1,710)
Tradenames	2 - 25	19,570	(3,688)	19,570	(2,791)
Total		$ 55,311	$ (19,212)	$ 53,748	$ (14,132)

6. Long-Term Debt Obligations

Long-term debt obligations consist of the following (in thousands):

	September 30, 2011	December 31, 2010
Revolving credit facility	$ —	$ —
Other debt	2,700	3,000
Notes to former owners	25,479	26,936
Total debt	28,179	29,936
Less—current portion	(810)	(1,267)
Total long-term portion of debt	$ 27,369	$ 28,669

Revolving Credit Facility

On September 23, 2011, we amended our $125.0 million senior credit facility (the "Facility") provided by a syndicate of banks. The Facility, which is available for borrowings and letters of credit, now expires in September 2016 and is secured by the capital stock of our current and future subsidiaries. As of September 30, 2011, we had no outstanding borrowings, $42.7 million in letters of credit outstanding, and $82.3 million of credit available.

There are two interest rate options for borrowings under the Facility, the Base Rate Loan Option and the Eurodollar Rate Loan Option. These rates are floating rates determined by the broad financial markets, meaning they can and do move up and down from time to time. Additional margins are then added to these two rates.

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2011

(Unaudited)

6. Long-Term Debt Obligations (Continued)

The following is a summary of the additional margins:

	Consolidated Total Indebtedness to Credit Facility Adjusted EBITDA				
	Less than 0.75	0.75 to 1.25	1.25 to 2.00	2.00 to 2.50	2.50 or greater
Additional Per Annum Interest Margin Added Under:					
Base Rate Loan Option	0.75%	1.00%	1.25%	1.50%	1.75%
Eurodollar Rate Loan Option	1.75%	2.00%	2.25%	2.50%	2.75%

We estimate that the interest rate applicable to the borrowings under the Facility would be approximately 2.3% as of September 30, 2011.

We have used letters of credit to guarantee performance under our contracts and to ensure payment to our subcontractors and vendors under those contracts. Our lenders issue such letters of credit through the Facility for a fee. We have never had a claim made against a letter of credit that resulted in payments by a lender or by us and believe such claims are unlikely in the foreseeable future. The letter of credit fees range from 1.30% to 2.10% per annum, based on the ratio of Consolidated Total Indebtedness to Credit Facility Adjusted EBITDA, as defined in the credit agreement.

Commitment fees are payable on the portion of the revolving loan capacity not in use for borrowings or letters of credit at any given time. These fees range from 0.25% to 0.50% per annum, based on the ratio of Consolidated Total Indebtedness to Credit Facility Adjusted EBITDA, as defined in the credit agreement.

The Facility contains financial covenants defining various financial measures and the levels of these measures with which we must comply. Covenant compliance is assessed as of each quarter end. Credit Facility Adjusted EBITDA is defined under the Facility for financial covenant purposes as net earnings for the four quarters ending as of any given quarterly covenant compliance measurement date, plus the corresponding amounts for (a) interest expense; (b) income taxes; (c) depreciation and amortization; (d) other non-cash charges and (e) pre-acquisition results of acquired companies.

The following is a reconciliation of Credit Facility Adjusted EBITDA to net income (in thousands):

Net loss	$ (32,781)
Interest expense, net	1,649
Income taxes—continuing operations	(5,283)
Depreciation and amortization expense	19,788
Stock compensation expense	3,768
Goodwill impairment	56,422
Pre-acquisition results of acquired companies, as defined in the credit agreement	—
Credit Facility Adjusted EBITDA	$ 43,563

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2011

(Unaudited)

6. Long-Term Debt Obligations (Continued)

The Facility's principal financial covenants include:

Leverage Ratio—The Facility requires that the ratio of our Consolidated Total Indebtedness to our Credit Facility Adjusted EBITDA not exceed 3.00 through December 31, 2013, 2.75 through June 30, 2014 and 2.50 through maturity. The leverage ratio as of September 30, 2011 was 0.65.

Fixed Charge Coverage Ratio—The Facility requires that the ratio of Credit Facility Adjusted EBITDA, less non-financed capital expenditures, tax provision, dividends and amounts used to repurchase stock to the sum of interest expense and scheduled principal payments of indebtedness be at least 2.00; provided that the calculation of the fixed charge coverage ratio excludes stock repurchases and the payment of dividends at any time that the Company's Net Leverage Ratio does not exceed 2.0 through December 31, 2013, 1.5 through June 30, 2014 and 1.0 through maturity. Capital expenditures, tax provision, dividends and stock repurchase payments are defined under the Facility for purposes of this covenant to be amounts for the four quarters ending as of any given quarterly covenant compliance measurement date. The fixed charge coverage ratio as of September 30, 2011 was 12.95.

Other Restrictions—The Facility permits acquisitions of up to $15.0 million per transaction, provided that the aggregate purchase price of such an acquisition and of acquisitions in the preceding 12 month period does not exceed $30.0 million. However, these limitations only apply when the Company's Net Leverage Ratio is equal to or greater than 2.0.

While the Facility's financial covenants do not specifically govern capacity under the Facility, if our debt level under the Facility at a quarter-end covenant compliance measurement date were to cause us to violate the Facility's leverage ratio covenant, our borrowing capacity under the Facility and the favorable terms that we currently have could be negatively impacted by the lenders.

We are in compliance with all of our financial covenants as of September 30, 2011.

Notes to Former Owners

We issued subordinated notes to the former owners of acquired companies as part of the consideration used to acquire these companies. These notes had an outstanding balance of $25.5 million as of September 30, 2011, of which $0.5 million is current, and bear interest, payable annually, at a weighted average interest rate of 3.3%.

Other Debt

In conjunction with our acquisition of ColonialWebb, we acquired long-term debt related to an industrial revenue bond associated with its office building and warehouse. The outstanding balance as of September 30, 2011 was $2.7 million, of which $0.3 million is current. The weighted average interest rate on this variable rate debt as of September 30, 2011 was approximately 0.5%.

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2011

(Unaudited)

7. Commitments and Contingencies

Claims and Lawsuits

We are subject to certain legal and regulatory claims, including lawsuits arising in the normal course of business. We maintain various insurance coverages to minimize financial risk associated with these claims. We have estimated and provided accruals for probable losses and related legal fees associated with certain litigation in the accompanying consolidated financial statements. While we cannot predict the outcome of these proceedings, in management's opinion and based on reports of counsel, any liability arising from these matters individually and in the aggregate will not have a material effect on our operating results or financial condition, after giving effect to provisions already recorded.

In addition to the matters described above, we had accrued $7.1 million as of June 30, 2011 for potential and asserted backcharges from several customers of our large multi-family operation based in Texas. During the third quarter of 2011, the Company reached an agreement related to certain backcharges, and this resulted in a $4.8 million payment and a $0.2 million recovery in the third quarter of 2011. The additions and reductions to the accrual are included in "Cost of Services."

The following summarizes the backcharge activity during the nine months ended September 30, 2011 (in thousands):

Balance at December 31, 2010	$ 6,489
Additions	600
Cash payments, net of recovery	(4,593)
Non-cash reduction	(2,496)
Balance at September 30, 2011	$ —

Surety

Many customers, particularly in connection with new construction, require us to post performance and payment bonds issued by a financial institution known as a surety. If we fail to perform under the terms of a contract or to pay subcontractors and vendors who provided goods or services under a contract, the customer may demand that the surety make payments or provide services under the bond. We must reimburse the surety for any expenses or outlays it incurs. To date, we are not aware of any losses to our sureties in connection with bonds the sureties have posted on our behalf, and do not expect such losses to be incurred in the foreseeable future.

Surety market conditions remain challenging as a result of significant losses incurred by many sureties in recent periods, both in the construction industry as well as in certain larger corporate bankruptcies. As a result, less bonding capacity is available in the market and terms have become more restrictive. Further, under standard terms in the surety market, sureties issue bonds on a project-by-project basis, and can decline to issue bonds at any time. Historically, approximately 25% to 35% of our business has required bonds. While we have strong surety relationships to support our bonding needs, current market conditions as well as changes in the sureties' assessment of our operating and financial risk could cause the sureties to decline to issue bonds for our work. If that were

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2011

(Unaudited)

7. Commitments and Contingencies (Continued)

to occur, the alternatives include doing more business that does not require bonds, posting other forms of collateral for project performance such as letters of credit or cash, and seeking bonding capacity from other sureties. We would likely also encounter concerns from customers, suppliers and other market participants as to our creditworthiness. While we believe our general operating and financial characteristics, including a significant amount of cash on our balance sheet, would enable us to ultimately respond effectively to an interruption in the availability of bonding capacity, such an interruption would likely cause our revenue and profits to decline in the near term.

Self-Insurance

We are substantially self-insured for workers' compensation, employer's liability, auto liability, general liability and employee group health claims, in view of the relatively high per-incident deductibles we absorb under our insurance arrangements for these risks. Losses up to deductible amounts are estimated and accrued based upon known facts, historical trends and industry averages. Loss estimates associated with the larger and longer-developing risks, such as workers' compensation, auto liability and general liability, are reviewed by a third-party actuary quarterly.

8. Stockholders' Equity

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted EPS is computed considering the dilutive effect of stock options and contingently issuable restricted stock.

The effect of 0.1 million and 0.2 million of common stock equivalents have been excluded from the calculation of diluted EPS for the three and nine months ended September 30, 2011, respectively, due to our net loss position in these periods. Assuming dilution, there were approximately 0.8 million and 0.7 million anti-dilutive stock options excluded from the calculation of diluted EPS for the three and nine months ended September 30, 2011, respectively. There were approximately 0.7 million and 0.5 million of anti-dilutive stock options that were excluded from the calculation of diluted EPS for the three and nine months ended September 30, 2010, respectively.

COMFORT SYSTEMS USA, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2011

(Unaudited)

8. Stockholders' Equity (Continued)

The following table reconciles the number of shares outstanding with the number of shares used in computing basic and diluted earnings per share for each of the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Common shares outstanding, end of period(a)	37,134	37,491	37,134	37,491
Effect of using weighted average common shares outstanding	191	69	362	73
Shares used in computing earnings per share—basic	37,325	37,560	37,496	37,564
Effect of shares issuable under stock option plans based on the treasury stock method	—	234	—	257
Effect of contingently issuable restricted stock	—	—	—	—
Shares used in computing earnings per share—diluted	37,325	37,794	37,496	37,821

(a) Excludes 0.4 million and 0.4 million shares of unvested contingently issuable restricted stock outstanding as of September 30, 2011 and 2010, respectively.

Share Repurchase Program

On March 29, 2007, our Board of Directors (the "Board") approved a stock repurchase program to acquire up to one million shares of our outstanding common stock. As of September 30, 2011, the Board approved extensions of the program to acquire up to 5.6 million shares.

The share repurchases will be made from time to time at our discretion in the open market or privately negotiated transactions as permitted by securities laws and other legal requirements, and subject to market conditions and other factors. The Board may modify, suspend, extend or terminate the program at any time. We repurchased 0.6 million shares during the nine months ended September 30, 2011 at an average price of $9.92 per share. Since the inception of the program in 2007 and as of September 30, 2011, we have repurchased a cumulative total of 5.5 million shares at an average price of $11.00 per share.

9. Subsequent Events

In October 2011, the Company entered into an agreement to settle a legal matter. This settlement will result in the Company recognizing a gain of approximately $1.0 million in the fourth quarter of 2011. The cash settlement was received in October 2011.

On November 2, 2011, we acquired a 60% majority interest in Environmental Air Systems ("EAS"), headquartered in Greensboro, North Carolina. EAS had 2010 revenue of approximately $67.8 million and pre-tax income of approximately $1.9 million. The purchase price was approximately $30.0 million in cash. Further, the agreement includes a working capital adjustment based upon the balance sheet as of the acquisition date, as well as contingent consideration based upon future earnings.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with our historical Consolidated Financial Statements and related notes thereto included elsewhere in this Form 10-Q and the Annual Report on Form 10-K as filed with the Securities and Exchange Commission for the year ended December 31, 2010 (the "Form 10-K"). This discussion contains "forward-looking statements" regarding our business and industry within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on our current plans and expectations and involve risks and uncertainties that could cause our actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual results to differ include risks set forth in "Item 1A. Company Risk Factors" included in our Form 10-K. The terms "Comfort Systems," "we," "us," or "the Company," refer to Comfort Systems USA, Inc. or Comfort Systems USA, Inc. and its consolidated subsidiaries, as appropriate in the context.

Introduction and Overview

We are a national provider of comprehensive HVAC installation, maintenance, repair and replacement services within the mechanical services industry. We operate primarily in the commercial, industrial and institutional HVAC markets and perform most of our services within office buildings, retail centers, apartment complexes, manufacturing plants, and healthcare, education and government facilities. In addition to standard HVAC services, we provide specialized applications such as building automation control systems, fire protection, process cooling, electronic monitoring and process piping. Certain locations also perform related activities such as electrical service and plumbing.

Nature and Economics of Our Business

Approximately 82% of our revenue is earned on a project basis for installation of HVAC systems in newly constructed facilities or for replacement of HVAC systems in existing facilities. Customers hire us to ensure such systems deliver specified or generally expected heating, cooling, conditioning and circulation of air in a facility. This entails installing core system equipment such as packaged heating and air conditioning units, or in the case of larger facilities, separate core components such as chillers, boilers, air handlers, and cooling towers. We also typically install connecting and distribution elements such as piping and ducting. Our responsibilities usually require conforming the systems to pre-established engineering drawings and equipment and performance specifications, which we frequently participate in establishing. Our project management responsibilities include staging equipment and materials to project sites, deploying labor to perform the work, and coordinating with other service providers on the project, including any subcontractors we might use to deliver our portion of the work.

When competing for project business, we usually estimate the costs we will incur on a project, and then propose a bid to the customer that includes a contract price and other performance and payment terms. Our bid price and terms are intended to cover our estimated costs on the project and provide a profit margin to us commensurate with the value of the installed system to the customer, the risk that project costs or duration will vary from estimate, the schedule on which we will be paid, the opportunities for other work that we might forego by committing capacity to this project, and other costs that we incur more broadly to support our operations but which are not specific to the project. Typically customers will seek bids from competitors for a given project. While the criteria on which customers select the winning bid vary widely and include factors such as quality, technical expertise, on-time performance, post-project support and service, and company history and financial strength, we believe that price is the most influential factor for most customers in choosing an HVAC installation and service provider.

After a customer accepts our bid, we generally enter into a contract with the customer that specifies what we will deliver on the project, what our related responsibilities are, and how much and when we will be paid. Our overall price for the project is typically set at a fixed amount in the contract, although changes in project specifications or work conditions that result in unexpected additional work are usually subject to additional payment from the customer via what are commonly known as change orders. Project contracts typically provide for periodic billings to the customer as we meet progress milestones or incur cost on the project. Project contracts in our industry also frequently allow for a small portion of progress billings or contract price to be withheld by the customer until after we have completed the work, typically for six months. Amounts withheld under this practice are known as retention or retainage.

Labor and overhead costs account for the majority of our cost of service. Accordingly, labor management and utilization have the most impact on our project performance. Given the fixed price nature of much of our project work, if our initial estimate of project costs is wrong or we incur cost overruns that cannot be recovered in change orders, we can experience reduced profits or even significant losses on fixed price project work. We also perform some project work on a cost-plus or a time and materials basis, under which we are paid our costs incurred plus an agreed-upon profit margin. These margins are typically less than fixed-price contract margins because there is less risk of unrecoverable cost overruns in cost-plus or time and materials work.

Our average project takes six to nine months to complete, with an average contract price of approximately $350,000. We also perform larger HVAC projects. Generally, projects closer in size to $1 million will be completed in one year or less. It is unusual for us to work on a project that exceeds two years in length. Our projects generally require working capital funding of equipment and labor costs. Customer payments on periodic billings generally do not recover these costs until late in the job. Our average project duration together with typical retention terms as discussed above generally allow us to complete the realization of revenue and earnings in cash within one year. We have what we believe is a well-diversified distribution of revenue across end-use sectors that we believe reduces our exposure to negative developments in any given sector. Because of the integral nature of HVAC and related controls systems to most buildings, we have the legal right in almost all cases to attach liens to buildings or related funding sources when we have not been fully paid for installing systems, except with respect to some government buildings. The service work that we do, which is discussed further below, usually does not give rise to lien rights.

A stratification of projects in progress as of September 30, 2011, by contract price, is as follows:

Contract Price of Project	No. of Projects	Aggregate Contract Price Value (millions)
Under $1 million	4,979	$ 1,294
$1 million - $5 million	172	311
$5 million - $10 million	39	102
$10 million - $15 million	16	39
Greater than $15 million	5	81
Total	5,211	$ 1,827

In addition to project work, approximately 18% of our revenue represents maintenance and repair service on already-installed HVAC and controls systems. This kind of work usually takes from a few hours to a few days to perform. Prices to the customer are usually based on the equipment and materials used in the service as well as technician labor time. We usually bill the customer for service work when it is complete, typically with payment terms of up to thirty days. We also provide maintenance and repair service under ongoing contracts. Under these contracts, we are paid regular

monthly or quarterly amounts and provide specified service based on customer requirements. These agreements typically cover periods ranging from one to three years with thirty- to sixty-day cancellation notice periods.

A relatively small portion of our revenue comes from national and regional account customers. These customers typically have multiple sites, and contract with us to perform maintenance and repair service. These contracts may also provide for us to perform new or replacement systems installation. We operate a national call center to dispatch technicians to sites requiring service. We perform the majority of this work with our own employees, with the balance being subcontracted to third parties that meet our performance qualifications. We will also typically use proprietary information systems to maintain information on the customer's sites and equipment, including performance and service records, and related cost data. These systems track the status of ongoing service and installation work, and may also monitor system performance data. Under these contractual relationships, we usually provide consolidated billing and credit payment terms to the customer.

Profile and Management of Our Operations

We manage our 37 operating units based on a variety of factors. Financial measures we emphasize include profitability, and use of capital as indicated by cash flow and by other measures of working capital principally involving project cost, billings and receivables. We also monitor selling, general, administrative and indirect project support expense, backlog, workforce size and mix, growth in revenue and profits, variation of actual project cost from original estimate, and overall financial performance in comparison to budget and updated forecasts. Operational factors we emphasize include project selection, estimating, pricing, management and execution practices, labor utilization, safety, training, and the make-up of both existing backlog as well as new business being pursued, in terms of project size, technical application and facility type, end-use customers and industries, and location of the work.

