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

FORM 8-K/A
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): November 15, 1998
Commission File Number: 1-13011

COMFORT SYSTEMS USA, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	76-0484996
(State or other jurisdiction of incorporation)	(I.R.S. Employer Indentification No.)

777 POST OAK BLVD.
SUITE 500
HOUSTON, TEXAS 77056
(Address of Principal Executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 830-9600

COMFORT SYSTEMS USA, INC.
FINANCIAL STATEMENTS AND EXHIBITS

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(A) FINANCIAL STATEMENTS OF THE BUSINESS ACQUIRED

This Form 8-K/A is being filed to include in the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on November 15, 1998 the financial statements and pro forma financial information required by Item 7.

The required financial statements of the business acquired by the Registrant are included as an exhibit to the Form 8-K/A.

(B) PRO FORMA FINANCIAL INFORMATION

The required pro forma financial information of the Registrant is included as an exhibit to this
Form 8-K/A.

(C) EXHIBITS

COMFORT SYSTEMS USA, INC.
INTRODUCTION TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS
BASIS OF PRESENTATION

Comfort Systems USA, Inc. ("Comfort Systems" and collectively with its subsidiaries, the "Company") was founded in 1996 to become a leading national provider of HVAC services focusing primarily on commercial and industrial markets. On July 2, 1997, Comfort Systems completed the initial public offering (the "IPO") of its common stock (the "Common Stock") and simultaneously acquired in separate concurrent transactions, twelve companies (collectively referred to as the "Founding Companies"). For financial statement purposes, Comfort Systems has been identified as the accounting acquirer. Subsequent to the IPO, and through September 30, 1998, the Company acquired 70 HVAC and related businesses. Of the 70 acquisitions, 17 were accounted for as poolings-of-interests (the "Pooled Companies") and 53 were accounted for as purchases (the "Purchased Companies").

On November 15, 1998, Comfort Systems acquired Shambaugh & Son, Inc. ("S&S"). Pursuant to the rules of the Securities and Exchange Commission, S&S is considered a "significant subsidiary."

The following unaudited pro forma combined balance sheet reflects the acquisition of S&S as if it had occurred on September 30, 1998. The following unaudited pro forma combined statement of operations presents the Company, restated for the Pooled Companies, and the restatement of S&S, the Founding Companies and Purchased Companies as if the acquisitions by the Company occurred on January 1, 1997.

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

The pro forma adjustments are based on estimates, available information and certain assumptions and may be revised, as additional information becomes available. The pro forma financial data do not purport to represent what Comfort Systems' financial position or results of operations would actually have been if such transactions in fact had occurred on those dates and are not necessarily representative of the Comfort Systems' financial position or results of operations for any future period. Since the Company, S&S, the Founding Companies, Purchased Companies and Pooled Companies were not under common control or management, historical combined results may not be comparable to, or indicative of, future performance. The unaudited pro forma combined financial statements should be read in conjunction with the other financial statements and notes thereto included elsewhere in this Form 8-K/A.

COMFORT SYSTEMS USA, INC.
PRO FORMA COMBINED BALANCE SHEET
SEPTEMBER 30, 1998
(IN THOUSANDS)
(UNAUDITED)

	COMFORT SYSTEMS	S&S	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 9,687	$ 1,861	$ (500)	$ 11,048
Marketable securities	--	6,808	(3,565)	3,243
Accounts receivable	194,605	35,864	--	230,469
Less -- Allowance	3,526	455	--	3,981
Accounts receivable, net	191,079	35,409	--	226,488
Other receivables	2,360	246	(194)	2,412
Inventories	13,209	1,595	--	14,804
Prepaid expenses and other	10,602	363	1,314	12,279
Costs and estimated earnings in excess of billings	26,595	5,044	--	31,639
Total current assets	253,532	51,326	(2,945)	301,913
PROPERTY AND EQUIPMENT, net	26,054	7,230	(3,360)	29,924
GOODWILL, net	310,452	104	75,264	385,820
OTHER NONCURRENT ASSETS	10,611	4,713	(1,894)	13,430
Total assets	$ 600,649	$ 63,373	$ 67,065	$731,087
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current maturities of long-term debt	$ 6,821	$ 562	$ (384)	$ 6,999
Accounts payable	56,728	11,402	--	68,130
Accrued compensation and benefits	21,280	4,490	--	25,770
Billings in excess of costs and estimated earnings	31,220	9,700	--	40,920
Income taxes payable	3,259	--	--	3,259
Other current liabilities	16,856	2,177	40	19,073
Total current liabilities	136,164	28,331	(344)	164,151
DEFERRED INCOME TAXES	889	--	203	1,092
LONG-TERM DEBT, NET OF CURRENT MATURITIES	127,969	2,532	85,833	216,334
OTHER LONG-TERM LIABILITIES	1,309	--	--	1,309
Total liabilities	266,331	30,863	85,692	382,886
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY:				
Preferred stock	--	--	--	--
Common stock	349	3,185	(3,169)	365
Additional paid-in capital	300,644	--	13,867	314,511
Retained earnings	33,325	29,325	(29,325)	33,325
Total stockholders' equity	334,318	32,510	(18,627)	348,201
Total liabilities and stockholders' equity	$ 600,649	$ 63,373	$ 67,065	$731,087

The accompanying notes are an integral part of this pro forma combined financial statement.

COMFORT SYSTEMS USA, INC.
PRO FORMA COMBINED STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 1998
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	COMFORT SYSTEMS	PURCHASED COMPANIES THROUGH ACQUISITION DATE	S&S	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
REVENUES	$559,339	$ 133,407	$ 141,209	$ --	833,955
COST OF SERVICES	423,223	112,193	113,773	--	649,189
Gross profit	136,116	21,214	27,436	--	184,766
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	87,609	21,448	18,469	(3,876)	123,650
GOODWILL AMORTIZATION	4,642	3	3	2,870	7,518
Operating income (loss)	43,865	(237)	8,964	1006	53,598
OTHER INCOME (EXPENSE):					
Interest expense, net	(3,731)	(42)	(97)	(6,189)	(10,059)
Other	156	(419)	182	194	113
Other income (expense)	(3,575)	(461)	85	(5,995)	(9,946)
INCOME (LOSS) BEFORE INCOME TAXES	40,290	(698)	9,049	(4,989)	43,652
PROVISION (BENEFIT) FOR INCOME TAXES	17,687	(305)	130	1,944	19,456
NET INCOME (LOSS)	$ 22,603	$ (393)	$ 8,919	$(6,933)	$ 24,196
NET INCOME PER SHARE:					
Basic	$ .71				$ .67
Diluted	$ .70				$ .67
SHARES USED IN COMPUTING NET INCOME PER SHARE:					
Basic	31,689				35,893
Diluted	32,179				36,383