Most of our operations compete on a local or regional basis. Attracting and retaining effective operating unit managers is an important factor in our business, particularly in view of the relative uniqueness of each market and operation, the importance of relationships with customers and other market participants such as architects and consulting engineers, and the high degree of competition and low barriers to entry in most of our markets. Accordingly, we devote considerable attention to operating unit management quality, stability, and contingency planning, including related considerations of compensation, and non-competition protection where applicable.

Economic and Industry Factors

As an HVAC and building controls services provider, we operate in the broader nonresidential construction services industry and are affected by trends in this sector. While we do not have operations in all major cities of the United States, we believe our national presence is sufficiently large that we experience trends in demand for and pricing of our services that are consistent with trends in the national nonresidential construction sector. As a result, we monitor the views of major construction sector forecasters along with macroeconomic factors they believe drive the sector, including trends in gross domestic product, interest rates, business investment, employment, demographics, and the general fiscal condition of federal, state and local governments.

Spending decisions for building construction, renovation and system replacement are generally made on a project basis, usually with some degree of discretion as to when and if projects proceed. With larger amounts of capital, time, and discretion involved, spending decisions are affected to a significant degree by uncertainty, particularly concerns about economic and financial conditions and trends. We have experienced periods of time, when economic weakness caused a significant slowdown in decisions to proceed with installation and replacement project work.

Operating Environment and Management Emphasis

Nonresidential building construction and renovation activity, as reported by the federal government, declined over the three year period of 2001 to 2003, expanded moderately during 2004 and 2005, and was strong over the three year period from 2006 to 2008. We experienced significant industry activity declines in 2009 and 2010, which have continued in 2011. During the periods of decline, we responded to market challenges by pursuing work in sectors less affected by the downturn, such as government, educational, and healthcare facilities, and by establishing marketing initiatives that take advantage of our size and range of expertise. We also responded to declining gross profits over those years by reducing our selling, general, and administrative expenses, and our indirect project and service overhead costs. We believe our efforts in these areas partially offset the decline in our profitability over that period.

As a result of our continued strong emphasis on cash flow, our debt outstanding under our revolving credit facility is zero, and we have a significant level of uncommitted cash balances, as discussed further in "Liquidity and Capital Resources" below. We have a credit facility in place with considerably less restrictive terms than those of our previous facilities; this facility does not expire until September 2016. We have strong surety relationships to support our bonding needs, and we believe our relationships with the surety markets are positive in light of our strong current results and financial position. We have generated positive free cash flow in each of the last twelve calendar years and will continue our emphasis in this area. We believe that the relative size and strength of our balance sheet and surety support as compared to most companies in our industry represent competitive advantages for us.

As discussed at greater length in "Results of Operations" below, we have seen declining activity levels in our industry since late 2008 and we expect price competition to continue to be strong, as local and regional competitors respond cautiously to changing conditions. We will continue our efforts to find the more active sectors in our markets, and to increase our regional and national account business. Our primary emphasis for 2011 will be on execution and cost control, and on maintaining activity levels that will permit us to earn reasonable profits while preserving our core workforce. We have increased our focus on project qualification, estimating, pricing and management, and on service performance.

Cyclicality and Seasonality

Historically, the construction industry has been highly cyclical. As a result, our volume of business may be adversely affected by declines in new installation and replacement projects in various geographic regions of the United States during periods of economic weakness.

The HVAC industry is subject to seasonal variations. Specifically, the demand for new installation and replacement is generally lower during the winter months (the first quarter of the year) due to reduced construction activity 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 calendar quarters due to increased construction activity and increased use of air conditioning during the warmer months. Accordingly, we expect our revenue and operating results generally will be lower in the first and fourth calendar quarters.

Critical Accounting Policies

Our critical accounting policies are based upon the significance of the accounting policy to our overall financial statement presentation, as well as the complexity of the accounting policy and our use of estimates and subjective assessments. Our most critical accounting policy is revenue recognition. As discussed elsewhere in this quarterly report on Form 10-Q, our business has two service functions: (i) installation, which we account for under the percentage of completion method, and (ii) maintenance, repair and replacement, which we account for as the services are performed, or in the

case of replacement, under the percentage of completion method. In addition, we identified other critical accounting policies related to our allowance for doubtful accounts receivable, the recording of our self-insurance liabilities, valuation of deferred tax assets, accounting for acquisitions and the recoverability of goodwill and identifiable intangible assets. These accounting policies, as well as others, are described as follows and in Note 2 to the Consolidated Financial Statements included elsewhere in this quarterly report on Form 10-Q.

Percentage of Completion Method of Accounting

Approximately 82% of our revenue was earned on a project basis and recognized through the percentage of completion method of accounting. Under this method contract revenue recognizable at any time during the life of a contract is determined by multiplying expected total contract revenue by the percentage of contract costs incurred at any time to total estimated contract costs. More specifically, as part of the negotiation and bidding process in which we engage in connection with obtaining installation contracts, we estimate our contract costs, which include all direct materials (exclusive of rebates), labor and subcontract costs and indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. These contract costs are included in our results of operations under the caption "Cost of Services." Then, as we perform under those contracts, we measure costs incurred, compare them to total estimated costs to complete the contract, and recognize a corresponding proportion of contract revenue. Labor costs are considered to be incurred as the work is performed. Subcontractor labor is recognized as the work is performed, but is generally subjected to approval as to milestones or other evidence of completion. Non-labor project costs consist of purchased equipment, prefabricated materials and other materials. Purchased equipment on our projects is substantially produced to job specifications and is a value added element to our work. The costs are considered to be incurred when title is transferred to us, which typically is upon delivery to the worksite. Prefabricated materials, such as ductwork and piping, are generally performed at our shops and recognized as contract costs when fabricated for the unique specifications of the job. Other materials cost are not significant and are generally recorded when delivered to the worksite. This measurement and comparison process requires updates to the estimate of total costs to complete the contract, and these updates may include subjective assessments.

We generally do not incur significant costs prior to receiving a contract, and therefore, these costs are expensed as incurred. In limited circumstances, when significant pre-contract costs are incurred, they are deferred if the costs can be directly associated with a specific contract and if their recoverability from the contract is probable. Upon receiving the contract, these costs are included in contract costs. Deferred costs associated with unsuccessful contract bids are written off in the period that we are informed that we will not be awarded the contract.

Project contracts typically provide for a schedule of billings or invoices to the customer based on reaching agreed-upon milestones or as we incur costs. The schedules for such billings usually do not precisely match the schedule on which costs are incurred. As a result, contract revenue recognized in the statement of operations can and usually do differ from amounts that can be billed or invoiced to the customer at any point during the contract. Amounts by which cumulative contract revenue recognized on a contract as of a given date exceed cumulative billings to the customer under the contract are reflected as a current asset in our balance sheet under the caption "Costs and estimated earnings in excess of billings." Amounts by which cumulative billings to the customer under a contract as of a given date exceed cumulative contract revenue recognized on the contract are reflected as a current liability in our balance sheet under the caption "Billings in excess of costs and estimated earnings."

The percentage of completion method of accounting is also affected by changes in job performance, job conditions, and final contract settlements. These factors may result in revisions to estimated costs and, therefore, revenue. Such revisions are frequently based on further estimates and

subjective assessments. The effects of these revisions are recognized in the period in which revisions are determined. When such revisions lead to a conclusion that a loss will be recognized on a contract, the full amount of the estimated ultimate loss is recognized in the period such conclusion is reached, regardless of the percentage of completion of the contract.

Revisions to project costs and conditions can give rise to change orders under which the customer agrees to pay additional contract price. Revisions can also result in claims we might make against the customer to recover project variances that have not been satisfactorily addressed through change orders with the customer. Except in certain circumstances, we do not recognize revenue or margin based on change orders or claims until they have been agreed upon with the customer. The amount of revenue associated with unapproved change orders and claims is currently immaterial. Variations from estimated project costs could have a significant impact on our operating results, depending on project size, and the recoverability of the variation via additional customer payments.

Accounting for Allowance for Doubtful Accounts

We are required to estimate the collectability of accounts receivable and provide an allowance for doubtful accounts for receivable amounts we believe we will not ultimately collect. This requires us to make certain judgments and estimates involving, among others, the creditworthiness of our customers, prior collection history with our customers, ongoing relationships with our customers, the aging of past due balances, our lien rights, if any, in the property where we performed the work, and the availability, if any, of payment bonds applicable to the contract. These estimates are evaluated and adjusted as needed when additional information is received.

Accounting for Self-Insurance Liabilities

We are substantially self-insured for workers' compensation, employer's liability, auto liability, general liability and employee group health claims in view of the relatively high per-incident deductibles we absorb under our insurance arrangements for these risks. Losses up to deductible amounts are estimated and accrued based upon known facts, historical trends and industry averages. Loss estimates associated with the larger and longer-developing risks—workers' compensation, auto liability and general liability—are reviewed by a third party actuary quarterly. We believe these accruals are adequate. However, insurance liabilities are difficult to estimate due to unknown factors, including the severity of an injury, the determination of our liability in proportion to other parties, timely reporting of occurrences, ongoing treatment or loss mitigation, general trends in litigation recovery outcomes and the effectiveness of safety and risk management programs. Therefore, if actual experience differs from the assumptions and estimates used for recording the liabilities, adjustments may be required and would be recorded in the period that such experience becomes known.

Our self-insurance arrangements currently are as follows:

Workers' Compensation— The per-incident deductible for workers' compensation is $500,000. Losses above $500,000 are determined by statutory rules on a state-by-state basis, and are fully covered by excess workers' compensation insurance.

Employer's Liability— For employer's liability, the per incident deductible is $500,000. We are fully insured for the next $500,000 of each loss, and then have several layers of excess loss insurance policies that cover losses up to $100 million in aggregate across this risk area (as well as general liability and auto liability noted below).

General Liability— For general liability, the per incident deductible is $500,000. We are fully insured for the next $1.5 million of each loss, and then have several layers of excess loss insurance policies that cover losses up to $100 million in aggregate across this risk area (as well as employer's liability and auto liability noted below).

Auto Liability— For auto liability, the per incident deductible is $500,000. We are fully insured for the next $1.5 million of each loss, and then have several layers of excess loss insurance policies that cover losses up to $100 million in aggregate across this risk area (as well as employer's liability and general liability noted above).

Employee Medical— We have two medical plans. The deductible for employee group health claims is $300,000 per person, per policy (calendar) year for one plan and $200,000 per person, per policy (calendar) year for the other plan. Insurance then covers any responsibility for medical claims in excess of the deductible amount.

Our $100 million of aggregate excess loss coverage above applicable per-incident deductibles represents one policy limit that applies to all lines of risk; we do not have a separate $100 million of excess loss coverage for each of general liability, employer's liability and auto liability.

Accounting for Deferred Tax Assets

We regularly evaluate valuation allowances established for deferred tax assets for which future realization is uncertain. We perform this evaluation quarterly. Estimations of required valuation allowances include estimates of future taxable income. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the activity underlying these assets becomes deductible. We consider projected future taxable income and tax planning strategies in making this assessment. If actual future taxable income is less than the estimates, we may not realize all or a portion of the recorded deferred tax assets.

Acquisitions

We generally recognize assets acquired and liabilities assumed in business combinations, including contingent assets and liabilities, based on fair value estimates as of the date of acquisition.

Contingent Consideration—In certain acquisitions, we agree to pay additional amounts to sellers contingent upon achievement by the acquired businesses of certain predetermined profitability targets. For acquisitions completed beginning in 2009, we have recognized liabilities for these contingent obligations based on their estimated fair value at the date of acquisition with any differences between the acquisition-date fair value and the ultimate settlement of the obligations being recognized in income from operations. For acquisitions completed before 2009, these obligations are recognized as incurred and accounted for as an adjustment to the initial purchase price of the acquired assets.

Contingent Assets and Liabilities—Assets and liabilities arising from contingencies are recognized at their acquisition date fair value when their respective fair values can be determined. If the fair values of such contingencies cannot be determined, they are recognized at the acquisition date if the contingencies are probable and an amount can be reasonably estimated. Acquisition date fair value estimates are revised as necessary if, and when, additional information regarding these contingencies becomes available to further define and quantify assets acquired and liabilities assumed.

Recoverability of Goodwill and Identifiable Intangible Assets

Goodwill is the excess of purchase cost over the fair value of the net assets of acquired businesses. We do not amortize goodwill. We assess goodwill for impairment each year, and more frequently if circumstances suggest an impairment may have occurred. When the carrying value of a given business unit exceeds its fair value, an impairment loss is recorded to the extent that the implied fair value of the goodwill of the business unit is less than its carrying value. If other business units have had increases in fair value, such increases may not be recorded. Accordingly, such increases may not be netted against impairments at other business units. The requirements for assessing whether goodwill has been impaired involve market-based information. This information, and its use in assessing goodwill, entails some degree of subjective assessment.

We currently perform our annual impairment testing as of October 1 and any impairment charges resulting from this process are reported in the fourth quarter. We segregate our operations into reporting units based on the degree of operating and financial independence of each unit and our related management of them. We perform our annual goodwill impairment testing at the reporting unit level. These reporting units are tested for impairment by comparing each unit's fair value to its carrying value.

We estimate the fair value of the reporting unit based on two market approaches and an income approach, which utilizes discounted future cash flows. Assumptions critical to the fair value estimates under the discounted cash flow model include discount rates, cash flow projections, projected long-term growth rates and the determination of terminal values. The market approaches utilized market multiples of invested capital from comparable publicly traded companies ("public company approach") and comparable transactions ("transaction approach"). The market multiples from invested capital include revenue, book equity plus debt and earnings before interest, taxes, depreciation and amortization ("EBITDA"). These assumptions are evaluated and updated on an annual basis.

There are significant inherent uncertainties and management judgment involved in estimating the fair value of each reporting unit. While we believe we have made reasonable estimates and assumptions to estimate the fair value of our reporting units, it is possible that a material change could occur. If actual results are not consistent with our current estimates and assumptions, or the current economic downturn worsens or the projected recovery is significantly delayed beyond our projections, goodwill impairment charges may be recorded in future periods.

We amortize identifiable intangible assets with finite lives over their useful lives. Changes in strategy and/or market condition may result in adjustments to recorded intangible asset balances or their useful lives.

Results of Operations (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011	%	2010	%	2011	%	2010	%
Revenue	$ 328,113	100.0%	$ 307,648	100.0%	$ 922,320	100.0%	$ 793,711	100.0%
Cost of services	279,005	85.0%	257,339	83.6%	791,493	85.8%	661,929	83.4%
Gross profit	49,108	15.0%	50,309	16.4%	130,827	14.2%	131,782	16.6%
Selling, general and administrative expenses	41,493	12.6%	41,885	13.6%	126,043	13.7%	114,905	14.5%
Goodwill impairment	55,134	16.8%	—	—	55,134	6.0%	4,446	0.6%
Gain on sale of assets	(58)	—	(29)	—	(162)	—	(502)	(0.1)%
Operating income (loss)	(47,461)	(14.5)%	8,453	2.7%	(50,188)	(5.4)%	12,933	1.6%
Interest income	16	—	39	—	65	—	183	—
Interest expense	(478)	(0.1)%	(832)	(0.3)%	(1,431)	(0.2)%	(1,406)	(0.2)%
Changes in the fair value of contingent earn-out obligations	5,077	1.5%	650	0.2%	5,566	0.6%	650	0.1%
Other income (expense)	(16)	—	19	—	(68)	—	25	—
Income (loss) before income taxes	(42,862)	(13.1)%	8,329	2.7%	(46,056)	(5.0)%	12,385	1.6%
Income tax expense (benefit)	(6,293)		2,919		(7,479)		4,164	
Income (loss) from continuing operations	(36,569)	(11.1)%	5,410	1.8%	(38,577)	(4.2)%	8,221	1.0%
Gain(loss) on disposition of discontinued operation, net of tax	—		(39)		—		723	
Net income (loss)	$ (36,569)		$ 5,371		$ (38,577)		$ 8,944	

We had 39 operating locations as of December 31, 2010. During the first quarter of 2011, we consolidated two companies into other operations. As of September 30, 2011, we had 37 operating locations. Acquisitions are included in our results of operations from the respective acquisition date. The same-store comparison from 2011 to 2010, as described below, excludes the results of ColonialWebb, which was acquired in July 2010, for the nine months ended September 30, 2011 and for the two months ended September 30, 2010.

Revenue—Revenue increased $20.5 million, or 6.7%, to $328.1 million for the third quarter of 2011 compared to the same period in 2010. The increase included a 5.1% increase in revenue related to the same-store activity as well as a 1.6% increase from the acquisition of ColonialWebb. The same-store revenue increase is primarily from the manufacturing sector (approximately $9.8 million). We have seen increased activity, primarily in our Maryland operations. During the third quarter of 2011, ColonialWebb contributed revenue of approximately $43.6 million.

Revenue increased $128.6 million, or 16.2%, to $922.3 million for the first nine months of 2011 compared to the same period in 2010. The increase included a 5.2% increase in revenue related to the same-store activity as well as a 11.0% increase from the acquisition of ColonialWebb. The same-store revenue increase is primarily from the manufacturing sector (approximately $15.8 million) and the office buildings sector (approximately $13.5 million). We have seen increased activity, primarily in our Maryland operations. During the first nine months of 2011, ColonialWebb contributed revenue of approximately $126.3 million.

Backlog reflects revenue still to be recognized under contracted or committed installation and replacement project work. Project work generally lasts less than one year. Service agreement revenue and service work and short duration projects which are generally billed as performed do not flow through backlog. Accordingly, backlog represents only a portion of our revenue for any given future period, and it represents revenue that is likely to be reflected in our operating results over the next six to twelve months. As a result, we believe the predictive value of backlog information is limited to indications of general revenue direction over the near term, and should not be interpreted as indicative of ongoing revenue performance over several quarters.

Backlog as of September 30, 2011 was $636.1 million, a 2.4% increase from June 30, 2011 backlog of $621.2 million, and remained flat with September 30, 2010 backlog of $635.8 million. On a same-store basis, backlog decreased 3.5% from September 30, 2010. The sequential increase in backlog primarily relates to ColonialWebb. The year-over-year decrease was primarily related to our Delaware and Virginia operations.

Following the three-year period of industry activity declines from 2001-2003 noted previously, we saw modest year-over-year revenue increases at our ongoing operations beginning in mid-2003 and continuing throughout 2008. We experienced significant industry activity declines in 2009 and 2010, which have continued in 2011. Based on our backlog and forecasts from industry construction analysts, we expect that activity levels in our industry are likely to remain flat over the next twelve months, particularly in the area of new construction.

We continue to experience a noticeable amount of price competition in our markets, which restrains our ability to profitably increase revenue.

Gross Profit—Gross profit decreased $1.2 million, or 2.4%, to $49.1 million for the third quarter of 2011 as compared to the same period in 2010. The decrease included a $2.6 million, or 5.8%, decrease in gross profit on a same-store basis offset by a $7.6 million, or 15.1%, increase related to the acquisition of ColonialWebb. As a percentage of revenue, gross profit decreased from 16.4% in 2010 to 15.0% in 2011. The quarter over quarter decrease in gross profit percentage resulted from job write-downs combined with lower profitability at our Maryland operations (approximately $2.7 million).

Gross profit decreased $1.0 million, or 0.7%, to $130.8 million for the first nine months of 2011 as compared to the same period in 2010. The decrease included a $15.4 million, or 12.2%, decrease in gross profit on a same-store basis offset by a $20.6 million, or 15.7%, increase related to the acquisition of ColonialWebb. As a percentage of revenue, gross profit decreased from 16.6% in 2010 to 14.2% in 2011. The year-over-year decrease in gross profit percentage resulted primarily from a difficult pricing environment. The largest decline was at our Maryland operation (approximately $11.3 million) which was impacted by job write-downs combined with lower profitability due to a difficult pricing environment. We also had job write-downs at our Southern Alabama operation (approximately $4.0 million), which has been consolidated into a neighboring operation in the Florida Panhandle.

Selling, General and Administrative Expenses ("SG&A")—SG&A decreased $0.4 million, or 0.9%, to $41.5 million for the third quarter of 2011 as compared to 2010. On a same-store basis, excluding amortization expense, SG&A decreased $1.6 million, or 4.6%. The decrease is primarily due to overhead reductions and lower compensation accruals. Amortization expense remained flat at $1.6 million. As a percentage of revenue, SG&A decreased from 13.6% in 2010 to 12.6% in 2011.

SG&A increased $11.1 million, or 9.7%, to $126.0 million for the first nine months of 2011 as compared to 2010. On a same-store basis, excluding amortization expense, SG&A decreased $5.3 million, or 5.0%. The decrease is primarily due to overhead reductions and lower compensation accruals. Amortization expense increased $1.3 million, or 39.0%, primarily related to the ColonialWebb acquisition in 2010. As a percentage of revenue, SG&A decreased from 14.5% in 2010 to 13.7% in 2011.

We have included SG&A on a same-store basis, excluding amortization, because we believe it is an effective measure of comparative results of operations prior to factoring in charges incurred for recent acquisitions. However, SG&A, excluding amortization, is not considered under generally accepted accounting principles to be a primary measure of an entity's financial results, and accordingly, should not be considered an alternative to SG&A as shown in our consolidated statements of operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
SG&A	$ 41,493	$ 41,885	$ 126,043	$ 114,905
Less: SG&A from companies acquired	(6,239)	(4,976)	(20,122)	(4,976)
Less: Amortization expense	(1,593)	(1,616)	(4,695)	(3,376)
Same-store SG&A, excluding amortization expense	$ 33,661	$ 35,293	$ 101,226	$ 106,553

Goodwill Impairment—We performed a step one goodwill impairment test for four of our reporting units and concluded that the carrying value exceeded the fair value for each of the units tested. Therefore, we commenced the required second step of the assessment for these four reporting units in which the implied fair value of the goodwill is compared to the book value of the goodwill. There is a significant amount of work required to perform the second step of the impairment assessment and that work has not been completed as of the date of filing these financial statements. Our preliminary assessment is that the book value of each of the reporting units' goodwill exceeded the implied fair value. These reporting units had a total goodwill balance of $75.7 million. Our best estimate of the impairment is a $55.1 million non-cash goodwill impairment charge which we recorded during the third quarter of 2011. Any adjustments to this estimated goodwill impairment charge will be recognized in the fourth quarter of 2011.

Changes in the fair value of contingent earn-out obligations—Changes in the fair value of contingent earn-out obligations was $5.1 million for the third quarter as compared to $0.6 million in the prior year. The increase relates to updated fair value measurements based on estimated future cash flows.

Changes in the fair value of contingent earn-out obligations was $5.6 million for the first nine months of 2011 as compared to $0.7 million in the same period of the prior year. The increase relates to updated fair value measurements based on estimated future cash flows.

Income Tax Expense—For the nine months ended September 30, 2011 our tax benefit is $7,479 with an effective tax rate of 16.2% as compared to tax expense of $4,164 with an effective tax rate of 33.6% for the nine months ended September 30, 2010. The effective tax rate in the current year was lower than the federal statutory rate primarily due to the impact of a permanent difference related to the portion of the goodwill impairment charge that is not deductible for tax purposes and an increase in valuation allowances related to certain state net operating loss carryforwards. This was partially offset by permanent differences generated by acquisition related fair value adjustments. The effective tax rate in 2010 was lower than the federal statutory rate due to the release of certain valuation allowances during the second quarter of 2010. Tax reserves are analyzed and adjusted quarterly as events occur to warrant such changes. Adjustments to tax reserves are a component of the effective tax rate. We currently estimate our annual effective tax rate for 2011 will be between 15% and 25%.

Outlook—We expect that weakness in the underlying environment for nonresidential construction activity will continue to adversely impact activity levels in our industry in 2012. Our backlog, while still at solid levels by historical standards, declined substantially through early 2011 and has stabilized recently, although at lower levels. Our primary emphasis for the remainder of 2011 and for 2012 will be on execution, including a focus on cost controls and efficient project and service performance at the unit level. Based on our backlog, and despite weak economic conditions for our industry, we continue to expect to be profitable in 2011 and we currently expect modest levels of profitability to continue throughout 2012.

Liquidity and Capital Resources (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cash provided by (used in):				
Operating activities	$ 1,478	$ (3,772)	$ (21,965)	$ (14,471)
Investing activities	(2,567)	(39,165)	(6,333)	(40,417)
Financing activities	(5,320)	(20,004)	(14,356)	(28,301)
Net decrease in cash and cash equivalents	$ (6,409)	$ (62,941)	$ (42,654)	$ (83,189)
Free cash flow:				
Cash provided by (used in) operating activities	$ 1,478	$ (3,772)	$ (21,965)	$ (14,471)
Taxes paid related to pre-acquisition equity transactions of an acquired company	—	7,056	—	7,056
Purchases of property and equipment	(2,548)	(2,021)	(6,452)	(4,103)
Proceeds from sales of property and equipment	230	11	611	1,229
Free cash flow	$ (840)	$ 1,274	$ (27,806)	$ (10,289)

Cash Flow

Our business does not require significant amounts of investment in long-term fixed assets. The substantial majority of the capital used in our business is working capital that funds our costs of labor and installed equipment deployed in project work until our customer pays us. Customary terms in our

industry allow customers to withhold a small portion of the contract price until after we have completed the work, typically for six months. Amounts withheld under this practice are known as retention or retainage. Our average project duration together with typical retention terms generally allow us to complete the realization of revenue and earnings in cash within one year.

Cash Used in Operating Activities—Cash provided by operating activities during the third quarter of 2011 was $1.5 million compared with $3.8 million of cash used for operating activities during 2010. The increase in cash provided by operations primarily relates to a $1.2 million cash inflow from working capital.

Cash used for operating activities during the first nine months of 2011 was $22.0 million compared with $14.5 million during 2010. The $7.5 million incremental use of cash is primarily due to a $7.4 million investment in working capital.

Cash Used in Investing Activities—During the third quarter of 2011, cash used for investing activities was $2.6 million compared with $39.2 million during 2010. The most significant item affecting the comparison of our investing cash flows for these quarters primarily related to the acquisition of ColonialWebb in 2010.

During the first nine months of 2011, cash used for investing activities was $6.3 million compared with $40.4 million during 2010. The additional cash used for investing activities in 2010 was primarily related to the acquisition of ColonialWebb.

Cash Used in Financing Activities—Cash used for financing activities was $5.3 million for the third quarter of 2011 compared to $20.0 million during 2010. The most significant item affecting the comparison of our financing cash flows for these quarters primarily related to payments on other long-term debt.

Cash used for financing activities was $14.4 million for the first nine months of 2011 compared to $28.3 million during 2010. The most significant item affecting the comparison of our financing cash flows for these periods primarily related to payments on other long-term debt.

Free Cash Flow—We define free cash flow as cash provided by operating activities, less customary capital expenditures, plus the proceeds from asset sales and taxes paid related to pre-acquisition equity. We believe free cash flow, by encompassing both profit margins and the use of working capital over our approximately one year working capital cycle, is an effective measure of operating effectiveness and efficiency. We have included free cash flow information here for this reason, and because we are often asked about it by third parties evaluating us. However, free cash flow is not considered under generally accepted accounting principles to be a primary measure of an entity's financial results, and accordingly free cash flow should not be considered an alternative to operating income, net income, or amounts shown in our consolidated statements of cash flows as determined under generally accepted accounting principles. Free cash flow may be defined differently by other companies.

Marketable Securities

As of December 31, 2010, our marketable securities consisted of $2.0 million of auction rate securities, which are variable rate debt instruments, having long-term maturities (with final maturities up to June 2032). We sold the entire $2.0 million of these auction rate securities at face value during the first quarter of 2011.

Share Repurchase Program

In March 2007, our Board of Directors (the "Board") approved a stock repurchase program to acquire up to one million shares of our outstanding common stock. As of September 30, 2011, the Board approved extensions of the program to acquire up to 5.6 million shares.

The share repurchases will be made from time to time at our discretion in the open market or privately negotiated transactions as permitted by securities laws and other legal requirements, and subject to market conditions and other factors. The Board may modify, suspend, extend or terminate the program at any time. We repurchased 0.6 million shares during the nine months ended September 30, 2011 at an average price of $9.92 per share. Since the inception of the program in 2007 and as of September 30, 2011, we have repurchased a cumulative total of 5.5 million shares, at an average price of $11.00 per share.

Debt

Credit Facility

On September 23, 2011, we amended our $125.0 million senior credit facility (the "Facility") provided by a syndicate of banks. The Facility, which is available for borrowings and letters of credit, now expires in September 2016 and is secured by the capital stock of our current and future subsidiaries. As of September 30, 2011, we had no outstanding borrowings, $42.7 million in letters of credit outstanding, and $82.3 million of credit available.

There are two interest rate options for borrowings under the Facility, the Base Rate Loan Option and the Eurodollar Rate Loan Option. These rates are floating rates determined by the broad financial markets, meaning they can and do move up and down from time to time. Additional margins are then added to these two rates.

The following is a summary of the additional margins:

	Consolidated Total Indebtedness to Credit Facility Adjusted EBITDA				
	Less than 0.75	0.75 to 1.25	1.25 to 2.00	2.00 to 2.50	2.50 or greater
Additional Per Annum Interest Margin Added Under:					
Base Rate Loan Option	0.75%	1.00%	1.25%	1.50%	1.75%
Eurodollar Rate Loan Option	1.75%	2.00%	2.25%	2.50%	2.75%

We estimate that the interest rate applicable to the borrowings under the Facility would be approximately 2.3% as of September 30, 2011.

We have used letters of credit to guarantee performance under our contracts and to ensure payment to our subcontractors and vendors under those contracts. Our lenders issue such letters of credit through the Facility for a fee. We have never had a claim made against a letter of credit that resulted in payments by a lender or by us and believe such claims are unlikely in the foreseeable future. The letter of credit fees range from 1.30% to 2.10% per annum, based on the ratio of Consolidated Total Indebtedness to Credit Facility Adjusted EBITDA, as defined in the credit agreement.

Commitment fees are payable on the portion of the revolving loan capacity not in use for borrowings or letters of credit at any given time. These fees range from 0.25% to 0.50% per annum, based on the ratio of Consolidated Total Indebtedness to Credit Facility Adjusted EBITDA, as defined in the credit agreement.

The Facility contains financial covenants defining various financial measures and the levels of these measures with which we must comply. Covenant compliance is assessed as of each quarter end. Credit Facility Adjusted EBITDA is defined under the Facility for financial covenant purposes as net earnings for the four quarters ending as of any given quarterly covenant compliance measurement date, plus the corresponding amounts for (a) interest expense; (b) income taxes; (c) depreciation and amortization;

(d) other non-cash charges and (e) pre-acquisition results of acquired companies. The following is a reconciliation of Credit Facility Adjusted EBITDA to net income (in thousands):

Net loss	$ (32,781)
Interest expense, net	1,649
Income taxes—continuing operations	(5,283)
Depreciation and amortization expense	19,788
Stock compensation expense	3,768
Goodwill impairment	56,422
Pre-acquisition results of acquired companies, as defined in the credit agreement	—
Credit Facility Adjusted EBITDA	$ 43,563

The Facility's principal financial covenants include:

Leverage Ratio—The Facility requires that the ratio of our Consolidated Total Indebtedness to our Credit Facility Adjusted EBITDA not exceed 3.0 through December 31, 2013, 2.75 through June 30, 2014 and 2.50 through maturity. The leverage ratio as of September 30, 2011 was 0.65.

Fixed Charge Coverage Ratio—The Facility requires that the ratio of Credit Facility Adjusted EBITDA, less non-financed capital expenditures, tax provision, dividends and amounts used to repurchase stock to the sum of interest expense and scheduled principal payments of indebtedness be at least 2.00; provided that the calculation of the fixed charge coverage ratio excludes stock repurchases and the payment of dividends at any time that the Company's Net Leverage Ratio does not exceed 2.0 through December 31, 2013, 1.5 through June 30, 2014 and 1.0 through maturity. Capital expenditures, tax provision, dividends and stock repurchase payments are defined under the Facility for purposes of this covenant to be amounts for the four quarters ending as of any given quarterly covenant compliance measurement date. The fixed charge coverage ratio as of September 30, 2011 was 12.95.

Other Restrictions—The Facility permits acquisitions of up to $15.0 million per transaction, provided that the aggregate purchase price of such an acquisition and of acquisitions in the preceding 12 month period does not exceed $30.0 million. However, these limitations only apply when the Company's Net Leverage Ratio is equal to or greater than 2.0.

While the Facility's financial covenants do not specifically govern capacity under the Facility, if our debt level under the Facility at a quarter-end covenant compliance measurement date were to cause us to violate the Facility's leverage ratio covenant, our borrowing capacity under the Facility and the favorable terms that we currently have could be negatively impacted by the lenders.

We are in compliance with all of our financial covenants as of September 30, 2011.

Notes to Former Owners

We issued subordinated notes to the former owners of acquired companies as part of the consideration used to acquire these companies. These notes had an outstanding balance of $25.5 million, of which $0.5 million is current, as of September 30, 2011. These notes bear interest, payable annually, at a weighted average interest rate of 3.3%.

Other Debt

In conjunction with our acquisition of ColonialWebb, we acquired long-term debt related to an industrial revenue bond associated with its office building and warehouse. The outstanding balance as of September 30, 2011 was $2.7 million, of which $0.3 million is current. The weighted average interest rate on this variable rate debt as of September 30, 2011 was approximately 0.5%.

Outlook

We have generated positive net free cash flow for the last twelve calendar years, much of which occurred during challenging economic and industry conditions. We also expect to have significant borrowing capacity under our credit facility and we continue to maintain a significant level of uncommitted cash balances. We believe these factors will provide us with sufficient liquidity to fund our operations for the foreseeable future.

Off-Balance Sheet Arrangements and Other Commitments

As is common in our industry, we have entered into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected in our balance sheets. Our most significant off-balance sheet transactions include liabilities associated with noncancelable operating leases. We also have other off-balance sheet obligations involving letters of credit and surety guarantees.

We enter into noncancelable operating leases for many of our facility, vehicle and equipment needs. These leases allow us to conserve cash by paying a monthly lease rental fee for use of facilities, vehicles and equipment rather than purchasing them. At the end of the lease, we have no further obligation to the lessor. If we decide to cancel or terminate a lease before the end of its term, we would typically owe the lessor the remaining lease payments under the term of the lease.

Certain of our vendors require letters of credit to ensure reimbursement for amounts they are disbursing on our behalf, such as to beneficiaries under our self-funded insurance programs. We have also occasionally used letters of credit to guarantee performance under our contracts and to ensure payment to our subcontractors and vendors under those contracts. The letters of credit we provide are actually issued by our lenders through the Facility as described above. A letter of credit commits the lenders to pay specified amounts to the holder of the letter of credit if the holder demonstrates that we have failed to perform specified actions. If this were to occur, we would be required to reimburse the lenders. Depending on the circumstances of such a reimbursement, we may also have to record a charge to earnings for the reimbursement. Absent a claim, there is no payment or reserving of funds by us in connection with a letter of credit. However, because a claim on a letter of credit would require immediate reimbursement by us to our lenders, letters of credit are treated as a use of the Facility's capacity just the same as actual borrowings. Claims against letters of credit are rare in our industry. To date we have not had a claim made against a letter of credit that resulted in payments by a lender or by us. We believe that it is unlikely that we will have to fund claims under a letter of credit in the foreseeable future.

Many customers, particularly in connection with new construction, require us to post performance and payment bonds issued by a financial institution known as a surety. If we fail to perform under the terms of a contract or to pay subcontractors and vendors who provided goods or services under a contract, the customer may demand that the surety make payments or provide services under the bond. We must reimburse the sureties for any expenses or outlays they incur. To date, we are not aware of any losses to our sureties in connection with bonds the sureties have posted on our behalf, and we do not expect such losses to be incurred in the foreseeable future.