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

COMFORT SYSTEMS USA, INC.
PRO FORMA COMBINED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	COMBINED SYSTEMS	COMBINED FOUNDING COMPANIES THROUGH JUNE 30, 1997	PURCHASED COMPANIES THROUGH ACQUISITION DATE	S&S	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
REVENUES	$ 297,649	$86,900	$ 442,581	$ 157,535	$ --	$ 984,665
COST OF SERVICES	220,418	62,395	350,449	121,387	--	754,649
Gross profit	77,231	24,505	92,132	36,148	--	230,016
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	68,775	17,430	71,670	24,299	(35,323)	146,851
GOODWILL AMORTIZATION	1,851	--	--	3	7,967	9,821
Operating income	6,605	7,075	20,462	11,846	27,356	73,344
OTHER INCOME (EXPENSE):						
Interest expense, net	(146)	(236)	14	(45)	(12,446)	(12,859)
Other	(839)	227	682	420	(135)	355
Other income (expense)	(985)	(9)	696	375	(12,581)	(12,504)
INCOME BEFORE INCOME TAXES	5,620	7,066	21,158	12,221	14,775	60,840
PROVISION FOR INCOME TAXES	7,743	537	1,193	107	16,265	25,845
NET INCOME (LOSS)	$ (2,123)	$ 6,529	$ 19,965	$ 12,114	$ (1,490)	$ 34,995
NET INCOME (LOSS) PER SHARE:						
Basic	$ (.11)					$ 1.02
Diluted (Reflects the interest effect of $1,610 related to the assumed conversion of outstanding convertible notes)	$ (.11)					$ 1.00
SHARES USED IN COMPUTING NET INCOME (LOSS) PER SHARE:						
Basic	18,953					34,238
Diluted	18,953					36,671

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

COMFORT SYSTEMS USA, INC.
NOTES TO PRO FORMA COMBINED FINANCIAL STATEMENTS
(UNAUDITED)

1. GENERAL:

Comfort Systems USA, Inc. ("Comfort Systems" and collectively with its subsidiaries, the "Company") was founded in 1996 to become a leading national provider of HVAC services focusing primarily on commercial and industrial markets. On July 2, 1997, Comfort Systems completed the initial public offering (the "IPO") of its common stock (the "Common Stock") and simultaneously acquired in separate concurrent transactions, twelve companies (collectively referred to as the "Founding Companies"). For financial statement purposes, Comfort Systems has been identified as the accounting acquirer. Subsequent to IPO, and through September 30, 1998, the Company acquired 70 HVAC and related businesses. Of the 70 acquisitions, 17 were accounted for as poolings-of-interests and were restated (the "Pooled Companies") and 53 were accounted for as purchases (the "Purchased Companies").

On November 15, 1998, Comfort Systems acquired Shambaugh & Son, Inc. ("S&S"). Pursuant to the rules of the Securities and Exchange Commission, S&S is considered a "significant subsidiary."

2. BUSINESS COMBINATIONS:

The accompanying pro forma combined balance sheet as of September 30, 1998 includes allocations of the respective purchase prices to the assets acquired and liabilities assumed based on preliminary estimates of fair value and is subject to adjustment. The preliminary allocations resulted in $385.8 million of total pro forma combined goodwill including, $75.3 million of goodwill related to S&S, which represents the excess of purchase price over the estimated fair value of the net assets acquired for S&S, the Founding Companies and the Purchased Companies.

3. UNAUDITED PRO FORMA COMBINED BALANCE SHEET ADJUSTMENTS:

(a) Records the S Corporation distributions of S&S for $6.3 million which consisted primarily of $3.6 million of marketable securities, $3.4 million of property and equipment, $0.9 million of cash surrender value of key man life insurance policies and $1.1 million of notes receivables, offset by the reduction of certain notes payable of $2.7 million related to the property and equipment distributed.

(b) Records the estimated purchase price of S&S by Comfort Systems consisting of $58.4 million in cash, $29.8 million in principal amount of convertible subordinated notes, and approximately $0.5 million of costs related to the acquisition, and an aggregate of 1,610,889 shares of Common Stock. The cash portion of the purchase price was funded by borrowings.

(c) Records deferred income tax assets and liabilities.

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

	ADJUSTMENT (A)	ADJUSTMENT (B)	ADJUSTMENT (C)	PRO FORMA ADJUSTMENT
ASSETS				
Cash	$ --	$ (500)	$ --	$ (500)
Marketable securities	(3,565)	--	--	(3,565)
Other receivables	(194)	--	--	(194)
Prepaid expenses and other	(9)	--	1,323	1,314
Total current assets	(3,768)	(500)	1,323	(2,945)
Property and equipment, net	(3,360)	--	--	(3,360)
Goodwill, net	--	76,344	(1,080)	75,264
Other noncurrent assets	(1,894)	--	--	(1,894)
Total assets	$ (9,022)	$ 75,844	$ 243	$ 67,065
LIABILITIES AND STOCKHOLDER'S EQUITY				
Current maturities of long-term debt	$ (384)	$ --	$ --	$ (384)
Other current liabilities	--	--	40	40
Total current liabilities	(384)	--	40	(344)
Deferred income taxes	--	--	203	203
Long-term debt, net of current maturities	(2,337)	88,170	--	85,833
Total liabilities	(2,721)	88,170	243	85,692
Stockholders' equity:				
Common stock	--	(3,169)	--	(3,169)
Additional paid-in capital	--	13,867	--	13,867
Retained earnings	(6,301)	(23,024)	--	(29,325)
Total stockholders' equity	(6,301)	(12,326)	--	(18,627)
Total liabilities and stockholders' equity	$ (9,022)	$ 75,844	$ 243	$ 67,065

4. UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS ADJUSTMENTS:

NINE MONTHS ENDED SEPTEMBER 30, 1998

(a) Reflects (i) the reductions in salaries, bonuses and benefits to the former owners of S&S, the Founding, Pooled and Purchased Companies, which they contractually agreed would take effect as of their respective acquisition dates; and (ii) the reversal of $0.5 million of acquisition costs related to the Pooled Companies.

(b) Reflects the incremental amortization of goodwill using a 40-year life.

(c) Reflects the incremental interest expense on borrowings of $200.5 million that would have been necessary to fund S Corporation distributions, cash consideration and notes issued for acquisitions subsequent to the IPO, including $58.4 million of cash consideration and $29.8 million of notes issued related to S&S.

(d) Reflects the incremental provision for federal and state income taxes relating to the other statements of operations adjustments and for income taxes on S&S, Purchased and Founding Companies, and Pooled Companies which were C Corporations.

(e) Reflects the reversal of gains and losses from sales of fixed assets related to Purchased and Founding Companies.