Surety market conditions are currently challenging as a result of significant losses incurred by many sureties in recent periods, both in the construction industry as well as in certain larger corporate bankruptcies. As a result, less bonding capacity is available in the market and terms have become more restrictive. Further, under standard terms in the surety market, sureties issue bonds on a project-by-project basis, and can decline to issue bonds at any time. Historically, approximately 25% to 35% of our business has required bonds. While we have strong surety relationships to support our bonding needs, current market conditions as well as changes in our sureties' assessment of our operating and financial risk could cause our sureties to decline to issue bonds for our work. If that

were to occur, our alternatives include doing more business that does not require bonds, posting other forms of collateral for project performance such as letters of credit or cash, and seeking bonding capacity from other sureties. We would likely also encounter concerns from customers, suppliers and other market participants as to our creditworthiness. While we believe our general operating and financial characteristics, including a significant amount of cash on our balance sheet, would enable us to ultimately respond effectively to an interruption in the availability of bonding capacity, such an interruption would likely cause our revenue and profits to decline in the near term.

Contractual Obligations

The following recaps the future maturities of our contractual obligations as of September 30, 2011 (in thousands):

	Twelve Months Ended September 30,						
	2012	2013	2014	2015	2016	Thereafter	Total
Notes to former owners	$ 510	$ 12,569	$ 12,400	$ —	$ —	$ —	$ 25,479
Other debt	300	300	300	300	300	1,200	2,700
Interest payable	852	786	460	2	2	8	2,110
Operating lease obligations	10,103	8,832	6,241	4,194	3,235	6,261	38,866
Total	$ 11,765	$ 22,487	$ 19,401	$ 4,496	$ 3,537	$ 7,469	$ 69,155

Absent any significant commitments of capital for items such as capital expenditures, acquisitions, dividends and share repurchases, it is reasonable to expect us to continue to maintain excess cash on our balance sheet. Therefore, we assumed that we would continue our current status of not utilizing any borrowings under our revolving credit facility.

As of September 30, 2011, we have $42.7 million in letter of credit commitments, of which $40.0 million will expire in 2011 and $8.7 million will expire in 2012. The substantial majority of these letters of credit are posted with insurers who disburse funds on our behalf in connection with our workers' compensation, auto liability and general liability insurance program. These letters of credit provide additional security to the insurers that sufficient financial resources will be available to fund claims on our behalf, many of which develop over long periods of time, should we ever encounter financial duress. Posting of letters of credit for this purpose is a common practice for entities that manage their self-insurance programs through third-party insurers as we do. While most of these letter of credit commitments expire in 2011, we expect nearly all of them, particularly those supporting our insurance programs, will be renewed annually.

Other than the operating lease obligations noted above, we have no significant purchase or operating commitments outside of commitments to deliver equipment and provide labor in the ordinary course of performing project work.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

We are exposed to market risk primarily related to potential adverse changes in interest rates as discussed below. We are actively involved in monitoring exposure to market risk and continue to develop and utilize appropriate risk management techniques. We are not exposed to any other significant financial market risks including commodity price risk, foreign currency exchange risk or interest rate risks from the use of derivative financial instruments. We do not use derivative financial instruments.

We have limited exposure to changes in interest rates under our revolving credit facility, the notes to former owners and the industrial revenue bond. We have a debt facility under which we may borrow

funds in the future. We do not currently foresee any borrowing needs. Our debt with fixed interest rates consists of notes to former owners of acquired companies.

The following table presents principal amounts (stated in thousands) and related average interest rates by year of maturity for our debt obligations and their indicated fair market value at September 30, 2011:

	Twelve Months Ended September 30,						
	2012	2013	2014	2015	2016	Thereafter	Fair Value
Fixed Rate Debt	$ 510	$ 12,569	$ 12,400	$ —	$ —	$ —	$ 25,479
Average Interest Rate	3.5%	3.3%	3.2%	—	—	—	3.3%
Variable Rate Debt	$ 300	$ 300	$ 300	$ 300	$ 300	$ 1,200	$ 2,700

The weighted average interest rate on the variable rate debt as of September 30, 2011 was approximately 0.5%.

We measure certain assets at fair value on a nonrecurring basis. These assets are recognized at fair value when they are deemed to be other-than-temporarily impaired. We did not recognize any impairments on those assets required to be measured at fair value on a nonrecurring basis.

The valuation of the Company's contingent earn-out payments is determined using a probability weighted discounted cash flow method. This analysis reflects the contractual terms of the purchase agreements (e.g., minimum and maximum payment, length of earn-out periods, manner of calculating any amounts due, etc.) and utilizes assumptions with regard to future cash flows, probabilities of achieving such future cash flows and a discount rate.

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

Our executive management is responsible for ensuring the effectiveness of the design and operation of our disclosure controls and procedures. We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the three months ended September 30, 2011 that have materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

COMFORT SYSTEMS USA, INC.

PART II—OTHER INFORMATION

Item 1. ***Legal Proceedings***

We are subject to certain claims and lawsuits arising in the normal course of business. We maintain various insurance coverages to minimize financial risk associated with these claims. We have estimated and provided accruals for probable losses and related legal fees associated with certain of our litigation in our consolidated financial statements. While we cannot predict the outcome of these proceedings, in our opinion and based on reports of counsel, any liability arising from these matters individually and in the aggregate will not have a material effect on our operating results or financial condition, after giving effect to provisions already recorded.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

On March 29, 2007, our Board of Directors (the "Board") approved a stock repurchase program to acquire up to one million shares of our outstanding common stock. As of September 30, 2011, the Board approved extensions of the program to acquire up to 5.6 million shares.

The share repurchases will be made from time to time at our discretion in the open market or privately negotiated transactions as permitted by securities laws and other legal requirements, and subject to market conditions and other factors. The Board may modify, suspend, extend or terminate the program at any time. We repurchased 0.6 million shares during the nine months ended September 30, 2011 at an average price of $9.92 per share. Since the inception of the program and as of September 30, 2011, we have repurchased a cumulative total of 5.5 million shares at an average price of $11.00 per share.

During the quarter ended September 30, 2011, we purchased our common shares in the following amounts at the following average prices:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 - July 30	—	$ —	5,224,539	375,998
August 1 - August 31	159,488	$ 9.51	5,384,027	216,510
September 1 - September 30	120,459	$ 9.07	5,504,486	96,051
	279,947	$ 9.32	5,504,486	96,051

Under our restricted share plan, employees may elect to have us withhold common shares to satisfy minimum statutory federal, state and local tax withholding obligations arising on the vesting of restricted stock awards and exercise of options. When we withhold these shares, we are required to remit to the appropriate taxing authorities the market price of the shares withheld, which could be deemed a purchase of the common shares by us on the date of withholding.

During the three months ended September 30, 2011, we withheld common shares to satisfy these tax withholding obligations as follows:

Period	Number of Shares Purchased	Average Price Paid Per Share
July 1 - July 31	$ —	$ —
August 1 - August 31	—	—
September 1 - September 30	—	—
	$ —	$ —

Item 6. ***Exhibits***

(a) Exhibits.

10.1 Amendment No. 1 to Second Amended and Restated Credit Agreement, Second Amended and Restated Security Agreement, and Second Amended and Restated Pledge Agreement.

31.1 Rule 13a-14(a) Certification of William F. Murdy pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Rule 13a-14(a) Certification of William George pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Section 1350 Certification of William F. Murdy pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Section 1350 Certification of William George pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMFORT SYSTEMS USA, INC.

November 7, 2011	By:	/s/ WILLIAM F. MURDY
		William F. Murdy *Chairman of the Board and* *Chief Executive Officer*
November 7, 2011	By:	/s/ WILLIAM GEORGE
		William George *Executive Vice President and* *Chief Financial Officer*
November 7, 2011	By:	/s/ JULIE S. SHAEFF
		Julie S. Shaeff *Senior Vice President and* *Chief Accounting Officer*

Exhibit 10.1

Execution Version

AMENDMENT NO. 1 TO
SECOND AMENDED AND RESTATED CREDIT AGREEMENT,
SECOND AMENDED AND RESTATED SECURITY AGREEMENT,
AND
SECOND AMENDED AND RESTATED PLEDGE AGREEMENT

THIS AMENDMENT NO. 1 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT, SECOND AMENDED AND RESTATED SECURITY AGREEMENT, AND SECOND AMENDED AND RESTATED PLEDGE AGREEMENT (this "Amendment") dated as of September 23, 2011, is among **COMFORT SYSTEMS USA, INC.**, a Delaware corporation (the "Borrower"), the other entities identified as Guarantors on the signature pages hereto (the "Guarantors") the several banks and other financial institutions signatories hereto, and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as Agent for the Lenders (the "Agent").

RECITALS

A. The Borrower, the Lenders and the Agent are parties to a Second Amended and Restated Credit Agreement dated as of July 16, 2010 (as amended, modified and supplemented prior to the date hereof, the "Credit Agreement").

B. The Borrower, the Guarantors, and the Agent are parties to a Second Amended and Restated Security Agreement dated as of July 16, 2010 (as amended, modified and supplemented prior to the date hereof, the "Security Agreement").

C. The Borrower, the Guarantors, and the Agent are parties to a Second Amended and Restated Pledge Agreement dated as of July 16, 2010 (as amended, modified and supplemented prior to the date hereof, the "Pledge Agreement").

D. The Borrower and the Guarantors have requested that the Lenders approve this Amendment to amend certain terms and provisions of the Credit Agreement, Security Agreement, and Pledge Agreement, as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants set forth in this Amendment, the Borrower, the Guarantors, the Agent and the Lenders agree as follows:

1. **Defined Terms**. Unless otherwise defined in this Amendment, capitalized terms used in this Amendment have the meanings assigned to those terms in the Credit Agreement.

2. **Amendments to Credit Agreement**. The Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by adding the following definition in alphabetical order:

"Amendment No. 1 Effective Date" means September 23, 2011.

(b) Section 1.1 of the Credit Agreement is hereby amended by adding the following definition in alphabetical order:

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 3.3), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement provided, that notwithstanding anything herein to the contrary, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, or directives thereunder or issued in connection therewith shall be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

(c) Section 1.1 of the Credit Agreement is hereby amended by adding the following to the end of the definitions of "Consolidated EBITDA", "Consolidated Net Income" and "Consolidated Total Indebtedness":

With respect to Non-Wholly Owned Subsidiaries, only that amount attributable to Borrower's direct and indirect proportionate share shall be included for purposes of this calculation.

(d) Section 1.1 of the Credit Agreement is hereby amended by adding the following definition in alphabetical order:

"Excluded Assets" means equity interests in any Unrestricted Subsidiary (including the Southeast Acquisition Entity), so long as a pledge or transfer of such equity interests would be prohibited or restricted under, or would require consent of a third party that is not an Affiliate pursuant to, the governing documents of such Unrestricted Subsidiary or any other agreement binding on the Restricted Persons or their assets; provided that (except with respect to the equity interests in the Southeast Acquisition Entity) in the event such pledge or transfer is not prohibited but is so restricted or would require such

consent of a third party that is not an Affiliate, Borrower shall have used commercially reasonable efforts to satisfy such restriction or obtain such consent.

(e) Section 1.1 of the Credit Agreement is hereby amended by deleting the definition of "Guarantors" in its entirety and substituting the following definition therefor:

"Guarantors" means, collectively, (a) each Subsidiary of the Borrower existing on the Amendment No. 1 Effective Date, other than an Immaterial Subsidiary or an Unrestricted Subsidiary, and (b) any Subsidiary of Borrower which executes and delivers a Guaranty to Agent after the date hereof, pursuant to Section 6.15.

(f) Section 1.1 of the Credit Agreement is hereby amended by deleting clause (j) of the definition of "Indebtedness" and substituting the following therefor:

(j) obligations with respect to letters of credit or applications or reimbursement agreements therefor (but, for the avoidance of doubt, excluding any obligations with respect to letters of credit to the extent they support other obligations constituting Indebtedness of a Restricted Person under this definition); or

(g) Section 1.1 of the Credit Agreement is hereby amended by deleting the definition of "Maturity Date" in its entirety and substituting the following definition therefor:

"Maturity Date" means September 23, 2016.

(h) Section 1.1 of the Credit Agreement is hereby amended by deleting the definition of "Net Leverage Ratio" in its entirety and substituting the following definition therefor:

"Net Leverage Ratio" means the ratio, determined as of the end of each of Borrower's Fiscal Quarters for the then most-recently ended four consecutive Fiscal Quarters, of (a) its Consolidated Total Indebtedness on such day minus the amount, if any, by which (i) its and its Subsidiaries' cash and Cash Equivalents exceed (ii) $20,000,000 to (b) its Consolidated EBITDA for such period. With respect to Non-Wholly Owned Subsidiaries, only that amount of cash and Cash Equivalents attributable to Borrower's direct and indirect proportionate share shall be included for purposes of this calculation.

(i) Section 1.1 of the Credit Agreement is hereby amended by adding the following definition in alphabetical order:

"Non-Wholly Owned Subsidiary" means, with respect to any Person, any entity in which such Person directly or indirectly owns equity interests which represent less than 100% of the total equity interests (other than qualifying shares required to be owned by directors) of such entity.

(j) Section 1.1 of the Credit Agreement is hereby amended by deleting the definition of "Restricted Person" in its entirety and substituting the following definition therefor:

"Restricted Person" means any of Borrower and each Guarantor.

(k) Section 1.1 of the Credit Agreement is hereby amended by adding the following definition in alphabetical order:

"Southeast Acquisition Entity" means a direct or indirect Subsidiary or Non-Wholly Owned Subsidiary of the Borrower that owns or acquires all or part of the assets or equity interests of a single target company (and any of its affiliates) located in the southeastern United States that has been disclosed in writing to the Agent prior to the Amendment No. 1 Effective Date.

(l) Section 1.1 of the Credit Agreement is hereby amended by adding the following definition in alphabetical order:

"Unrestricted Subsidiary" means a direct or indirect Non-Wholly Owned Subsidiary of the Borrower that has been designated as an Unrestricted Subsidiary in a written notice by the Borrower to the Agent; provided that the Southeast Acquisition Entity shall be an Unrestricted Subsidiary.

(m) Sections 3.2, 3.3 and 3.4 of the Credit Agreement are hereby amended by deleting such Sections in their entirety and substituting therefor the following:

Section 3.2 Capital Reimbursement. If any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on any Lender Party's capital, or on the capital of any corporation controlling such Lender Party, as a consequence of the Loans made, or Letters of Credit issued, by such Lender Party, to a level below that which such Lender Party or such corporation could have achieved but for such change (taking into

consideration such Lender Party's policies and the policies of any such corporation with respect to capital adequacy), then from time to time Borrower will pay to Agent for the benefit of such Lender Party, within five (5) Business Days of demand therefore by such Lender Party, such additional amount or amounts which such Lender Party shall determine to be appropriate to compensate such Lender Party for such reduction.

Section 3.3 Increased Cost of Eurodollar Loans or Letters of Credit. (a) If any Change in Law:

(i) shall change the basis of taxation of payments to any Lender Party of any principal, interest, or other amounts attributable to any Eurodollar Loan or Letter of Credit or otherwise due under this Agreement in respect of any Eurodollar Loan or Letter of Credit (other than Reimbursable Taxes governed by Section 3.6 and taxes imposed on or measured by its overall net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which it is organized or otherwise resides for tax purposes or maintains any Applicable Lending Office); or

(ii) shall change, impose, modify, apply or deem applicable any reserve, special deposit or similar requirements in respect of any Eurodollar Loan made by any Lender Party or any Letter of Credit (excluding any reserve requirement included in the computation of the Adjusted Eurodollar Rate) or against assets of, deposits with or for the account of, or credit extended by, such Lender Party; or

(iii) shall impose on any Lender Party or the interbank eurocurrency deposit market any condition affecting any Eurodollar Loan or Letter of Credit,

the result of which is to increase the cost to any Lender Party of agreeing to make or making, funding or maintaining Eurodollar Loans or (as the case may be) issuing or participating in Letters of Credit, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing, then such Lender Party shall promptly notify Agent and Borrower in writing of the happening of such event and of the amount required to compensate such Lender Party for such additional costs

or reduced return (on an after-tax basis, taking into account any taxes on and deductions, credits or other tax benefits in respect of such compensation), whereupon (i) Borrower shall pay such amount to Agent for the account of such Lender Party and (ii) Borrower may elect, by giving to Agent and such Lender Party not less than three Business Days' notice, to convert all (but not less than all) of any such Eurodollar Loans of such Lender Party into Base Rate Loans.

(b) A certificate of a Lender Party setting forth the amount or amounts necessary to compensate such Lender Party or the corporation controlling such Lender Party, as the case may be, as specified in Section 3.2 or this Section 3.3 shall be delivered to Borrower and shall be conclusive absent manifest error. Borrower shall pay the applicable Lender Party the amount shown as due on any such certificate within 3 Business Days after receipt thereof.

(c) Failure or delay on the part of any Lender Party to demand compensation pursuant to Section 3.2 or this Section 3.3 shall not constitute a waiver of such Lender Party's right to demand such compensation.

Section 3.4 Illegality. If any Change in Law shall make it unlawful for any Lender Party to fund or maintain Eurodollar Loans, then, upon notice by such Lender Party to Borrower and Agent, (a) Borrower's right to elect Eurodollar Loans from such Lender Party shall be suspended to the extent and for the duration of such illegality, (b) all Eurodollar Loans of such Lender Party which are then the subject of any Borrowing Notice and which cannot be lawfully funded shall be funded as Base Rate Loans of such Lender Party, and (c) all Eurodollar Loans of such Lender Party shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by Law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, Borrower shall pay to such Lender Party such amounts, if any, as may be required pursuant to Section 3.5.

(n) Section 5.13 of the Credit Agreement is hereby amended to replace each reference therein to "Closing Date" with a reference to "Amendment No. 1 Effective Date."

(o) Section 6.15 of the Credit Agreement is hereby amended by deleting such Section in its entirety and substituting therefor the following:

Section 6.15 Guaranties of Borrower's Subsidiaries. Each Subsidiary created, acquired or coming into existence after the date hereof, other than an Immaterial Subsidiary or an Unrestricted Subsidiary, shall, promptly upon request by Agent, execute and deliver to Agent an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the Obligations of Borrower hereunder, which guaranty shall be in substantially the same form as the Guaranty entered into as of the Closing Date or otherwise reasonably satisfactory to Agent in form and substance, except that a Foreign Subsidiary will not be required to provide such a guaranty if the provision of such a guaranty would have a material adverse tax consequence to the Borrower and its Subsidiaries taken as a whole. Borrower will cause each such Subsidiary to deliver to Agent, simultaneously with its delivery of such a guaranty, written evidence reasonably satisfactory to Agent and its counsel that such Subsidiary has taken all corporate or partnership action necessary to duly approve and authorize its execution, delivery and performance of such guaranty and any other documents which it is reasonably required to execute.

(p) Section 6.16 of the Credit Agreement is hereby amended by deleting such Section in its entirety and substituting therefor the following:

Section 6.16 Agreement to Deliver Security Documents. Borrower agrees to deliver and to cause each Guarantor to deliver, to further secure the Obligations whenever requested by Agent in its sole and absolute discretion, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements continuation statements, extension agreements, acknowledgments, and other Security Documents in form and substance satisfactory to Agent for the purpose of granting, confirming, protecting and perfecting Liens or security interests in any personal property (other than Excluded Assets) now owned or hereafter acquired by Borrower or any Guarantor.

(r) Section 7.1(d) of the Credit Agreement is hereby amended by deleting such clause in its entirety and substituting therefor the following:

(d) Indebtedness existing on the Amendment No. 1 Effective Date and listed on Schedule 7.1, and renewals and extensions thereof;

(s) Section 7.6 of the Credit Agreement is hereby amended by deleting such Section in its entirety and substituting therefor the following:

Section 7.6 Limitation on Distributions and Subordinated Debt.

(a) No Restricted Person will declare or make any Distribution unless no Default or Event of Default exists at the time of any such Distribution or would occur as a result thereof; *provided*, that in the event Borrower's Net Leverage Ratio is greater than 1.0 to 1.0 no Restricted Person may make any Distributions except for regularly scheduled dividends that do not exceed the per share amount paid during the preceding Fiscal Quarter.

(b) No Restricted Person will make any payments on Subordinated Debt, unless no Default or Event of Default exists at such time or would occur as a result thereof.

(t) Section 7.7 of the Credit Agreement is hereby amended by deleting such Section in its entirety and substituting therefor the following:

Section 7.7 Limitation on Investments, Acquisitions, Capital Expenditures, and Lines of Business No Restricted Person will

(a) make any Investments other than (i) Permitted Investments, (ii) investments in Unrestricted Subsidiaries not in excess of $5,000,000 during any Fiscal Year, and (iii) investments in the Southeast Acquisition Entity;

(b) make any Capital Expenditures in excess of the sum of (i) $40,000,000 in the aggregate in any Fiscal Year plus (ii) the cash proceeds from the sale of Capital Assets received in such Fiscal Year;

(c) make any Acquisition unless the following conditions are satisfied:

(i) the Acquisition is not hostile in nature; and

(ii) each line of business to be acquired in the Acquisition is similar to a line of business engaged in by the Borrower at the time of the Acquisition; and

(iii) either (A) the Borrower's Total Leverage Ratio is less than or equal to 2.0 to 1.0 after giving pro forma effect to the Acquisition or (B) the purchase price for such Acquisition is less than or equal to $15,000,000 and the aggregate purchase price for such Acquisition and all prior Acquisitions made during the Fiscal Year when such Acquisition is consummated is less than or equal to $30,000,000; or

(d) engage directly or indirectly in any business or conduct any operations except in connection with or incidental to its present businesses and operations.

(u) Section 7.11 of the Credit Agreement is hereby amended by deleting such Section in its entirety and substituting therefor the following:

Section 7.11 Financial Covenants.

(a) Minimum Fixed Charge Coverage Ratio. The Borrower will not permit the ratio, determined as of the end of each of its Fiscal Quarters, for the then most-recently ended four Fiscal Quarters, of (i) its Consolidated EBITDA, minus (A) Consolidated Capital Expenditures, (B) the provision for income taxes (excluding one-time tax charges arising solely from changes to GAAP), and (C) if Borrower's Net Leverage Ratio is greater than (x) 2.0 to 1.0 through December 31, 2013, (y) 1.5 to 1.0 after December 31, 2013 through June 30, 2014, and (z) 1.0 to 1.0 thereafter, Distributions, all calculated on a Consolidated basis, to (ii) its Consolidated Interest Expense, *plus* scheduled principal payments of Indebtedness, to be less than 2.0 to 1.0.

(b) Intentionally Left Blank.

(c) Total Leverage Ratio. The Borrower will not permit its Total Leverage Ratio, determined as of the end of each of its Fiscal Quarters, for the then most-recently ended four Fiscal Quarters, to be greater than the ratio set forth below opposite such period:

Four Fiscal Quarters Ending	Maximum Total Leverage Ratio
September 30, 2011 through December 31, 2013	3.00 to 1.00
March 31, 2014 through June 30, 2014	2.75 to 1.00
September 30, 2014 through maturity	2.50 to 1.00

(v) The Credit Agreement is hereby amended such that the "Pricing Schedule" attached thereto and identified as such is hereby replaced in its entirety with the "Pricing Schedule" attached to this Amendment and identified as such.

(w) Sections 5.13 and 5.14 of Schedule 5 and Schedule 7.1 to the Credit Agreement are hereby replaced in their entirety with Sections 5.13 and 5.14 of Schedule 5 and Schedule 7.1 to the Credit Agreement attached to this Amendment.

3. **Amendment to Security Agreement**.

(a) The Security Agreement is hereby amended as follows: In the first sentence of Section 2(a) of the Security Agreement, the language ", except to the extent constituting Excluded Assets" shall be added after the language "and regardless of where located" and before the parenthetical.

(b) Schedules I, II, and III to the Security Agreement are hereby replaced in their entirety with Schedules I, II, and III to the Security Agreement attached to this Amendment.

4. **Amendments to Pledge Agreement**. The Pledge Agreement is hereby amended as follows:

(a) In the first sentence of Section 2 of the Pledge Agreement, the language ", except to the extent constituting Excluded Assets" shall be added after the language "a first priority security interest in its right, title and interest in all of the following" and before the first parenthetical.

(b) Section 5(i) of the Pledge Agreement shall be amended to read in its entirety as follows:

(i) The Pledged Shares constitute 100% of the issued and outstanding shares of Stock of each Pledged Entity except as disclosed on Schedule I or otherwise in writing to the Agent; and

(c) Section 6(d) of the Pledge Agreement shall be amended to read in its entirety as follows:

(d) Each Pledgor will, upon obtaining ownership of any additional stock or promissory notes or instruments of a Subsidiary (other than (i) Excluded Assets and (ii) stock, notes or instruments issued by a Foreign Subsidiary (if the pledge of such stock, notes or instruments by such Foreign Subsidiary would have material adverse tax consequences) or an Immaterial Subsidiary), which stock, notes or instruments are not already Pledged Collateral, promptly (and in any event within three (3) Business Days) deliver to Agent a Pledge Amendment, duly executed by such

Pledgor, in substantially the form of Schedule II hereto (a "Pledge Amendment") in respect of any such additional stock, notes or instruments, pursuant to which such Pledgor shall pledge to Agent all of such additional stock, notes and instruments. Each Pledgor hereby authorizes Agent to attach each Pledge Amendment to this Agreement and agrees that all Pledged Shares and Pledged Indebtedness listed on any Pledge Amendment delivered to Agent shall for all purposes hereunder be considered Pledged Collateral.

(d) Schedule I to the Pledge Agreement is hereby replaced in its entirety with Schedule I to the Pledge Agreement attached to this Amendment.

5. **Conditions to Effectiveness**. This Amendment will become effective on the date that the following conditions have been satisfied or waived:

(a) The Agent shall have received counterparts of this Amendment, executed and delivered by the Borrower, the Guarantors, the Agent and the Required Lenders;

(b) The representations and warranties of the Borrower in Section 6 of this Amendment shall be true and correct; and

(c) The Administrative Agent shall have received, or shall concurrently receive (i) for the account of each Lender that has delivered an executed counterpart of this Amendment to the Agent (or its counsel) by 5:00 P.M. (Central time) on September 22, 2011], a consent fee equal to 20 basis points on the amount of such executing Lender's Commitment then in effect and (ii) for the account of the applicable Person, payment of all other fees payable in connection with this Amendment including, without limitation, the fees payable to Wells Fargo Securities LLC and the Agent pursuant to that certain Engagement Letter dated August 5, 2011.

(d) The Agent shall have received the following certificates of Borrower and, as appropriate, the Guarantors:

i. An "Omnibus Certificate" of the Secretary or Assistant Secretary of the Borrower and each Guarantor, which shall contain the names and signatures of the officers of Borrower and each Guarantor authorized to execute Loan Documents and which shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted by the Board of Directors of Borrower and each Guarantor and in full force and effect at the time this Amendment is entered into, authorizing the execution of this Amendment and the other Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and

therein, (2) a copy of the charter documents of Borrower and each Guarantor and all amendments thereto, certified by the appropriate official of such party's state of organization, and (3) a copy of the bylaws of Borrower and each Guarantor; and

ii. A "Closing Certificate" of the chief financial officer of Borrower, as of the date of this Amendment, certifying that (A) the conditions set out in subsections (a), (b), and (c) of Section 4.2 of the Credit Agreement have been satisfied and (B) the financial information of Borrower most recently delivered to the Agent pursuant to Section 6.2(b) of the Credit Agreement fairly present the Consolidated financial position of Borrower for the periods covered thereby.

(e) A certificate of existence and good standing for Borrower issued by the Secretary of State of Delaware, a certificate of due qualification to do business for the Borrower issued by the Secretary of State of Texas, and a certificate of account status for the Borrower issued by the Texas Comptroller of Public Accounts.

(f) A favorable opinion of (i) Bracewell & Giuliani LLP, counsel for Restricted Persons, in form and substance reasonably satisfactory to the Agent; and (ii) Trent McKenna, in-house counsel for Restricted Persons, in form and substance reasonably satisfactory to the Agent.

6. **Representations and Warranties.** The Borrower and the Guarantors hereby represent and warrant to the Agent and each of the Lenders as follows:

(a) This Amendment has been duly authorized by all necessary corporate action and constitutes the binding obligation of the Borrower and the Guarantors.

(b) Each of the representations and warranties made by the Borrower and the Guarantors in or pursuant to the Credit Agreement and the other Loan Documents is true and correct in all material respects as of the date hereof, as if made (after giving effect to this Amendment) on and as of such date, except for any representations and warranties made as of a specified date, which were true and correct in all material respects as of such specified date.

(c) After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing as of the date hereof.

(d) Since the date of the most recent financial statements of the Borrower and its Subsidiaries delivered to the Lenders pursuant to Section 6.2(b) of the Credit Agreement, there has occurred no Material Adverse Change.

7. **Continuing Effect of the Credit Agreement and Other Loan Documents.** This Amendment does not constitute a waiver of any provision of the Credit Agreement or any other Loan Document and, except as expressly provided herein, is not to be construed as a consent to any action on the part of the Borrower or the

Guarantors that would require a waiver or consent of the Lenders or an amendment or modification to any term of the Loan Documents. The Borrower and the Guarantors hereby confirm and ratify the Credit Agreement as amended hereby and each of the other Loan Documents to which it is a party and acknowledges and agrees that the same continue in full force and effect as amended hereby (as applicable).

8. **Reference to the Credit Agreement, Security Agreement, or Pledge Agreement.** Upon the effectiveness of this Amendment, each reference in the Credit Agreement, Security Agreement, or Pledge Agreement to "this Agreement" or "this Security Agreement," "hereunder," "herein" or words of like import refer to the Credit Agreement, Security Agreement, or Pledge Agreement, as applicable, as amended and affected hereby.

9. **Designation as Loan Document**. This Amendment is a Loan Document.

10. **Counterparts.** This Amendment may be executed by all parties hereto in any number of separate counterparts each of which may be delivered in original, facsimile or other electronic (e.g., ".pdf") form and all of such counterparts taken together constitute one instrument.

11. **References.** The words "hereby," "herein," "hereinabove," "hereinafter," "hereinbelow," "hereof," "hereunder" and words of similar import when used in this Amendment refer to this Amendment as a whole and not to any particular article, section or provision of this Amendment. References in this Amendment to a section number are to such sections of the Credit Agreement unless otherwise specified.

12. **Headings Descriptive**. The headings of the several sections of this Amendment are inserted for convenience only and do not in any way affect the meaning or construction of any provision of this Amendment.

13. **Governing Law**. This Amendment is governed by and will be construed in accordance with the law of the State of Texas.

14. **Payment of Expenses**. The Borrower shall pay or reimburse the Agent for all of its reasonable out-of-pocket costs and reasonable expenses incurred in connection with this Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

15. **Final Agreement of the Parties**. THIS AMENDMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties are signing this Amendment as of the date first above written.

COMFORT SYSTEMS USA, INC.,

Borrower

By: /s/ William George III
William George III
Executive Vice President and
Chief Financial Officer

Address:
675 Bering, Suite 400
Houston, Texas 77057
Attention: William George III

Telephone: (713) 830-9650
Fax: (713) 830-9659

Signature Page to Amendment

ACKNOWLEDGMENT OF GUARANTORS

Each of the undersigned Guarantors hereby executes this Amendment to evidence its agreement to the modification of the Loan Documents to which it is a party and to confirm that each Loan Document (as the same may be amended or amended and restated, as the case may be, pursuant to and in connection with this Amendment) to which it is a party or otherwise bound remains in full force and effect and that all Collateral encumbered thereby will continue to secure, to the fullest extent possible, the payment and performance of all "Obligations", "Secured Obligations" and "Guaranteed Obligations" (in each case as such term is defined in the applicable Loan Document), including without limitation the payment and performance of all such "Obligations", "Secured Obligations" and "Guaranteed Obligations" in respect of the Obligations now or hereafter existing under or in respect of the Credit Agreement and the other Loan Documents. The Guarantors specifically reaffirm and extend their obligations under each of their applicable Guaranties to cover all indebtedness evidenced by the Credit Agreement as same has been created, amended and/or restated by or in connection with this Amendment. The Guaranties and all the terms thereof shall remain in full force and effect and the Guarantors hereby acknowledge and agree that same are valid and existing and that each of the Guarantors' obligations thereunder shall not be impaired or limited by the execution or effectiveness of this Amendment. Each Guarantor hereby represents and warrants that all representations and warranties contained in this Amendment and the other Loan Documents to which it is a party or otherwise bound are true, correct and complete in all material respects on and as of the dated of this Amendment, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date. The Agent on behalf of the Lenders hereby preserves all its rights against each Guarantor under its applicable Guaranty and the other Loan Documents to which each applicable Guarantor is a party.

Each Guarantor acknowledges and agrees that (i) notwithstanding the conditions to the effectiveness set forth in this Amendment, such Guarantor is not required by the terms of the Credit Agreement, this Amendment or any other Loan Document to consent to the amendments of the Credit Agreement effected pursuant to this Amendment; and (ii) nothing in the Credit Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Guarantor to any future amendments to the Credit Agreement.

ACCU-TEMP GP, INC.
ACCU-TEMP LP, INC.
ACI MECHANICAL, INC.
ACORN INDUSTRIAL, INC.
AIR SYSTEMS ENGINEERING, INC.
AIRTEMP, INC.
ARC COMFORT SYSTEMS USA, INC.
ATLAS-ACCURATE HOLDINGS, L.L.C., by CS53 Acquisition Corp., as Sole Managing Member
ATLAS COMFORT SYSTEMS USA, INC.
ATLAS COMFORT SYSTEMS USA, L.L.C., by Hess Mechanical Corporation, as Sole Managing Member

Signature Page to Amendment

BATCHELOR'S MECHANICAL CONTRACTORS, LLC, by H & M Mechanical, Inc., as Sole Managing Member
BCM CONTROLS CORPORATION
COLONIALWEBB CONTRACTORS COMPANY
CALIFORNIA COMFORT SYSTEMS USA, INC.
COMFORT SYSTEMS USA (ARKANSAS), INC.
COMFORT SYSTEMS USA (BALTIMORE), LLC, by Hess Mechanical Corporation, as Sole Managing Member
COMFORT SYSTEMS USA (BRISTOL), INC.
COMFORT SYSTEMS USA (CS1), INC.
COMFORT SYSTEMS USA ENERGY SERVICES, INC.
COMFORT SYSTEMS USA G.P., INC.
COMFORT SYSTEMS USA (INTERMOUNTAIN), INC.

COMFORT SYSTEMS USA (KENTUCKY), INC.
COMFORT SYSTEMS USA (MIDATLANTIC), LLC, by Riddleberger Brothers, Inc., as Sole Managing Member
COMFORT SYSTEMS USA (MIDWEST), LLC, by Plant Services Incorporated, as Sole Managing Member
COMFORT SYSTEMS USA NATIONAL ACCOUNTS, LLC, by Accu-Temp LP, Inc., as Managing Member
COMFORT SYSTEMS USA (OHIO), INC.
COMFORT SYSTEMS USA PUERTO RICO, INC.
COMFORT SYSTEMS USA (SOUTH CENTRAL), INC.
COMFORT SYSTEMS USA (SOUTHEAST), INC.
COMFORT SYSTEMS USA (SOUTHWEST), INC.
COMFORT SYSTEMS USA (SYRACUSE), INC.
COMFORT SYSTEMS USA (TEXAS), L.P., by Comfort Systems USA G.P., Inc., as general partner
COMFORT SYSTEMS USA (TWIN CITIES), INC.
COMFORT SYSTEMS USA (WESTERN MICHIGAN), INC.
CS53 ACQUISITION CORP.
DELCARD ASSOCIATES, LLC, by Seasonair, Inc., as Sole Managing Member
DESIGN MECHANICAL INCORPORATED
DILLINGHAM & SMITH MECHANICAL AND SHEET METAL CONTRACTORS, LLC, by S.M. Lawrence Company, Inc., as Sole Managing Member
EASTERN HEATING & COOLING, INC.
EASTERN REFRIGERATION CO., INC.
GRANITE STATE HOLDINGS COMPANY, INC.