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

	ADJUSTMENT					PRO FORMA
	(A)	(B)	(C)	(D)	(E)	ADJUSTMENTS
SELLING, GENERAL AND ADMINISTRATION EXPENSES	$ (3,876)	$ --	$ --	$ --	$ --	$ (3,876)
GOODWILL AMORTIZATION	--	2,870	--	--	--	2,870
OPERATING INCOME	3,876	(2,870)	--	--	--	1006
OTHER INCOME (EXPENSE):						
Interest expense	--	--	(6,189)	--	--	(6,189)
Other	--	--	--	--	194	194
INCOME (LOSS) BEFORE INCOME TAXES	3,876	(2,870)	(6,189)	--	194	(4,989)
PROVISION FOR INCOME TAXES	--	--	--	1,944	--	1,944
NET INCOME (LOSS)	$ 3,876	$ (2,870)	$ (6,189)	$ (1,944)	$ 194	$ (6,933)

YEAR ENDED DECEMBER 31, 1997

(a) Reflects (i) the reductions in salaries, bonuses and benefits to the former owners of S&S, the Founding, Pooled and Purchased Companies, which they contractually agreed would take effect as of their respective acquisition dates; (ii) the reduction in rent expense of $0.1 million; and (iii) the reversal of $0.6 million of acquisition costs related to the Pooled Companies.

(b) Reflects the incremental amortization of goodwill using a 40-year life.

(c) Reflects the incremental interest expense on borrowings of $200.5 million, net of interest incurred on distributed notes, that would have been necessary to fund S Corporation distributions, cash consideration and notes issued for the acquisitions subsequent to the IPO, including $58.4 million of cash consideration and $29.8 million of notes issued related to S&S.

(d) Reflects the incremental provision for federal and state income taxes relating to the other statements of operations adjustments and for income taxes on S&S, Purchased and Founding Companies, and Pooled Companies which were C Corporations.

(e) Reflects the reduction in compensation expense related to the non-recurring, non-cash compensation charge of $11.6 million recorded by Comfort Systems in the first quarter of 1997 related to Common Stock issued to management of and consultants to the Company, offset by the increase in compensation expense to reflect the ongoing salaries received by corporate management of Comfort Systems of $0.4 million as though those salaries were being paid prior to the IPO. The issuance of Common Stock was made in contemplation of the IPO and acquisition of the Founding Companies, and no future issuances of this nature are anticipated.

(f) Reflects the reversal of gains and losses from sales of fixed assets related to Purchased and Founding Companies.

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

	ADJUSTMENT						PRO FORMA
	(A)	(B)	(C)	(D)	(E)	(F)	ADJUSTMENTS
SELLING, GENERAL AND ADMINISTRATION EXPENSES	$ (24,197)	$ --	$ --	$ --	$ (11,126)	$ --	(35,323)
GOODWILL AMORTIZATION	--	7,967	--	--	--	--	7,967
OPERATING INCOME	24,197	(7,967)	--	--	11,126	--	27,356
OTHER INCOME (EXPENSE):							
Interest expense	--	--	(12,446)	--	--	--	(12,446)
Other	--	--	--	--	--	(135)	(135)
INCOME (LOSS) BEFORE INCOME TAXES	24,197	(7,967)	(12,446)	--	11,126	(135)	14,775
PROVISION FOR INCOME TAXES	--	--	--	16,265	--	--	16,265
NET INCOME (LOSS)	$ 24,197	$ (7,967)	$ (12,446)	$ (16,265)	$ 11,126	$ (135)	$ (1,490)

5. EARNINGS PER SHARE:

The following table summarizes weighted average shares outstanding (in thousands):

	YEAR ENDED DECEMBER 31, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1998
Shares issued in connection with the acquisitions of the Founding Companies	9,721	9,721
Shares sold pursuant to the Offering	6,100	6,100
Shares issued to Notre Capital Ventures II, L.L.C., Comfort Systems' management and consultants	4,240	4,240
Shares issued in connection with the acquisitions of the Pooled Companies	5,946	5,946
Shares sold in connection with the underwriter's overallotment for the IPO and Second Public Offering	434	1,037
Shares issued in connection with the acquisitions of the Purchased Companies	7,063	7,063
Shares sold in Second Public Offering	--	152
Shares issued in connection with the Employee Stock Purchase Plan	--	6
Shares issued in connection with the exercise of stock options	--	17
Shares issued in connection with the acquisition of S&S	1,611	1,611
Less: Shares sold in the IPO that were not used for the cash portion of the acquisition of the Founding Companies	877	--
Weighted average shares outstanding -- Basic	34,238	35,893
Weighted average portion of shares related to stock options under the treasury stock method	193	490
Weighted average shares related to the issuance of convertible notes	2,240	--(A)
Weighted average shares outstanding -- Diluted	36,671	36,383

(A) The effect of assumed conversion of outstanding convertible notes is antidilutive at September 30, 1998 and therefore excluded from the weighted average shares calculation.

SHAMBAUGH AND SON, INC.
BALANCE SHEETS
SEPTEMBER 30, 1998 AND 1997

	1998	1997
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,861,014	$ 4,372,761
Available for sale securities	6,808,242	3,828,873
Accounts receivable -- net	35,408,575	26,556,960
Costs and estimated earnings in excess of billings on contracts in process	5,044,002	5,488,555
Inventories, material and supplies	1,595,368	1,504,339
Notes receivable	246,242	305,359
Other current assets	363,092	1,043,433
Total current assets	51,326,535	43,100,280
Property and equipment, net	7,229,547	6,669,484
Other assets		
Investments in limited partnerships	2,100,000	1,000,000
Notes receivable	1,075,226	1,321,468
Other assets	1,642,134	1,482,384
	4,817,360	3,803,852
	$ 63,373,442	$ 53,573,616
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 562,127	$ 416,307
Accounts payable	11,402,575	9,322,672
Billings in excess of costs and estimated earnings on contracts in process	9,699,639	7,004,699
Accrued payroll and related liabilities	4,490,480	3,081,542
Accrued expenses	2,176,618	1,691,141
Total current liabilities	28,331,439	21,516,361
Long-term debt	2,532,006	2,722,005
Shareholder's equity		
Common stock, no par value: 3,000 shares authorized, 2,072 shares issued and outstanding	3,185,032	3,185,032
Retained earnings	30,359,531	26,123,088
Unrealized gain (loss) on available-for-sale securities	(1,034,566)	27,130
	32,509,997	29,335,250
	$ 63,373,442	$ 53,573,616

See accompanying notes to financial statements.

SHAMBAUGH AND SON, INC.
STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

	1998		1997	
	AMOUNT	% TO REVENUE	AMOUNT	% TO REVENUE
Earned revenue on contracts..........	$ 141,209,204	100.0%	$ 116,120,729	100.0%
Costs of earned revenue on contracts..........................	113,773,202	80.6	90,857,039	78.2
GROSS PROFIT.........................	27,436,002	19.4	25,263,690	21.8
General and administrative expenses...........................	18,472,011	13.1	17,227,261	14.8
OPERATING INCOME.....................	8,963,991	6.3	8,036,429	7.0
Other income.........................	84,902	.1	195,291	.1
INCOME BEFORE INCOME TAXES...........	9,048,893	6.4	8,231,720	7.1
Provision for income taxes...........	129,851	.1	106,470	.1
NET INCOME...........................	$ 8,919,042	6.3%	$ 8,125,250	7.0%

See accompanying notes to financial statements.