Signature Page to Amendment

GRANITE STATE PLUMBING & HEATING, LLC, by Granite State Holdings Company, Inc., as Sole Managing Member
H&M MECHANICAL, INC.
HELM CORPORATION
HESS MECHANICAL CORPORATION
HUDSON RIVER HEATING AND COOLING, INC.
H-VAC SUPPLY, L.L.C., by Comfort Systems USA Puerto Rico, Inc., as Sole Managing Member
MECHANICAL TECHNICAL SERVICES, INC.
MERIT MECHANICAL, INC.
MJ MECHANICAL SERVICES, INC.
NORTH AMERICAN MECHANICAL, INC.
PLANT SERVICES INCORPORATED
QUALITY AIR HEATING & COOLING, INC.
RIDDLEBERGER BROTHERS, INC.
S.I. GOLDMAN COMPANY, INC.
S.M. LAWRENCE COMPANY, INC.
SA ASSOCIATES, INC.
SALMON & ALDER, L.L.C., by SA Associates, Inc., as Sole Managing Member
SEASONAIR, INC.
TEMP-RIGHT SERVICE, INC.
THE CAPITAL REFRIGERATION COMPANY

By: /s/ William George III
William George III
Vice President & Assistant Secretary

Signature Page to Amendment

WELLS FARGO BANK, NATIONAL ASSOCIATION,
Agent and a Lender

By: /s/ William S. Austin

Name: William S. Austin

Title: Senior Vice President

Address:
Wells Fargo Bank, National Association
1000 Louisiana, 3rd Floor
Houston, Texas 77002
Attention: William S. Austin
Telephone: 713-319-1464
Fax: 713-739-1086

Signature Page to Amendment

CAPITAL ONE, N.A.,
Lender

By: /s/ Don Backer

Name: Don Backer

Title: Senior Vice President

Address:

Capital One, N.A.
5718 Westheimer, Suite 600
Houston, Texas 77057
Attention: Emily Gehrig
Telephone: 713-435-5489
Fax: 713-706-5499

Signature Page to Amendment

BOKF, NA dba
BANK OF TEXAS,
Lender

By: /s/ Mike Sultanik

Name: Mike Sultanik

Title: Senior Vice President

Address:

BOKF, NA dba
Bank of Texas
5 Houston Center
1401 McKinney, Suite 1650
Houston, Texas 77010
Attention: Mike Sultanik
Telephone: 713-289-5886
Fax: 713-289-5825

Signature Page to Amendment

REGIONS BANK,
Lender

By: /s/ H. Gale Smith, Jr.

Name: H. Gale Smith, Jr.

Title: Senior Vice President

Address:

Regions Bank
5005 Woodway Drive, Suite 110
Houston, Texas 77479
Attention: Gale Smith
Telephone: 713-426-7157
Fax: 713-426-7180

Signature Page to Amendment

BRANCH BANK & TRUST COMPANY,
Lender

By: /s/ Roberts Bass

Name: Roberts Bass

Title: Senior Vice President

Address:

Branch Bank & Trust Company
200 West Second Street, 16th Floor
Winston-Salem, North Carolina 27101
Attention: Eric Searls
Telephone: 336-733-2741
Fax: 336-733-2740

Signature Page to Amendment

PRICING SCHEDULE

The applicable Eurodollar Margin, Base Rate Margin, Commitment Fee Rate and Letter of Credit Fee Rate shall be determined by the Agent in accordance with the following tables:

APPLICABLE MARGIN FOR REVOLVING LOAN ADVANCES	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS
Eurodollar Rate Margin	*1.75%*	*2.00%*	*2.25%*	*2.50%*	*2.75%*
Base Rate Margin	*0.75%*	*1.00%*	*1.25%*	*1.50%*	*1.75%*

APPLICABLE COMMITMENT FEE RATE	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS
Commitment Fee Rate	*0.25%*	*0.30%*	*0.35%*	*0.45%*	*0.50%*

LETTER OF CREDIT FEE RATE	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS
LC Fee Rate	*1.30%*	*1.50%*	*1.70%*	*1.90%*	*2.10%*

Notwithstanding the foregoing if the Borrower has failed to deliver the financial statements and certificates required by Section 6.2(a) and Section 6.2(b) then Level IV Status will be deemed to exist after two Business Days' notice from the Administrative Agent to the Borrower.

For the purposes of this Pricing Schedule, the following terms have the following meanings, subject to the final paragraph of this Pricing Schedule:

"Level I Status" exists for any day that the Total Leverage Ratio is less than 0.75 to 1.00.

"Level II Status" exists for any day that the Total Leverage Ratio is greater than or equal to 0.75 to 1.00 but is less than 1.25 to 1.00.

"Level III Status" exists for any day that the Total Leverage Ratio is greater than or equal to 1.25 to 1.00 but is less than 2.00 to 1.00.

"Level IV Status" exists for any day that the Total Leverage Ratio is greater than or equal to 2.00 to 1.00 but is less than 2.50 to 1.00.

"Level V Status" exists for any day that the ratio of Consolidated Total Indebtedness to Consolidated EBITDA is greater than or equal to 2.50 to 1.00.

"Status" means either Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status.

In the event that any financial statement delivered pursuant to this Agreement is shown to be inaccurate (regardless of whether this Agreement or the Commitments are in effect when such inaccuracy is discovered), and such inaccuracy, if corrected, would have led to the application of a higher Eurodollar Rate Margin or Base Rate Margin, as applicable, for any period (an "Applicable Period") than the Eurodollar Rate Margin or Base Rate Margin, as applicable, applied for such Applicable Period, and only in such case, then the Borrower shall immediately (i) deliver to the Agent a corrected financial statement for such Applicable Period, (ii) determine the Eurodollar Rate Margin or Base Rate Margin, as applicable, for such Applicable Period based upon the corrected financial statement, and (iii) immediately pay to the Agent the accrued additional interest owing as a result of such increased Eurodollar Rate Margin or Base Rate Margin, as applicable for such Applicable Period, which payment shall be promptly applied by the Agent in accordance with the terms of this Agreement. This provision is in addition to rights of the Agent and Lenders with respect to Sections 2.5, 2.11, 6.10 and 8.1 and other of their respective rights under this Agreement.

SECTION 5.13 to SCHEDULE 5
Names and Places of Business

ENTITY NAME	ADDRESS TYPE	ADDRESS	PRIOR ADDRESSES	PRIOR NAMES & TRADE NAMES
Comfort Systems USA, Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd Suite 500, Houston, Texas 77056	
ACI Mechanical, Inc.	Principal Place of Business	3116 S. Duff Avenue, Ames, Iowa 50010		
ARC Comfort Systems USA, Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd., Suite 500, Houston, TX 77056	
Accu-Temp GP, Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd Suite 500, Houston, Texas 77056	
Accu-Temp LP, Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd Suite 500, Houston, Texas 77056	
Acorn Industrial, Inc.	Principal Place of Business	7311 ACC Boulevard, Raleigh, North Carolina 27617		
Air Systems Engineering, Inc.	Principal Place of Business	3602 South Pine Street, Tacoma, Washington 98409		
AirTemp, Inc.	Principal Place of Business	11 Wallace Avenue, South Portland, Maine 04106		
Atlas-Accurate Holdings, L.L.C.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd. Suite 500, Houston, Texas 77056	
Atlas Comfort Systems USA, Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	4133 Southerland, Houston, Texas 77092	
Atlas Comfort Systems USA, L.L.C.	Principal Place of Business	9745 Bent Oak Drive, Houston, Texas 77040	4133 Southerland, Houston, Texas 77092	Atlas Air Conditioning Company, L.P. Atlas Comfort Systems USA, L.P. Atlas Comfort Systems USA

ENTITY NAME	ADDRESS TYPE	ADDRESS	PRIOR ADDRESSES	PRIOR NAMES & TRADE NAMES
	Satellite	1225 E. Crosby Road, Suite B-14, Carrollton, Texas 75006	10693 Wakeman Drive, Manassas, Virginia 20110 17745 Ashley Drive, Suite B, Panama City Beach, Florida 32413 340 East Shelbourne Avenue, Las Vegas, Nevada 89123 620 Magnolia Avenue, Suite E, Ontario, California 91762	Atlas Comfort Systems Nevada Comfort Systems USA Las Vegas
Batchelor's Mechanical Contractors, LLC	Principal Place of Business	15444 Industrial Drive, Loxley, Alabama 36551	3110 Old Shell Road, Mobile, Alabama 36607	
BCM Controls Corporation	Principal Place of	30 Commerce Way, Woburn,		

	Business	Massachusetts 01801		
California Comfort Systems USA, Inc.	Principal Place of Business	9750 Distribution Avenue, San Diego, California 92121	650 Alpine Way, Escondido, CA 92029 4660 Viewridge Ave., San Diego, CA 92123	TCP Company
ColonialWebb Contractors Company	Principal Place of Business	2820 Ackley Avenue, Richmond, Virginia 23228		Comfort Systems USA (Carolinas)
	Satellite	1600 Crossbeam Drive, Charlotte, North Carolina 28217		
	Satellite	1 Marcus Drive, Greenville, South Carolina 29615		
	Satellite	811 Pleasant Valley Road, Harrisonburg, Virginia 22801		
	Satellite	8509 Phoenix Drive, Manassas, Virginia 20110		
	Satellite	740C Bluecrab Road, Newport News, Virginia 23606		
	Satellite	3302 Croft Street, Norfolk, Virginia 23513		
	Satellite	5171 Glenwood Avenue, Raleigh, North Carolina 27612		
	Satellite	6450-E Merriman Road, Roanoke, Virginia 24018		

ENTITY NAME	ADDRESS TYPE	ADDRESS	PRIOR ADDRESSES	PRIOR NAMES & TRADE NAMES
Comfort Systems USA (Arkansas), Inc.	Principal Place of Business	4806 Rixey Road, North Little Rock, Arkansas 72117		
	Satellite	116 Commerical Drive, Lowell, Arkansas 72745	1915 North Shiloh, Fayetteville, Arkansas 72704	
Comfort Systems USA (Baltimore), LLC	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	3601 Commerce Drive, Suite 114, Baltimore, Maryland 21227 2105 Emmorton Park Road, Suite 104, Edgewood, Maryland 21040	Comfort Systems USA (Baltimore), Inc. Comfort Systems USA Federal Services, LLC
Comfort Systems USA (Bristol), Inc.	Principal Place of Business	294 Blevins Blvd., Bristol, Virginia 24203-0757		Fred Hayes Heating & Air Conditioning Service Co. Comfort Systems USA New River (Bristol)
	Satellite	106 St. John Road, Salem, Virginia 24153		
Comfort Systems USA (CS1), Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057		
Comfort Systems USA Energy Services, Inc.	Principal Place of Business	7 Waterside Crossing, Windsor, Connecticut 06095	50 Baker Hollow Road Ste. A, Windsor, Connecticut 06095	Comfort Systems USA (Hartford), Inc.
	Satellite	650 S. Shackleford Road, #224, Little Rock, Arkansas 72211		
Comfort Systems USA G.P., Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd. Suite 500, Houston, Texas 77056	
Comfort Systems USA (Intermountain), Inc.	Principal Place of Business	2035 S. Milestone Drive, Salt Lake City, Utah 84104		Contract Services Salmon & Alder, LLC SA Associates, Inc. Martin Heating & Cooling
Comfort Systems USA (Kentucky), Inc.	Principal Place of Business	3405 Robards Court, Louisville, Kentucky 40218		Rademaker Corporation MELCO
	Satellite	1960 Louisville Road, Bldg 2 Unit, Bowling Green, Kentucky 42101	2400 Waterson Trail, Louisville, Kentucky 40299	

ENTITY NAME	ADDRESS TYPE	ADDRESS	PRIOR ADDRESSES	PRIOR NAMES & TRADE NAMES
Comfort Systems USA	Principal Place of	1057 Bill Tuck Highway, So Boston,	5171 Glenwood Avenue,	Comfort Systems USA

(MidAtlantic), LLC	Business	Virginia 24592	Suite 480, Raleigh, North Carolina 27612 6600 Northpark Blvd, Charlotte, North Carolina 28216	(Carolinas), Inc. Climate Control, Inc. Climate Control, LLC CCI Systems, Inc.
Comfort Systems USA (Midwest), LLC	Principal Place of Business	1450 SE 69th St. #57, Ankeny, Iowa 50021	9103 Swanson Blvd., Suite 7, Clive, Iowa 50325	
Comfort Systems USA National Accounts, LLC	Principal Place of Business	2655 Fortune Circle West, Suite E-F, Indianapolis, Indiana 46241		Accu-Temp, LLC
Comfort Systems USA (Ohio), Inc.	Principal Place of Business	7401 First Place, Oakwood Village, Ohio 44146	30300 Bruce Industrial Parkway, Solon, Ohio 44139	
	Satellite	2874 E. Kemper Road, Sharonville, Ohio 45241		
	Satellite	3080 South Tech Blvd, Miamisburg, Ohio 45342		
	Satellite	690 A Lakeview Plaza Blvd., Worthington, Oh 43085	670 K Lakeview Plaza Blvd., Worthington, Oh 43085	
Comfort Systems USA Puerto Rico, Inc.	Principal Place of Business	P.O. Box 4956 Ste 1134, Caguas, Puerto Rico 00726-4956 Road #1, KM 27.5; Int. Sector El Barranco; B. Rio Canas; Caguas, Puerto Rico 00725	Caguas, PR 00726-4956 Carr #1KM -23 HM.O B.O. , Rio Guaynbabo, PR 00970	James Air Conditioning Enterprises, Inc.
Comfort Systems USA (South Central), Inc.	Principal Place of Business	9745 Bent Oak Drive, Houston, Texas 77040		Accurate Air Systems, Inc. Atlas Comfort Systems USA Accurate Air Systems, L.P.
Comfort Systems USA (Southeast), Inc.	Principal Place of Business	435 Corday Street, Pensacola, Florida 32503		Comfort Systems USA (Atlanta), Inc. H & M Mechanical, Inc. Gulfside Mechanical, Inc. Neel Mechanical Contractors, Inc. Neel Mechanical, Inc. Batchelor's Mechanical Contractors

ENTITY NAME	ADDRESS TYPE	ADDRESS	PRIOR ADDRESSES	PRIOR NAMES & TRADE NAMES
	Satellite	250 Commercial Drive, Thomasville, Georgia 31757		
	Satellite	13040 W. US Hwy 84, Newton, Alabama 36352	255 Southgate Road, Dothan, Alabama 36301	
	Satellite	3835 Gordon John Drive, Mobile, Alabama 36693	4251 Alden Drive, Mobile, Alabama 36693	
	Satellite	4518 Val North Drive, Valdosta, Georgia 31602		
	Satellite	2275 Northwest Parkway Rd., Suite 105, Bldg.3, Marietta, Georgia 30067		
	Satellite	8633 Elm Fair Blvd, Tampa, Florida 33610		
	Satellite	7826 McElvey Road, Panama City Beach, Florida 32408	3000 Highway 77, Ste B, Lynn Haven, Florida 32444	
	Satellite	6074 Business Park Drive, Suite G, Columbus, Georgia 31909	3175 Williams Rd., Suite B, Columbus, Georgia 31909 2734 Ledo Road, Suite 10E, Albany, Georgia 31707	
	Satellite	309 James E. Williams Dr., #1, Byron, Georgia 31008		
Comfort Systems USA	Principal Place of	6875 W. Galveston, Chandler, Arizona		Conditioned Air

(Southwest), Inc.	Business	85226		Mechanical Services, Inc. The Bengtsson Group, Inc. Madera Mechanical Company Tri-City Mechanical, Inc.
	Satellite	4925 E. 29th, Tucson, Arizona 85711	3450 S. Broadmont Blvd., Suite 100, Tucson, AZ 85713 3250 S. Dodge Blvd #7, Tucson, Arizona 85713	
	Satellite	3275 West Ali Baba Lane, Suite 502, Las Vegas, Nevada 89118		
	Satellite	5046 Commercial Circle, Suite E, Concord, California 94520		

ENTITY NAME	ADDRESS TYPE	ADDRESS	PRIOR ADDRESSES	PRIOR NAMES & TRADE NAMES
	Satellite	1830 W. Copper St., Tucson, Arizona 85745		
	Satellite	3733 E. Atlanta Avenue, Phoenix, Arizona 85040		
	Satellite	4189 Santa Anna Avenue, Suite C, Ontario, California 91761		
Comfort Systems USA (Syracuse), Inc.	Principal Place of Business	6500 New Venture Gear Drive, East Syracuse, New York 13057		Armani Plumbing & Mechanical ABJ Fire Protection Company Woodcock & Associates, Inc. Woodcock & Armani Billone Mechanical Contractors
	Satellite	375 Averill Ave, Rochester, New York 14620		
Comfort Systems USA (Texas), L.P.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd. Suite 500, Houston, Texas 77056	
Comfort Systems USA (Twin Cities), Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd, Suite 500, Houston, TX 77056 2611 Hamiline Avenue North, Suite 150, Roseville, MN 55113	
Comfort Systems USA (Western Michigan), Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd. Suite 500, Houston, Texas 77056 421 North Lafayette St., Greenville, MI 48838	
CS53 Acquisition Corp.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd. Suite 500, Houston, Texas 77056	
Delcard Associates, LLC	Principal Place of Business	31 Blevins Drive, Suite A, Airport Industrial Park, New Castle, Delaware 19720		Delcard Heating & Air Conditioning, Inc.
Design Mechanical Incorporated	Principal Place of Business	168 CTC Blvd. Suite D, Louisville, Colorado 80027		Western Building Services, Inc. Breckenridge Mechanical, Inc.

ENTITY NAME	ADDRESS TYPE	ADDRESS	PRIOR ADDRESSES	PRIOR NAMES & TRADE NAMES
	Satellite	Glenwood Business Center, 282 Center	P.O. Box 3070, 210 Marmot	

		Drive, Glenwood Springs, CO 81601	Lane, Suite B5 & B8, Eagle, Colorado 81631-3070	
	Satellite	112 Huron Road, Breckenridge, Colorado 80424		
Dillingham & Smith Mechanical and Sheet Metal Contractors, LLC	Principal Place of Business	2311 Kline Avenue, Nashville, Tennessee 37211		
Eastern Heating & Cooling, Inc.	Principal Place of Business	880 Broadway, Albany, New York 12207-1316		
Eastern Refrigeration Co., Inc.	Principal Place of Business	880 Broadway, Albany, New York 12207-1316		
Granite State Holdings Company, Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd, Suite 500, Houston, Texas 77056	
Granite State Plumbing & Heating LLC	Principal Place of Business	10 N. Riverdale Road, Weare, New Hampshire 03281	26 Waterford Place, Gilford, New Hampshire 03249	
H&M Mechanical, Inc.	Principal Place of Business	135 Belcher Drive, Pelham, Alabama 35124 P.O. Box 36397 Birmingham, AL 35236		Comfort Systems USA (Atlanta), Inc. Helm Corporation MidSouth Controls LLC
	Satellite	3977 Valley East Industrial Drive, Birmingham, Alabama 35217		
Helm Corporation	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	168 CTC Blvd. Suite D, Louisville, Colorado 80027	
Hess Mechanical Corporation	Principal Place of Business	9600 Fallard Court, Upper Marlboro, Maryland 20772-6703		
Hudson River Heating and Cooling, Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	10 Airline Drive Suite 205, Albany, New York 12205	
H-VAC Supply, L.L.C.	Principal Place of Business	P.O. Box 4956, Suite 1134, Caguas, Puerto Rico 00726-4956		
Mechanical Technical Services, Inc.	Principal Place of Business	9601 Dessau Road, Bldg 3, Suite 303, Austin, Texas 78754		Mechanical Technical Services, L.P. MTECH
Merit Mechanical, Inc.	Principal Place of Business	9630 153rd Ave NE, Redmond, Washington 98052		

ENTITY NAME	ADDRESS TYPE	ADDRESS	PRIOR ADDRESSES	PRIOR NAMES & TRADE NAMES
MJ Mechanical Services, Inc.	Principal Place of Business	2040 Military Road, Tonawanda, New York 14150		JM State Refrigeration Vastola Heating & Air Conditioning
	Satellite	300 Fire Tower Drive, Tonawanda, New York 14150		
North American Mechanical, Inc.	Principal Place of Business	6135 North American Lane, De Forest, Wisconsin 53532		Masterson Plumbing
	Satellite	2600 W. College Avenue, Ste 4, Appleton, Wisconsin 54914		
Plant Services Incorporated	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd Suite 500, Houston, Texas 77056	
Quality Air Heating and Cooling, Inc.	Principal Place of Business	3395 Kraft Avenue, SE, Grand Rapids, Michigan 49512		Control Logic
	Satellite	2306 Winters Drive, Portage, Michigan 49002		
Riddleberger Brothers, Inc.	Principal Place of Busines	6127 S. Valley Pike, Mount Crawford, Virginia 22841		
S.I. Goldman Company, Inc.	Principal Place of Business	799 Bennett Drive, Longwood, Florida 32750		Comfort Systems USA (Florida), Inc.
	Satellite	320 Melody Lane, Casselberry, Florida 32707		
S.M. Lawrence Company, Inc.	Principal Place of Business	245 Preston Street, Jackson, Tennessee 38301		Comfort Systems USA (Tennessee), Inc.
	Satellite	157 Main St., Collierville, Tennessee 38017	667 Chaney Drive, Collierville, Tennessee 38017	
	Satellite	1187 Vultee Blvd., Nashville, Tennessee 37217		
SA Associates, Inc.	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd., Suite 500, Houston, TX 77056	Salmon & Alder Associates
Salmon & Alder, LLC	Principal Place of Business	675 Bering Drive, Suite 400, Houston, Texas 77057	777 Post Oak Blvd., Suite 500, Houston, TX 77056	
Seasonair, Inc.	Principal Place of	16001-A Industrial Drive, Gaithersburg,		

	Business	Maryland 20877		
Temp-Right Service, Inc.	Principal Place of Business	101 North Catlin, Missoula, Montana 59801		Carson Brothers

ENTITY NAME	ADDRESS TYPE	ADDRESS	PRIOR ADDRESSES	PRIOR NAMES & TRADE NAMES
	Satellite	1639 MT Highway 35, Kalispell, Montana 59901		
The Capital Refrigeration Company	Principal Place of Business	619 E. Jefferson Street, Montgomery, Alabama 36104		
	Satellite	480 North Dean Road-Unit G-3, Auburn, Alabama 36830		

SECTION 5.14 to SCHEDULE 5

Subsidiaries

ENTITY NAME	JURISDICTION OF ORGANIZATION	FORMATION DATE
ACI Mechanical, Inc.	Delaware	06/26/1998
ARC Comfort Systems USA, Inc.	Delaware	03/17/1998
Accu-Temp GP, Inc.	Delaware	05/21/1998
Accu-Temp LP, Inc.	Delaware	05/20/1998
Acorn Industrial, Inc.	North Carolina	01/03/1997
Air Systems Engineering, Inc.	Washington	05/18/1973
AirTemp, Inc.	Delaware	10/15/1998
Atlas-Accurate Holdings, L.L.C.	Delaware	12/28/1998
Atlas Comfort Systems USA, Inc.	California	07/31/2007
Atlas Comfort Systems USA, L.L.C.	Delaware	06/08/2007
Batchelor’s Mechanical Contractors, LLC	Alabama	03/16/1981
BCM Controls Corporation	Massachusetts	10/03/1984
California Comfort Systems USA, Inc.	California	05/18/1983
Comfort Systems USA (Arkansas), Inc.	Delaware	03/17/1998
Comfort Systems USA (Baltimore), LLC	Delaware	10/15/1998
Comfort Systems USA (Bristol), Inc.	Delaware	08/25/1997
Comfort Systems USA (CS1), Inc.	Delaware	12/14/2009
Comfort Systems USA Energy Services, Inc.	Delaware	08/25/1997
Comfort Systems USA G.P., Inc.	Delaware	08/12/1998
Comfort Systems USA (Intermountain), Inc.	Utah	05/06/1969
Comfort Systems USA (Kentucky), Inc.	Kentucky	02/10/1981
Comfort Systems USA (MidAtlantic), LLC	Virginia	01/01/2010
Comfort Systems USA (Midwest), LLC	Iowa	10/13/2009
Comfort Systems USA National Accounts, LLC	Indiana	07/28/1998
Comfort Systems USA (Ohio), Inc.	Ohio	10/10/1979
Comfort Systems USA Puerto Rico, Inc.	Puerto Rico	07/02/1991
Comfort Systems USA (South Central), Inc.	Delaware	5/24/2007
Comfort Systems USA (Southeast), Inc.	Delaware	03/24/1998
Comfort Systems USA (Southwest), Inc.	Arizona	12/23/1997
Comfort Systems USA (Syracuse), Inc.	New York	03/08/1965
Comfort Systems USA (Texas), L.P.	Texas	08/14/1998
Comfort Systems USA (Twin Cities), Inc.	Minnesota	08/01/2001
Comfort Systems USA (Western Michigan), Inc.	Michigan	07/21/1989
CS53 Acquisition Corp.	Delaware	01/26/1999
Delcard Associates, LLC	Delaware	06/23/2000
Design Mechanical Incorporated	Delaware	10/30/1997
Dillingham & Smith Mechanical and Sheet Metal Contractors, LLC	Tennessee	12/31/2003
Eastern Heating & Cooling, Inc.	New York	12/19/1988
Eastern Refrigeration Co., Inc.	New York	01/30/1990

ENTITY NAME	JURISDICTION OF ORGANIZATION	FORMATION DATE
Granite State Holdings Company, Inc.	Delaware	11/02/2005
Granite State Plumbing & Heating, LLC	Delaware	07/31/2001
H & M Mechanical, Inc.	Delaware	06/25/1998
Helm Corporation	Colorado	10/26/1972
Hess Mechanical Corporation	Delaware	03/17/1998
Hudson River Heating and Cooling, Inc.	Delaware	08/19/2005

H-VAC Supply, L.L.C.	Puerto Rico	10/18/2006
Mechanical Technical Services, Inc.	Delaware	05/24/2007
Merit Mechanical, Inc.	Washington	02/14/1984
MJ Mechanical Services, Inc.	Delaware	12/12/1997
North American Mechanical, Inc.	Delaware	03/17/1998
Plant Services Incorporated	Iowa	07/02/1986
Quality Air Heating and Cooling, Inc.	Michigan	09/10/1980
Riddleberger Brothers, Inc.	Virginia	12/22/1958
S.I. Goldman Company, Inc.	Florida	10/04/1976
S.M. Lawrence Company, Inc.	Tennessee	03/08/1973
SA Associates, Inc.	Utah	03/27/1984
Salmon & Alder, LLC	Utah	07/08/1996
Seasonair, Inc.	Maryland	10/28/1966
Temp-Right Service, Inc.	Delaware	09/25/1997
The Capital Refrigeration Company	Delaware	08/06/1998

SCHEDULE 7.1

Existing Indebtedness

Indebtedness Related to Previous Acquisitions:

Entity/Assets Acquired		Remaining Balance
ColonialWebb Contractors Company	$	23,269,129.00
ColonialWebb Contractors Company (Bonds)	$	2,700,000.00
Dillingham & Smith Mechanical and Sheet Metal Contractors, LLC	$	1,477,875.00
Acorn Industrial, Inc.	$	632,107.00
Total	**$**	**28,079,111.00**

SCHEDULE I
to
SECOND AMENDED AND RESTATED SECURITY AGREEMENT

Filing Jurisdictions

COMFORT SYSTEMS USA, INC. — SUBSIDIARIES

ENTITY NAME	DOMESTIC JURISDICTION	FORMATION DATE
Accu-Temp GP, Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	05/21/1998
Accu-Temp LP, Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	05/20/1998
ACI Mechanical, Inc. 3116 S. Duff Avenue Ames, IA 50010	Delaware	06/26/1998
Acorn Industrial, Inc. 7311 ACC Boulevard Raleigh, NC 27617	North Carolina	01/03/1997
Air Systems Engineering, Inc. 3602 South Pine Street Tacoma, WA 98409	Washington	05/18/1973
AIRTEMP, INC. 11 Wallace Avenue South Portland, ME 04106	Delaware	10/15/1998
ARC Comfort Systems USA, Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	03/17/1998
Atlas-Accurate Holdings, L.L.C. 675 Bering, Suite 400 Houston, TX 77057	Delaware	12/28/1998
Atlas Comfort Systems USA, Inc. 675 Bering, Suite 400 Houston, TX 77057	California	07/31/2007
Atlas Comfort Systems USA, L.L.C. 9745 Bent Oak Dr. Houston, TX 77040	Delaware	06/08/2007
Batchelor's Mechanical Contractors, LLC	Alabama	03/16/1981

15444 Industrial Drive Loxley, AL 36551		
BCM Controls Corporation 30 Commerce Way Woburn, MA 01801	Massachusetts	10/03/1984
California Comfort Systems USA, Inc. 9750 Distribution Avenue San Diego, CA 92121	California	05/18/1983
ColonialWebb Contractors Company 2820 Ackley Avenue Richmond, VA 23228	Virginia	02/18/1977
Comfort Systems USA (Arkansas), Inc. 4806 Rixey Road North Little Rock, AR 72117	Delaware	03/17/1998
Comfort Systems USA (Baltimore), LLC 675 Bering, Suite 400 Houston, TX 77057	Delaware	10/15/1998
Comfort Systems USA (Bristol), Inc. 294 Blevins Blvd. Bristol, VA 24202	Delaware	08/25/1997

ENTITY NAME	DOMESTIC JURISDICTION	FORMATION DATE
Comfort Systems USA (CS1), Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	12/14/2009
Comfort Systems USA Energy Services, Inc. 7 Waterside Crossing Windsor, CT 06095	Delaware	08/25/1997
Comfort Systems USA G.P., Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	08/12/1998
Comfort Systems USA (Intermountain), Inc. 2035 S. Milestone Drive Salt Lake City, UT 84104	Utah	05/06/1969
Comfort Systems USA (Kentucky), Inc. 3405 Robards Court Louisville, KY 40218	Kentucky	02/10/1981
Comfort Systems USA (MidAtlantic), LLC 1057 Bill Tuck Highway South Boston, VA 24592	Virginia	01/01/2010
Comfort Systems USA (Midwest), LLC 1450 SE 69th St., #57 Ankeny, IA 50021	Iowa	10/13/2009
Comfort Systems USA National Accounts, LLC 2655 Fortune Circle West, Suite E & F Indianapolis, IN 46241	Indiana	07/28/1998
Comfort Systems USA (Ohio), Inc. 7401 First Place Oakwood Village, OH 44146	Ohio	10/10/1979
Comfort Systems USA Puerto Rico, Inc. P.O. Box 4956, Suite 1134 Caguas, PR 00726	Puerto Rico	07/02/1991
Comfort Systems USA (South Central), Inc. 9745 Bent Oak Drive Houston, TX 77040	Delaware	05/24/2007
Comfort Systems USA (Southeast), Inc. 435 Corday Street Pensacola, FL 32503	Delaware	03/24/1998
Comfort Systems USA (Southwest), Inc. 6875 W. Galveston Chandler, AZ 85226	Arizona	12/23/1977
Comfort Systems USA (Syracuse), Inc. 6500 New Venture Gear Drive East Syracuse, NY 13057	New York	03/08/1965
Comfort Systems USA (Texas), L.P. 675 Bering, Suite 400 Houston, TX 77057	Texas	08/14/1998
Comfort Systems USA (Twin Cities), Inc. 675 Bering, Suite 400 Houston, TX 77057	Minnesota	08/01/2001
Comfort Systems USA (Western Michigan), Inc. 675 Bering, Suite 400 Houston, TX 77057	Michigan	07/21/1989

CS53 Acquisition Corporation 675 Bering, Suite 400 Houston, TX 77057	Delaware	01/26/1999
Delcard Associates, LLC 31 Blevins Drive, Suite A Airport Industrial Park New Castle, DE 19720	Delaware	06/23/2000

ENTITY NAME	DOMESTIC JURISDICTION	FORMATION DATE
Design Mechanical Incorporated 168 CTC Blvd., Suite #D Louisville, CO 80027	Delaware	10/30/1997
Dillingham & Smith Mechanical and Sheet Metal Contractors, LLC 2311 Kline Avenue Nashville, TN 37211	Tennessee	12/31/2003
Eastern Heating & Cooling, Inc. 880 Broadway Albany, NY 12207-1316	New York	12/19/1988
Eastern Refrigeration Co., Inc. 880 Broadway Albany, NY 12207-1316	New York	01/30/1990
Granite State Holdings Company, Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	11/02/2005
Granite State Plumbing & Heating, LLC 10 N. Riverdale Road Weare, NH 03281	Delaware	07/31/2001
H & M Mechanical, Inc. 135 Belcher Drive Pelham, AL 35124	Delaware	06/25/1998
Helm Corporation 675 Bering, Suite 400 Houston, TX 77057	Colorado	10/26/1972
Hess Mechanical Corporation 9600 Fallard Court Upper Marlboro, MD 20772-6703	Delaware	03/17/1998
Hudson River Heating and Cooling, Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	08/19/2005
H-VAC Supply, L.L.C. P.O. Box 4956, Suite 1134 Caguas, PR 00726	Puerto Rico	10/18/06
Mechanical Technical Services, Inc. 9601 Dessau Road, Bldg. 3, Suite 303 Austin, TX 78754	Delaware	05/24/2007
Merit Mechanical, Inc. 9630 153rd Ave NE Redmond, WA 98052	Washington	02/14/1984
MJ Mechanical Services, Inc. 2040 Military Road Tonawanda, NY 14150	Delaware	12/12/1997
North American Mechanical, Inc. 6135 North American Lane De Forest, WI 53532	Delaware	03/17/1998
Plant Services Incorporated 675 Bering, Suite 400 Houston, TX 77057	Iowa	07/02/1986
Quality Air Heating & Cooling, Inc. 3395 Kraft Avenue, SE Grand Rapids, MI 49512	Michigan	09/10/1980
Riddleberger Brothers, Inc. 6127 S. Valley Pike Mount Crawford, VA 22841	Virginia	12/22/1958
S.I. Goldman Company, Inc. 799 Bennett Drive Longwood, FL 32750	Florida	10/04/1976

ENTITY NAME	DOMESTIC JURISDICTION	FORMATION DATE
S.M. Lawrence Company, Inc. 245 Preston Street	Tennessee	03/08/1973

Jackson, TN 38301		
SA Associates, Inc. 675 Bering, Suite 400 Houston, TX 77057	Utah	03/27/1984
Salmon & Alder, L.L.C. 675 Bering, Suite 400 Houston, TX 77057	Utah	07/08/1996
Seasonair, Inc. 16001-A Industrial Drive Gaithersburg, MD 20877	Maryland	10/28/1966
Temp-Right Service, Inc. 101 North Catlin Missoula, MT 59801	Delaware	09/25/1997
The Capital Refrigeration Company 619 E. Jefferson Street Montgomery, AL 36104	Delaware	08/06/1998

SCHEDULE II
to
SECOND AMENDED AND RESTATED SECURITY AGREEMENT

Stock, Instruments, Documents, Material Chattel Paper and Material Letters of Credit Rights
(Other Than Equity and Instruments Listed on Schedule I to the Second Amended and Restated Pledge Agreement)

None

SCHEDULE III
to
SECOND AMENDED AND RESTATED SECURITY AGREEMENT

Schedule of Organizational Identification, Offices, Locations of Collateral and Records Concerning Collateral

Grantor Official Name, Address of Principal Place of Business and Location of Records of Collateral	State of Organization	Entity Type	Charter/ID Number	Prior Names & Trade Names
Accu-Temp GP, Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	Corporation	2898499	
Accu-Temp LP, Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	Corporation	2898748	
ACI Mechanical, Inc. 3116 S. Duff Avenue Ames, IA 50010	Delaware	Corporation	2913899	
Acorn Industrial, Inc. 7311 ACC Boulevard Raleigh, NC 27617	North Carolina	Corporation	0414387	
Air Systems Engineering, Inc. 3602 South Pine Street Tacoma, WA 98409	Washington	Corporation	600099211	
AIRTEMP, INC. 11 Wallace Avenue South Portland, ME 04106	Delaware	Corporation	2955773	
ARC Comfort Systems USA, Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	Corporation	2872674	
Atlas-Accurate Holdings, L.L.C. 675 Bering, Suite 400 Houston, TX 77057	Delaware	Limited Liability Company	2985409	
Atlas Comfort Systems USA, Inc. 675 Bering, Suite 400 Houston, TX 77057	California	Corporation	C3009313	
Atlas Comfort Systems USA, L.L.C. 9745 Bent Oak Dr. Houston, TX 77040	Delaware	Limited Liability Company	4357073	Atlas Air Conditioning Company, L.P.; Atlas Comfort Systems USA, L.P.; Atlas Comfort Systems USA; Atlas Comfort Systems Nevada; Comfort Systems USA Las Vegas
Batchelor's Mechanical Contractors, LLC 15444 Industrial Drive, Loxley, AL 36551	Alabama	Limited Liability Company	D/C 081 557	