SHAMBAUGH AND SON, INC.
STATEMENT OF SHAREHOLDER'S EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

	COMMON STOCK	RETAINED EARNINGS	UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE SECURITIES	TOTAL SHAREHOLDER'S EQUITY
Balance at January 1, 1997	$3,045,684	$24,109,694	$ 56,236	$ 27,211,614
Net income for the nine months ended September 30, 1997	--	8,125,250	--	8,125,250
Change in unrealized gains on available-for-sale securities	--	--	(29,106)	(29,106)
Capital contribution	139,348	--	--	139,348
Dividends	--	(6,111,856)	--	(6,111,856)
Balance at September 30, 1997	$3,185,032	$26,123,088	$ 27,130	$ 29,335,250
Balance at January 1, 1998	$3,185,032	$25,676,489	$ (6,945)	$ 28,854,576
Net income for nine months ended September 30, 1998	--	8,919,042	--	8,919,042
Change in unrealized loss on available-for-sale securities	--	--	(1,027,621)	(1,027,621)
Dividends	--	(4,236,000)	--	(4,236,000)
Balance at September 30, 1998	$3,185,032	$30,359,531	$ (1,034,566)	$ 32,509,997

See accompanying notes to financial statements.

SHAMBAUGH AND SON, INC.
STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 8,919,042	$ 8,125,250
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	994,563	830,208
Equity in net loss of affiliated company	--	27,748
Provision for losses on accounts receivable	105,165	94,957
Gain on sale of equipment	(5,891)	(37,610)
Gain on sale of available-for-sale securities	(57,181)	(109,877)
Change in assets and liabilities		
Accounts receivable, net	(6,317,712)	5,809,978
Inventories	(55,140)	54,744
Prepaid and other current items	(162,839)	(762,659)
Accounts payable	2,159,959	(4,089,038)
Billings relative to costs and estimated earnings on contracts in process	307,386	626,245
Accrued expenses	854,604	(336,947)
Total adjustments	(2,177,086)	2,107,749
Net cash from operating activities	6,741,956	10,232,999
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,608,538)	(827,803)
Increase in cash value of life insurance	(136,316)	(136,316)
Available-for-sale securities purchased	(12,048,286)	(6,241,314)
Proceeds on sale of available-for-sale securities	7,962,696	4,987,825
Purchase of investments in limited partnerships	--	(1,000,000)
Collections on notes receivable	142,174	170,115
Deposits and other assets	166,716	512,087
Proceeds from sale of property and equipment	5,891	37,610
Net cash from investing activities	(5,515,663)	(2,497,796)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution	--	139,348
Additional borrowing on long-term debt	376,935	--
Repayment of debt	(307,155)	(304,980)
Dividends	(4,236,000)	(6,111,856)
Net cash from financing activities	(4,166,220)	(6,277,488)
Net change in cash and cash equivalents	(2,939,927)	1,457,715
Cash and cash equivalents at beginning of period	4,800,941	2,915,046
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,861,014	$ 4,372,761
Supplemental disclosures of cash flow information		
Cash paid during the period for		
Interest	$ 404,670	$ 462,196
State income taxes	128,973	106,470

See accompanying notes to financial statements.

SHAMBAUGH AND SON, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998 AND 1997

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS: Shambaugh and Son, Inc. operates a construction business to contract mechanical, electrical, fire protection, food processing, refrigeration, temperature and process controls, water and waste water treatment projects. It also operates a mobile home park, leases commercial real estate and provides computer consulting services. The construction contracts occasionally extend for periods in excess of one year and provide for progress billings in amounts which are commensurate with the extent of performance under the contracts. In addition to the primary location in Fort Wayne, Indiana, there are branch offices in Southfield and Kalamazoo, Michigan; Chicago, Illinois; Toledo, Ohio; and South Bend, Indianapolis and Lafayette, Indiana.

REVENUE RECOGNITION: The Company accounts for revenue on construction contracts on the basis of the percentage of completion of individual contracts. Under this method, the earned portion of the total contract is based on the percentage of completion as computed from a comparison of total costs incurred to date to total projected cost on the contract.

As described in the preceding paragraph, revenue is based on the amount of costs incurred to date over total estimated costs. Management estimates the amount of costs to complete a given contract based on information available at each balance sheet date. Estimates of costs to complete certain contracts could change significantly in the near term and other contracts are subject to cost reviews by the customer. The ultimate outcome of these estimates and contracts subject to customer review are not known. Due to these uncertainties, it is at least reasonably possible that completion costs will be significantly different.

At the time a loss on a contract becomes probable, the entire estimated loss is accrued.

For contracts which extend over more than one fiscal year, changes in job performance, job conditions, estimated profitability and final contract settlements which result in revisions to costs and income are recognized in the accounting period when these matters become known. Claims for additional contract revenue are recognized when realization of the claim is assured and the amount can reasonably be determined.

Individual contract costs include direct material, subcontract, direct labor and labor fringe costs. Indirect costs are those related to contract performance such as indirect labor, supplies, tools, repairs and maintenance costs. General and administrative costs are expensed as incurred.

ACCOUNTS RECEIVABLE: The Company follows the practice of filing liens within the statutory time frame on construction projects where collection problems are anticipated. The liens act as security for collection of construction receivables and have the effect of restricting the customer's ability to subsequently transfer title of the constructed property and to obtain certain kinds of financing without first satisfying the lien.

PROPERTY AND EQUIPMENT: Property and equipment are carried at cost. The Company provides for depreciation using annual rates which are sufficient to amortize the cost of depreciable assets over their estimated useful lives. Depreciation is computed using straight-line and accelerated methods over estimated useful lives ranging from 3 to 40 years.

BENEFIT COST: The Company is liable for certain costs related to employee health and accident benefit programs and workmen's compensation. The Company's responsibility for losses on these programs is limited to amounts not insured. Costs are charged to income when incurred.

INCOME TAXES: The Company, with the consent of its shareholder, has elected to have its income taxed under Section 1362 of the Internal Revenue Code, and a similar section of certain state income tax laws. These provide that, in lieu of corporate income taxes, the shareholder is taxed on his proportionate share of the Company's taxable income. Therefore, the provision for income taxes represents certain state income taxes paid by the Company.

EXCESS OF COST OVER NET ASSETS ACQUIRED: The excess of cost over net assets acquired is being amortized on the straight-line method over a 40-year period.

INVENTORIES: The inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

INVESTMENT: The Company's 50% investment in D&M Realty Corp. is accounted for by the equity method. As of September 30, 1997, D&M Realty Corp. was liquidated and its net assets were contributed to Shambaugh & Son, Inc.

SECURITIES: The Company classifies securities into held-to-maturity, available-for-sale, and trading categories. Held-to-maturity securities are those which the Company has the positive intent and ability to hold to maturity, and are reported at amortized cost. Available-for-sale securities are those which the Company may decide to sell if needed for liquidity, asset-liability management, or other reasons. Available-for-sale securities are reported at fair value, with unrealized gains or losses included as a separate component of equity. Trading securities are bought principally for sale in the near term, and are reported at fair value with unrealized gains or losses included in earnings. As of September 30, 1998 and 1997, all securities were classified as available for sale.

Realized gains or losses are determined based on the amortized cost of the specific security sold. Securities with declines in fair value below amortized cost that are other than temporary are written down to fair value by a charge to earnings.

CASH AND CASH EQUIVALENTS: For purposes of reporting cash flows, the Company considers all liquid investments with an original maturity of three months or less to be cash equivalents.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 -- OTHER INCOME (EXPENSE)

Other income (expense) consists of the following:

	1998	1997
Interest expense	$ (421,048)	$ (462,196)
Equity in net loss of affiliated company	--	(27,748)
Interest income	323,472	324,818
Gain on sale of available-for-sale securities	57,181	109,877
Gain on sale of equipment	5,891	37,610
Rental revenue	236,784	244,137
Miscellaneous income (expense)	(117,378)	(31,207)
	$ 84,902	$ 195,291

NOTE 3 -- SECURITIES

The carrying value and estimated market value of investments in equity and debt securities at September 30, 1998 and 1997 is as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSS	ESTIMATED MARKET VALUE
September 30, 1998:				
Available-for-sale securities:				
Bonds	$1,350,607	$ 5,731	$ 33,069	$1,323,269
Common stock	4,966,937	57,452	981,613	4,042,776
Preferred stock	1,525,264	11,480	94,547	1,442,197
	$7,842,808	$74,663	$ 1,109,229	$6,808,242

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSS	ESTIMATED MARKET VALUE
September 30, 1997:				
Available-for-sale securities:				
Common stock	$ 471,875	$--	$ 4,675	$ 467,200
Preferred stock	3,184,805	31,805	--	3,216,610
Bonds	145,063	--	--	145,063
	$3,801,743	$31,805	$ 4,675	$3,828,873

	TOTAL PURCHASES	NET SALE PROCEEDS	TOTAL COST OF SALES	NET GAIN (LOSS)
For the period ended September 30, 1998:				
Available-for-sale securities:				
Bonds	$ 863,815	$ 214,625	$ 215,000	$ (375)
Common stock	9,419,643	6,061,132	6,039,497	21,635
Preferred stock	1,742,112	1,662,053	1,628,302	33,751
Limited partnership	22,716	24,886	22,716	2,170
	$12,048,286	$ 7,962,696	$ 7,905,515	$ 57,181

	TOTAL PURCHASES	NET SALE PROCEEDS	TOTAL COST OF SALES	NET GAIN (LOSS)
For the period ended September 30, 1997:				
Available-for-sale securities:				
Municipal bond fund	$ 145,063	$ --	$ --	$ --
Common stock	1,711,001	1,819,985	1,752,323	67,662
Preferred stock	4,385,250	2,973,072	2,932,625	40,447
Limited partnership	--	194,768	193,000	1,768
	$ 6,241,314	$ 4,987,825	$ 4,877,948	$ 109,877

At September 30, 1998 and 1997, the Company has investments in limited partnerships of $2,100,000 and $1,000,000 representing approximately 2% of an investment fund, respectively. These investments have restrictions on the Company's ability to sell or withdraw its capital investment for a five year period from the date of each capital investment. The Company has recorded these investments at cost in absence of the Company's belief of a reliable market value due to the restrictions placed upon its ability to transfer.

NOTE 4 -- ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows at September 30:

	1998	1997
Accounts receivable on contracts.....	$ 30,702,970	$ 23,555,042
Contract retentions.................	5,160,770	3,446,875
	35,863,740	27,001,917
Allowance for doubtful accounts......	(455,165)	(444,957)
	$ 35,408,575	$ 26,556,960

NOTE 5 -- CONTRACTS IN PROCESS

Information with respect to contracts in process at September 30 is as follows:

	1998	1997
Costs incurred on contracts in process............................	$ 173,427,718	$ 171,032,772
Estimated earnings on contracts in process............................	30,360,958	27,032,812
	203,788,676	198,065,584
Billings to date.....................	208,444,313	199,581,728
	$ (4,655,637)	$ (1,516,144)

Included in accompanying balance sheet under the following captions:

	1998	1997
Costs and estimated earnings in excess of billings on contracts in process............................	$ 5,044,002	$ 5,488,555
Billings in excess of costs and estimated earnings on contracts in process............................	(9,699,639)	(7,004,699)
	$ (4,655,637)	$ (1,516,144)

NOTE 6 -- OTHER CURRENT ASSETS

Other current assets consist of the following at September 30:

	1998	1997
Due from related parties.............	$ 258,049	$ 728,400
Accounts receivable, other...........	71,853	243,359
Prepaid expenses and sundry receivables........................	33,190	71,674
	$ 363,092	$ 1,043,433

NOTE 7 -- NOTES RECEIVABLE

Notes receivable consist of the following at September 30:

	1998	1997
Note receivable, shareholder, monthly payments of $10,498 including interest at 5.23%, balance due July 2000, secured by a real estate mortgage on mechanical fabrication shop	$ 555,499	$ 649,727
Notes receivable, shareholder, monthly payments totaling $11,620 including interest at 5.23%, balance due July 2000, secured by real estate mortgages on office buildings in Ft. Wayne and South Bend, Indiana	693,567	793,869
Note receivable, monthly payments totaling $418 including interest at 9.25%, balance due December 2001, secured by Front Street real estate	14,632	17,835
Note receivable, monthly payments of $670 including interest at 10%, final payment due July 1998, secured by Adam Center Road real estate mortgage	15,019	15,019
Note receivable, related party, monthly payments of $2,357 including interest at 8%, final payment due November 2000, unsecured (Indianapolis building)	--	78,875
Note receivable, related party, monthly payments of $3,004 including interest at 8%, final payment due November 1999, unsecured (private carrier)	42,751	71,502
	1,321,468	1,626,827
Current portion	246,242	305,359
	$ 1,075,226	$ 1,321,468

NOTE 8 -- OTHER ASSETS

Other assets consist of the following at September 30:

	1998	1997
Investment in captive insurance company	$ 36,000	$ 36,000
Cash surrender value of life insurance	1,364,856	1,207,758
Unamortized goodwill	103,739	106,941
Deposits and other assets	137,539	131,685
	$ 1,642,134	$ 1,482,384

NOTE 9 -- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	1998	1997
Land, buildings and improvements	$ 8,373,793	$ 8,273,172
Furniture and office equipment	4,670,632	3,943,925
Machinery, equipment and vehicles	6,354,959	5,713,888
	19,399,384	17,930,985
Accumulated depreciation	(12,169,837)	(11,261,501)
	$ 7,229,547	$ 6,669,484

NOTE 10 -- NOTES PAYABLE, BANKS

The Company has available an unsecured line of credit totaling $6,000,000 bearing interest at the lesser of the six-month LIBOR plus 1.75% or the Bank's prime rate. The line of credit expires on May 31, 1999. As of September 30, 1998 and 1997, there were no amounts due on the line.