BCM Controls Corporation 30 Commerce Way Woburn, MA 01801	Massachusetts	Corporation	042842193	

Grantor Official Name, Address of Principal Place of Business and Location of Records of Collateral	State of Organization	Entity Type	Charter/ID Number	Prior Names & Trade Names
California Comfort Systems USA, Inc. 9750 Distribution Avenue San Diego, CA 92121	California	Corporation	1201196	TCP Company
ColonialWebb Contractors Company 2820 Ackley Drive Richmond, VA 23228	Virginia	Corporation	0137512-0	Comfort Systems USA (Carolinas), LLC
Comfort Systems USA (Arkansas), Inc. 4806 Rixey Road North Little Rock, AR 72117	Delaware	Corporation	2872673	
Comfort Systems USA (Baltimore), LLC 3601 Commerce Drive, Suite 114 Baltimore, MD 21227	Delaware	Limited Liability Company	2955787	Comfort Systems USA (Baltimore), Inc.; Comfort Systems USA Federal Services, LLC
Comfort Systems USA (Bristol), Inc. 294 Blevins Blvd. Bristol, VA 24202	Delaware	Corporation	2783665	Fred Hayes Heating & Air Conditioning Service Co.; Comfort Systems USA New River (Bristol)
Comfort Systems USA (CS1), Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	Corporation	4764567	
Comfort Systems USA Energy Services, Inc. 7 Waterside Crossing Windsor, CT 06095	Delaware	Corporation	2788605	Comfort Systems USA (Hartford), Inc.
Comfort Systems USA G.P., Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	Corporation	2932812	
Comfort Systems USA (Intermountain), Inc. 2035 S. Milestone Drive Salt Lake City, UT 84104	Utah	Corporation	04982	Contract Services; Salmon & Alder, LLC; SA Associates, Inc.; Martin Heating & Cooling
Comfort Systems USA (Kentucky), Inc. 3405 Robards Court Louisville, KY 40218	Kentucky	Corporation	0153687	Rademaker Corporation; MELCO Industries, Inc.
Comfort Systems USA (MidAtlantic), LLC 1057 Bill Tuck Highway South Boston, VA 24592	Virginia	Limited Liability Company	S313150-7	Comfort Systems USA (Carolinas), Inc.; Climate Control, Inc.; Climate Control, LLC; CCI Systems, Inc.
Comfort Systems USA (Midwest), LLC 1450 SE 69th St., #57 Ankeny, IA 50021	Iowa	Limited Liability Company	387726	
Comfort Systems USA National Accounts, LLC 2655 Fortune Circle West, Suite E & F Indianapolis, IN 46241	Indiana	Limited Liability Company	1998071673	Accu-Temp, LLC
Comfort Systems USA (Ohio), Inc. 7401 First Place Oakwood Village, OH 44146	Ohio	Corporation	543269	

Grantor Official Name, Address of Principal Place of Business and Location of Records of Collateral	State of Organization	Entity Type	Charter/ID Number	Prior Names & Trade Names
Comfort Systems USA Puerto Rico, Inc. P.O. Box 4956, Suite 1134 Caguas, PR 00726	Puerto Rico	Corporation	78,907	James Air Conditioning Enterprises, Inc.
Comfort Systems USA (South Central), Inc. 9745 Bent Oak Drive Houston, TX 77040	Delaware	Corporation	4357078	Atlas Comfort Systems USA; Accurate Air Systems, L.P.; Accurate Air Systems, Inc.
Comfort Systems USA (Southeast), Inc. 435 Corday Street Pensacola, FL 32503	Delaware	Corporation	2875705	Comfort Systems USA (Atlanta), Inc.; H & M Mechanical, Inc.; Gulfside Mechanical, Inc.; Neel Mechanical Contractors, Inc.; Neel Mechanical, Inc.; Batchelor's Mechanical Contractors
Comfort Systems USA (Southwest), Inc. 6875 W. Galveston Chandler, AZ 85226	Arizona	Corporation	113419	Conditioned Air Mechanical Services, Inc.; The Bengtsson Group, Inc.; Tri-City Mechanical, Inc.; Madera Mechanical Company

Comfort Systems USA (Syracuse), Inc. 6500 New Venture Gear Drive East Syracuse, NY 13057	New York	Corporation	N/A	Armani Plumbing & Mechanical; ABJ Fire Protection Company; Woodcock & Associates, Inc.; Woodcock & Armani; Billone Mechanical Contractors
Comfort Systems USA (Texas), L.P. 675 Bering, Suite 400 Houston, TX 77057	Texas	Limited Partnership	00111578-10	
Comfort Systems USA (Twin Cities), Inc. 675 Bering, Suite 400 Houston, TX 77057	Minnesota	Corporation	2P-1011	
Comfort Systems USA (Western Michigan), Inc. 675 Bering, Suite 400 Houston, TX 77057	Michigan	Corporation	341-042	
CS53 Acquisition Corporation 675 Bering, Suite 400 Houston, TX 77057	Delaware	Corporation	2997337	
Delcard Associates, LLC 31 Blevins Drive, Suite A Airport Industrial Park New Castle, DE 19720	Delaware	Limited Liability Company	3250401	Delcard Heating & Air Conditioning, Inc.
Design Mechanical Incorporated 168 CTC Blvd., Suite #D Louisville, CO 80027	Delaware	Corporation	2814928	Western Building Services, Inc.; Breckenridge Mechanical, Inc.
Dillingham & Smith Mechanical and Sheet Metal Contractors, LLC 2311 Kline Avenue Nashville, TN 37211	Tennessee	Limited Liability Company	000460366	

Grantor Official Name, Address of Principal Place of Business and Location of Records of Collateral	State of Organization	Entity Type	Charter/ID Number	Prior Names & Trade Names
Eastern Heating & Cooling, Inc. 880 Broadway Albany, NY 12207-1316	New York	Corporation	N/A	
Eastern Refrigeration Co., Inc. 880 Broadway Albany, NY 12207-1316	New York	Corporation	N/A	
Granite State Holdings Company, Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	Corporation	4054936	
Granite State Plumbing & Heating, LLC 10 N. Riverdale Road Weare, NH 03281	Delaware	Limited Liability Company	3420719	
H & M Mechanical, Inc. 135 Belcher Drive Pelham, AL 35124	Delaware	Corporation	2913102	Comfort Systems USA (Atlanta), Inc.; Helm Corporation; MidSouth Controls LLC
Helm Corporation 675 Bering, Suite 400 Houston, TX 77057	Colorado	Corporation	19871249912	
Hess Mechanical Corporation 9600 Fallard Court Upper Marlboro, MD 20772-6703	Delaware	Corporation	2872661	
Hudson River Heating and Cooling, Inc. 675 Bering, Suite 400 Houston, TX 77057	Delaware	Corporation	4018441	
H-VAC Supply, L.L.C. P.O. Box 4956, Suite 1134 Caguas, PR 00726	Puerto Rico	Limited Liability Company	423	
Mechanical Technical Services, Inc. 9601 Dessau Road, Bldg. 3, Suite 303 Austin, TX 78754	Delaware	Corporation	4367814	Mechanical Technical Services, L.P.; MTECH
Merit Mechanical, Inc. 9630 153rd Ave NE Redmond, WA 98052	Washington	Corporation	600517946	
MJ Mechanical Services, Inc. 2040 Military Road Tonawanda, NY 14150	Delaware	Corporation	2832395	JM State Refrigeration; Vastola Heating & Air Conditioning
North American Mechanical, Inc. 6135 North American Lane De Forest, WI 53532	Delaware	Corporation	2872663	Masterson Plumbing
Plant Services Incorporated 675 Bering, Suite 400 Houston, TX 77057	Iowa	Corporation	109676	

Grantor Official Name, Address of Principal Place of Business and Location of Records of Collateral	State of Organization	Entity Type	Charter/ID Number	Prior Names & Trade Names
Quality Air Heating & Cooling, Inc. 3395 Kraft Avenue, SE Grand Rapids, MI 49512	Michigan	Corporation	233-444	Control Logic
Riddleberger Brothers, Inc. 6127 S. Valley Pike Mount Crawford, VA 22841	Virginia	Corporation	0081890	
S.I. Goldman Company, Inc. 799 Bennett Drive Longwood, FL 32750	Florida	Corporation	515751	Comfort Systems USA (Florida), Inc.
S.M. Lawrence Company, Inc. 245 Preston Street Jackson, TN 38301	Tennessee	Corporation	00101230	Comfort Systems USA (Tennessee), Inc.
SA Associates, Inc. 675 Bering, Suite 400 Houston, TX 77057	Utah	Corporation	108921	Salmon & Alder Associates
Salmon & Alder, L.L.C. 675 Bering, Suite 400 Houston, TX 77057	Utah	Limited Liability Company	LC014499	
Seasonair, Inc. 16001-A Industrial Drive Gaithersburg, MD 20877	Maryland	Corporation	D0193599	
Temp-Right Service, Inc. 101 North Catlin Missoula, MT 59801	Delaware	Corporation	2800213	Carson Brothers
The Capital Refrigeration Company 619 E. Jefferson Street Montgomery, AL 36104	Delaware	Corporation	2930477	

Names of Persons from whom a Grantor has acquired assets during the past two (2) years, other than assets acquired in the ordinary course of business:

TCP Company, Inc.: assets acquired by California Comfort Systems USA, Inc. (7/11/11)
MELCO Industries, Inc.: assets acquired by Comfort Systems USA (Kentucky), Inc. (1/3/11)
Masterson Plumbing, LLC: assets acquired by North American Mechanical, Inc. (11/1/10)
Breckenridge Mechanical, Inc.: assets acquired by Design Mechanical, Inc. (8/31/10)
Billone Mechanical Contractors, Inc.: assets acquired by Comfort Systems USA (Syracuse), Inc. (12/31/2009)
Lolo Plumbing & Heating: assets acquired by Temp-Right Service, Inc. (11/11/2009)
Rademaker Corporation: assets acquired by Comfort Systems USA (Kentucky), Inc. (11/1/2009)

SCHEDULE I
to
SECOND AMENDED AND RESTATED PLEDGE AGREEMENT

Part A
Pledged Shares

	Pledged Entity	Class of Common Stock	Stock Certificate Number(s)	Number of Shares	Pledgor(s)/Percentage of Outstanding Shares
1	Accu-Temp GP, Inc.	Common	CS1	100	100 % of shares owned by Borrower
2	Accu-Temp LP, Inc.	Common	CS1	100	100 % of shares owned by Borrower
3	ACI Mechanical, Inc.	Common	CS1	100	100 % of shares owned by Borrower
4	Acorn Industrial, Inc.	Common	CS1	100	100 % of shares owned by Comfort Systems USA (CS1), Inc.
5	Air Systems Engineering, Inc.	Common	CS1	100	100 % of shares owned by Borrower
6	AIRTEMP, INC.	Common	CS1	100	100 % of shares owned by Borrower
7	ARC Comfort Systems USA, Inc.	Common	CS1	100	100 % of shares owned by Borrower
8	Atlas-Accurate Holdings, L.L.C.	N/A	N/A	N/A	100% member interest — CS53 Acquisition Corp.
9	Atlas Comfort Systems USA, Inc.	Common	CS1	100	100 % of shares owned by Borrower
10	Atlas Comfort Systems USA, L.L.C.	N/A	N/A	N/A	100% member interest — Hess Mechanical Corporation
11	Batchelor's Mechanical Contractors, LLC	N/A	N/A	N/A	100 % of shares owned by H & M Mechanical, Inc.
12	BCM Controls Corporation	Common	CS1	100	100 % of shares owned by Borrower
13	California Comfort Systems USA, Inc.	Common	CS1	100	100 % of shares owned by Borrower
14	ColonialWebb Contractors Company	Common	CS1	100	100% of shares owned by Borrower
15	Comfort Systems USA (Arkansas), Inc.	Common	CS1	100	100 % of shares owned by Borrower
16	Comfort Systems USA (Baltimore), LLC	N/A	N/A	N/A	100 % member interest — Hess Mechanical Corporation
17	Comfort Systems USA (Bristol), Inc.	Common	CS1	100	100 % of shares owned by Borrower
18	Comfort Systems USA (CS1), Inc.	Common	CS1	100	100 % of shares owned by Borrower
19	Comfort Systems USA Energy Services, Inc.	Common	CS1	100	100 % of shares owned by Borrower

20	Comfort Systems USA G.P., Inc.	Common	CS1	100	100 % of shares owned by Borrower
21	Comfort Systems USA (Intermountain), Inc.	Common	CS1	100	100 % of shares owned by Borrower
22	Comfort Systems USA (Kentucky), Inc.	Common	CS1	N/A	100% of shares owned by Borrower
23	Comfort Systems USA (MidAtlantic), LLC	N/A	N/A	N/A	100% member interest — Riddleberger Brothers, Inc.
24	Comfort Systems USA (Midwest), LLC	N/A	N/A	N/A	100% member interest — ACI Mechanical, Inc.
25	Comfort Systems USA National Accounts, LLC	N/A	N/A	N/A	1% member interest — Accu-Temp GP, Inc. 99% member interest — Accu-Temp LP, Inc.
26	Comfort Systems USA (Ohio), Inc.	Common	CS1	100	100 % of shares owned by Borrower
27	Comfort Systems USA Puerto Rico, Inc.	Common	CS1	100	100 % of shares owned by Borrower
28	Comfort Systems USA (South Central), Inc.	Common	CS1	100	100 % of shares owned by Borrower
29	Comfort Systems USA (Southeast), Inc.	Common	CS1	100	100 % of shares owned by Borrower
30	Comfort Systems USA (Southwest), Inc.	Common	CS1	100	100 % of shares owned by Borrower
31	Comfort Systems USA (Syracuse), Inc.	Common	CS1	100	100 % of shares owned by Borrower
32	Comfort Systems USA (Texas), L.P.	N/A	N/A	N/A	1% general partner interest — Comfort Systems USA GP, Inc. 99% limited partner interest — Comfort Systems USA (Southwest), Inc.
33	Comfort Systems USA (Twin Cities), Inc.	Common	CS1	100	100 % of shares owned by Borrower
34	Comfort Systems USA (Western Michigan), Inc.	Common	CS1		100 % of shares owned by Borrower
35	CS53 Acquisition Corporation	Common	CS1	100	100 % of shares owned by Borrower
36	Delcard Associates, LLC	N/A	N/A	N/A	100 % of shares owned by Seasonair, Inc.
37	Design Mechanical Incorporated	Common	CS1	100	100 % of shares owned by Borrower
38	Dillingham & Smith Mechanical and Sheet Metal Contractors, LLC	N/A	N/A	N/A	100% member interest — S.M. Lawrence Company, Inc.
39	Eastern Heating & Cooling, Inc.	Common	CS1	100	100 % of shares owned by Borrower
40	Eastern Refrigeration Co., Inc.	Common	CS1	100	100 % of shares owned by Borrower
41	Granite State Holdings Company, Inc.	Common	CS1	100	100 % of shares owned by Borrower
42	Granite State Plumbing & Heating, LLC	N/A	N/A	N/A	100% membership interest — Granite State Holdings Company, Inc.
43	H & M Mechanical, Inc.	Common	CS1	100	100 % of shares owned by Borrower
44	Helm Corporation	Common	CS1	100	100 % of shares owned by Borrower
45	Hess Mechanical Corporation	Common	CS1	100	100 % of shares owned by Borrower
46	Hudson River Heating and Cooling, Inc.	Common	CS1	100	100 % of shares owned by Borrower
47	H-VAC Supply, L.L.C.	N/A	N/A	N/A	100% member interest — Comfort Systems USA Puerto Rico, Inc.
48	Mechanical Technical Services, Inc.	Common	CS1	100	100 % of shares owned by Borrower
49	Merit Mechanical, Inc.	Common	CS1	100	100 % of shares owned by Borrower
50	MJ Mechanical Services, Inc.	Common	CS1	100	100 % of shares owned by Borrower
51	North American Mechanical, Inc.	Common	CS1	100	100 % of shares owned by Borrower
52	Plant Services Incorporated	Common	CS1	100	100 % of shares owned by ACI Mechanical, Inc.
53	Quality Air Heating & Cooling, Inc.	Common	CS1	100	100 % of shares owned by Borrower
54	Riddleberger Brothers, Inc.	Common	CS1	100	100 % of shares owned by Borrower
55	S.I. Goldman Company, Inc.	Common	CS1	750	100 % of shares owned by Borrower
56	S.M. Lawrence Company, Inc.	Common	CS1	100	100 % of shares owned by Borrower
57	SA Associates, Inc.	Common	CS1	100	100 % of shares owned by Borrower
58	Salmon & Alder, L.L.C.	N/A	N/A	N/A	100% membership interest — SA Associates, Inc.
59	Seasonair, Inc.	Common	CS1	1,544,000	100 % of shares owned by Borrower
60	Temp-Right Service, Inc.	Common	CS1	100	100 % of shares owned by Borrower
61	The Capital Refrigeration Company	Common	CS1	100	100 % of shares owned by Borrower

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Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a)/15d-14(a)

I, William F. Murdy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Comfort Systems USA, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2011

/s/ WILLIAM F. MURDY

William F. Murdy
Chairman of the Board and Chief Executive Officer

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Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER Pursuant to Rule 13a-14(a)/15d-14(a)

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Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Rule 13a-14(a)/15d-14(a)

I, William George, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Comfort Systems USA, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2011

/s/ WILLIAM GEORGE

William George
Executive Vice President and Chief Financial Officer

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Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER Pursuant to Rule 13a-14(a)/15d-14(a)

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Exhibit 32.1

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

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* A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

In connection with the Quarterly Report of Comfort Systems USA, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William F. Murdy, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 7, 2011

/s/ WILLIAM F. MURDY

William F. Murdy
Chairman of the Board and Chief Executive Officer

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Exhibit 32.1

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

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Exhibit 32.2

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

---

* A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

In connection with the Quarterly Report of Comfort Systems USA, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William George, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 7, 2011

/s/ WILLIAM GEORGE

William George
Executive Vice President and Chief Financial Officer

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Exhibit 32.2

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