The Company has available two leasing lines of credit totaling $4,000,000 for equipment purchases bearing interest at the three year treasury bill rate plus 1.25%. These lines of credit expire on May 31, 1999 and September 1, 1999. As of September 30, 1998, there was $989,815 outstanding on the line, utilized for operating lease purposes.

NOTE 11 -- OPERATING LEASES

The Company leases equipment, vehicles and office space under noncancelable operating lease arrangements. These leases expire at various dates through 2002. Rent expense for these leases included in the income statement for the nine months ended September 30, 1998 and 1997 was $944,083 and $924,197, respectively.

Future minimum lease payments for operating leases in effect at September 30, 1998 are as follows:

1999	$ 1,022,568
2000	576,122
2001	244,997
2002	56,370
	$ 1,900,057

In addition the Company rents, on a month to month basis, transportation equipment with a company related through common ownership. The lease provides for monthly rents of $9,000. Rental expense for this lease was $77,000 and $63,000 for the nine months ended September 30, 1998 and 1997, respectively.

NOTE 12 -- CAPITAL LEASES

The Company is obligated under various capital leases for offices, warehouse facilities, and a fabricating shop owned by a shareholder. The leases expire at various dates over the next five to eight years and require annual payments adjusted for increases in the Consumer Price Index.

The following represents property under the capital leases at September 30:

	1998	1997
Building and improvements	$ 5,017,056	$ 5,017,056
Less accumulated depreciation	3,189,357	2,863,206
	$ 1,827,699	$ 2,153,850

The following is a schedule by year of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of September 30, 1998:

1999	$ 943,440
2000	943,440
2001	943,440
2002	593,440
2003	343,440
Thereafter	798,080
Total future minimum lease payments	4,565,280
Amount representing interest expense	1,809,635
	$ 2,755,645

NOTE 13 -- LONG-TERM DEBT

Long-term debt consists of the following at September 30:

	1998	1997
Capital lease obligations (Note 13)	$ 2,755,645	$ 3,106,173
Note payable, payable in monthly installments of $4,147 including interest at 5.17%, through March 1998, secured by computer equipment	--	24,514
Note payable, payable in monthly installments of $2,000 including interest at 8% through December 1997, secured by equipment	--	7,625
Notes payable, payable in monthly installments of $10,780 including interest at 1.9% through March 2001, secured by equipment	338,488	--
	3,094,133	3,138,312
Current maturities	562,127	416,307
	$ 2,532,006	$ 2,722,005

Maturities of long-term debt, including capital lease obligations, for the next five years are as follows:

1999	$ 562,127
2000	626,097
2001	658,090
2002	399,444
2003	217,478

NOTE 14 -- TRANSACTIONS WITH RELATED PARTIES

The Company has leases (see Notes 12 and 13), notes receivable (see Note 7) and advances (see Note 6) with related parties.

Additionally, for the nine month period ended September 30, 1998 and 1997, the Company paid $5,371,529 and $2,962,273, respectively to a related party for subcontract and material costs. As of September 30, 1998 and 1997, the Company had accounts payable to this related party of $1,875,805 and $847,945, respectively.

NOTE 15 -- PENSION PLAN

The Company has adopted a trusteed employees' pension and savings plan. The plan covers all employees not covered by collective bargaining agreements, after completion of one year of service. Discretionary contributions are determined by the Board of Directors. The plan allows, pursuant to Section 401(k) of the Internal Revenue Code, employees to redirect a portion of their annual compensation as a contribution to the plan. In addition, the Company has a matching contribution of up to 7.5% of eligible compensation in certain situations. Employer contributions totaled $356,876 and $308,062 for the nine months ended September 30, 1998 and 1997, respectively. Information from the plan's administrators is not available to permit the Company to determine its share of the unfunded vested benefits.

The Company also made contributions of $3,063,751 and $2,641,240 for the nine months ended September 30, 1998 and 1997, respectively, to collectively bargained, multi-employer defined-benefit pension plans in accordance with provisions of labor contracts. Information from the plans' administrators is not available to permit the Company to determine its share of unfunded vested benefits, if any.

NOTE 16 -- CAPTIVE INSURANCE PROGRAM

The Company is a shareholder in a captive insurance company which required an investment of $36,000. Premiums for workers' compensation, general liability and auto are paid to the captive insurance company. The Company may be required to pay additional premiums if claims are significantly higher than expected. However, the maximum amount of such possible additional costs is limited due to reinsurance. As of September 30, 1998, the maximum potential additional premium which could be assessed is approximately $1,343,228 (this covers the policy periods from October 1, 1995 to September 30, 1998). The Company does not believe any material assessment is likely. The captive agreement requires that one half of this amount be secured, so the Company obtained a letter of credit for the secured amount.

NOTE 17 -- SUBSEQUENT EVENTS

On November 15, 1998, 100% of the Company's stock was sold to Comfort Systems USA.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholder
Shambaugh and Son, Inc.
Fort Wayne, Indiana

We have audited the accompanying balance sheet of Shambaugh and Son, Inc. as of December 31, 1997 and the related statements of income, shareholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shambaugh and Son, Inc. as of December 31, 1997, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Crowe, Chizek and Company LLP

South Bend, Indiana
February 24, 1998

SHAMBAUGH AND SON, INC.
BALANCE SHEET
DECEMBER 31, 1997

ASSETS	
Current assets	
Cash and cash equivalents	$ 4,800,941
Available for sale securities	3,693,092
Accounts receivable -- net	29,196,028
Costs and estimated earnings in excess of billings on contracts in process	4,333,101
Inventories, material and supplies	1,540,228
Notes receivable	293,817
Other current assets	200,253
Total current assets	44,057,460
Property and equipment, net	6,615,572
Other assets	
Investments in limited partnerships	2,100,000
Notes receivable	1,169,825
Other assets	1,672,534
	4,942,359
	$ 55,615,391
LIABILITIES AND SHAREHOLDER'S EQUITY	
Current liabilities	
Current maturities of long-term debt	$ 409,312
Accounts payable	9,242,616
Billings in excess of costs and estimated earnings on contracts in process	8,681,352
Accrued payroll and related liabilities	4,529,785
Accrued expenses	1,282,709
Total current liabilities	24,145,774
Long-term debt	2,615,041
Shareholder's equity	
Common stock, no par value: 3,000 shares authorized, 2,072 shares issued and outstanding	3,185,032
Retained earnings	25,676,489
Unrealized gain (loss) on available-for-sale securities	(6,945)
	28,854,576
	$ 55,615,391

See accompanying notes to financial statements.

SHAMBAUGH AND SON, INC.
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1997

	AMOUNT	% TO REVENUE
Earned revenue on contracts	$ 157,535,128	100.0%
Costs of earned revenue on contracts	121,387,346	77.1
GROSS PROFIT	36,147,782	22.9
General and administrative expenses	24,301,439	15.4
OPERATING INCOME	11,846,343	7.5
Other income	374,783	.2
INCOME BEFORE INCOME TAXES	12,221,126	7.7
Provision for income taxes	107,475	.1
NET INCOME	$ 12,113,651	7.6%

See accompanying notes to financial statements.

SHAMBAUGH AND SON, INC.
STATEMENT OF SHAREHOLDER'S EQUITY
YEAR ENDED DECEMBER 31, 1997

	COMMON STOCK	RETAINED EARNINGS	UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE SECURITIES	TOTAL SHAREHOLDER'S EQUITY
Balance at January 1, 1997	$ 3,045,684	$ 24,109,694	$ 56,236	$ 27,211,614
Net income for the year ended December 31, 1997	--	12,113,651	--	12,113,651
Change in unrealized gain (loss) on available-for-sale securities	--	--	(63,181)	(63,181)
Capital contribution	139,348	--	--	139,348
Dividends	--	(10,546,856)	--	(10,546,856)
Balance at December 31, 1997	$ 3,185,032	$ 25,676,489	$ (6,945)	$ 28,854,576

See accompanying notes to financial statements.

SHAMBAUGH AND SON, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1997

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 12,113,651
Adjustments to reconcile net income to net cash from operating activities	
Depreciation and amortization	1,453,374
Provision for losses on accounts receivable	38,623
Gain on sale of equipment	(1,329)
Gain on sale of available-for-sale securities	(139,974)
Change in assets and liabilities	
Accounts receivable, net	3,227,244
Inventories	18,855
Prepaid and other current items	80,521
Accounts payable	(4,169,094)
Billings relative to costs and estimated earnings on contracts in process	3,458,352
Accrued expenses	702,864
Total adjustments	4,669,436
Net cash from operating activities	16,783,087
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(1,444,414)
Increase in cash value of life insurance	(157,098)
Available-for-sale securities purchased	(10,482,798)
Proceeds on sale of available-for-sale securities	9,361,112
Purchase of investments in limited partnerships	(2,100,000)
Collections on notes receivable	381,300
Deposits and other assets	367,265
Proceeds from sale of property and equipment	51,888
Additional advances on notes receivable	(48,000)
Net cash from investing activities	(4,070,745)
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital contribution	139,348
Repayment of debt	(418,939)
Dividends	(10,546,856)
Net cash from financing activities	(10,826,447)
Net change in cash and cash equivalents	1,885,895
Cash and cash equivalents at beginning of year	2,915,046
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,800,941
Supplemental disclosures of cash flow information	
Cash paid during the year for	
Interest	$ 601,294
State income taxes	112,398

See accompanying notes to financial statements.

SHAMBAUGH AND SON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS: Shambaugh and Son, Inc. operates a construction business to contract mechanical, electrical, fire protection, food processing, refrigeration, temperature and process controls, water and waste water treatment projects. It also operates a mobile home park, leases commercial real estate and provides computer consulting services. The construction contracts occasionally extend for periods in excess of one year and provide for progress billings in amounts which are commensurate with the extent of performance under the contracts. In addition to the primary location in Fort Wayne, Indiana, there are branch offices in Southfield and Kalamazoo, Michigan; Chicago, Illinois; Toledo, Ohio; and South Bend, Indianapolis and Lafayette, Indiana.

REVENUE RECOGNITION: The Company accounts for revenue on construction contracts on the basis of the percentage of completion of individual contracts. Under this method, the earned portion of the total contract is based on the percentage of completion as computed from a comparison of total costs incurred to date to total projected cost on the contract.

As described in the preceding paragraph, revenue is based on the amount of costs incurred to date over total estimated costs. Management estimates the amount of costs to complete a given contract based on information available at each balance sheet date. Estimates of costs to complete certain contracts could change significantly in the near term and other contracts are subject to cost reviews by the customer. The ultimate outcome of these estimates and contracts subject to customer review are not known. Due to these uncertainties, it is at least reasonably possible that completion costs will be significantly different.

At the time a loss on a contract becomes probable, the entire estimated loss is accrued.

For contracts which extend over more than one fiscal year, changes in job performance, job conditions, estimated profitability and final contract settlements which result in revisions to costs and income are recognized in the accounting period when these matters become known. Claims for additional contract revenue are recognized when realization of the claim is assured and the amount can reasonably be determined.

Individual contract costs include direct material, subcontract, direct labor and labor fringe costs. Indirect costs are those related to contract performance such as indirect labor, supplies, tools, repairs and maintenance costs. General and administrative costs are expensed as incurred.

ACCOUNTS RECEIVABLE: The Company follows the practice of filing liens within the statutory time frame on construction projects where collection problems are anticipated. The liens act as security for collection of construction receivables and have the effect of restricting the customer's ability to subsequently transfer title of the constructed property and to obtain certain kinds of financing without first satisfying the lien.

PROPERTY AND EQUIPMENT: Property and equipment are carried at cost. The Company provides for depreciation using annual rates which are sufficient to amortize the cost of depreciable assets over their estimated useful lives.

BENEFIT COST: The Company is liable for certain costs related to employee health and accident benefit programs and workmen's compensation. The Company's responsibility for losses on these programs is limited to amounts not insured. Costs are charged to income when incurred.

INCOME TAXES: The Company, with the consent of its shareholder, has elected to have its income taxed under Section 1362 of the Internal Revenue Code, and a similar section of certain state income tax laws. These provide that, in lieu of corporate income taxes, the shareholder is taxed on his proportionate share of the Company's taxable income. Therefore, the provision for income taxes represents certain state income taxes paid by the Company.

EXCESS OF COST OVER NET ASSETS ACQUIRED: The excess of cost over net assets acquired is being amortized on the straight-line method over a 40-year period.

INVENTORIES: The inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

INVESTMENT: The Company's 50% investment in D&M Realty Corp. is accounted for by the equity method.

SECURITIES: The Company classifies securities into held-to-maturity, available-for-sale, and trading categories. Held-to-maturity securities are those which the Company has the positive intent and ability to hold to maturity, and are reported at amortized cost. Available-for-sale securities are those which the Company may decide to sell if needed for liquidity, asset-liability management, or other reasons. Available-for-sale securities are reported at fair value, with unrealized gains or losses included as a separate component of equity. Trading securities are bought principally for sale in the near term, and are reported at fair value with unrealized gains or losses included in earnings.

Realized gains or losses are determined based on the amortized cost of the specific security sold. Securities with declines in fair value below amortized cost that are other than temporary are written down to fair value by a charge to earnings.

CASH AND CASH EQUIVALENTS: For purposes of reporting cash flows, the Company considers all liquid investments with an original maturity of three months or less to be cash equivalents.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 -- OTHER INCOME (EXPENSE)

Other income (expense) consists of the following for the year ended December 31, 1997:

Interest expense	$ (602,896)
Equity in net income (loss) of affiliated company	(27,748)
Interest income	557,635
Gain on sale of available-for-sale securities	139,974
Gain on sale of equipment	1,329
Rental revenue	306,489
Miscellaneous income	--
	$ 374,783

NOTE 3 -- SECURITIES

The carrying value and estimated market value of investments in available for sale securities at December 31, 1997 is as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSS	ESTIMATED MARKET VALUE
Available-for-sale securities:				
Bonds	$ 701,792	$ 610	$ --	$ 702,402
Common stock	1,586,791	32,265	(50,046)	1,569,010
Preferred stock	1,411,454	17,699	(7,473)	1,421,680
	$3,700,037	$ 50,574	$ (57,519)	$3,693,092

Contractual maturities of debt securities at December 31, 1997 is as follows:

	AMORTIZED COST	FAIR VALUE
Due two to five years	$ 155,560	$ 155,560
Due six to ten years	295,608	296,218
Due after ten years	250,624	250,624
	$ 701,792	$ 702,402

	TOTAL PURCHASES	NET SALE PROCEEDS	TOTAL COST OF SALES	NET GAIN (LOSS)
For the year ended December 31, 1997:				
Available-for-sale securities:				
Bonds	$ 701,792	$ --	$ --	$ --
Common stock	3,629,428	2,642,701	2,555,833	86,868
Preferred stock	6,151,579	6,523,643	6,472,305	51,338
Limited partnership	--	194,768	193,000	1,768
	$10,482,798	$ 9,361,112	$9,221,138	$ 139,974

At December 31, 1997, the Company has investments in limited partnerships of $2,100,000 representing approximately 2% of an investment fund, respectively. These investments have restrictions on the Company's ability to sell or withdraw its capital investment for a five year period from the date of each capital investment. The Company has recorded these investments at cost in absence of the Company's belief of a reliable market value due to the restrictions placed upon its ability to transfer.

NOTE 4 -- ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows at December 31:

Accounts receivable on contracts	$ 25,583,038
Contract retentions	3,962,990
	29,546,028
Allowance for doubtful accounts	(350,000)
	$ 29,196,028

NOTE 5 -- CONTRACTS IN PROCESS

Information with respect to contracts in process as of December 31, 1997 is as follows:

Costs incurred on contracts in process	$ 141,182,703
Estimated earnings on contracts in process	28,014,546
	169,197,249
Billings to date	173,545,500
	$ (4,348,251)

Included in accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings on contracts in process	$ 4,333,101
Billings in excess of costs and estimated earnings on contracts in process	(8,681,352)
	$ (4,348,251)

NOTE 6 -- OTHER CURRENT ASSETS

Other current assets consist of the following at December 31, 1997:

Due from related parties	$ 91,777
Accounts receivable, other	43,370
Prepaid expenses and sundry receivables	65,106
	$ 200,253

NOTE 7 -- NOTES RECEIVABLE

Notes receivable consist of the following at December 31, 1997:

Note receivable, shareholder, monthly payments of $10,498 including interest at 5.23%, balance due July 2000, secured by a real estate mortgage on mechanical fabrication shop	$ 555,499
Notes receivable, shareholder, monthly payments totaling $11,620 including interest at 5.23%, balance due July 2000, secured by real estate mortgages on office buildings in Ft. Wayne and South Bend, Indiana	693,567
Note receivable, monthly payments totaling $418 including interest at 9.25%, balance due December 2001, secured by Front Street real estate. Note was refinanced on December 4, 1996	16,701
Note receivable, monthly payments of $670 including interest at 10%, final payment due July 1998, secured by Adam Center Road real estate mortgage	15,019
Note receivable, related party, monthly payments of $2,357 including interest at 8%, final payment due November 2000, unsecured (Indianapolis building)	73,346
Note receivable, related party, monthly payments of $3,004 including interest at 8%, final payment due November 1999, unsecured (private carrier)	63,869
Note receivable, related party, monthly payments of $1,515 including interest at 8.50%, balance due October 2000, unsecured (SFLP)	$ 45,641

	1,463,642
Current portion......................	293,817

	$ 1,169,825
	============

NOTE 8 -- OTHER ASSETS

Other assets consist of the following at December 31, 1997:

Investment in captive insurance company	$ 36,000
Cash surrender value of life insurance	1,228,540
Unamortized goodwill	106,141
Deposits and other assets	301,853
	$ 1,672,534

As of September 30, 1997, D & M Realty Corp. was liquidated and its net assets were contributed to Shambaugh and Son, Inc.

NOTE 9 -- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 1997:

Land, buildings and improvements	$ 8,305,740
Furniture and office equipment	4,139,721
Machinery, equipment and vehicles	5,323,056
	17,768,517

	METHOD OF DEPRECIATION	USEFUL LIFE	
Accumulated depreciation:			
Land, buildings and improvements	SL	15-40 yrs.	4,511,168
Furniture and office equipment	SL	7-10 yrs.	2,688,068
Machinery, equipment and vehicles	SL	3-7 yrs.	3,953,709
			11,152,945
Net property and equipment			$ 6,615,572

NOTE 10 -- NOTES PAYABLE, BANKS

The Company has available an unsecured line of credit totaling $6,000,000 bearing interest at prime minus one-half of one percent. The line of credit expires on May 31, 1998. As of December 31, 1997, there was no amount due on the line.

The Company has available two leasing lines of credit totaling $4,000,000 for equipment leasing bearing interest at the three year treasury bill rate plus 1.25%. These lines of credit expire on May 31, 1998 and September 1, 1999. As of December 31, 1997, there was $315,629 utilized on the line for operating lease purposes.

NOTE 11 -- OPERATING LEASES

The Company leases equipment, vehicles and office space under noncancelable operating lease arrangements. These leases expire at various dates through November 2001. Rent expense for these leases included in the income statement for the year ended December 31, 1997 was $1,232,263.

Future minimum lease payments for operating leases in effect at December 31, 1997 are as follows:

1998	$ 1,107,457
1999	727,384
2000	285,083
2001	108,047
	$ 2,227,971

In addition the Company rents, on a month to month basis, transportation equipment with a company related through common ownership. The lease provides for monthly rents of $7,000. Rental expense for this lease was $84,000 for the year ended December 31, 1997.

NOTE 12 -- CAPITAL LEASES

The Company is obligated under various capital leases for offices, warehouse facilities, and a fabricating shop owned by a shareholder. The leases expire at various dates over the next five to eight years and require annual payments adjusted for increases in the Consumer Price Index.

The following represents property under the capital leases at December 31, 1997:

Building and improvements	$ 5,017,056
Less accumulated depreciation	(2,944,744)
	$ 2,072,312

The following is a schedule by year of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 1997:

1998	$ 943,440
1999	943,440
2000	943,440
2001	943,440
2002	443,440
Thereafter	1,055,660
Total future minimum lease payments	5,272,860
Amount representing interest expense	2,260,843
	$ 3,012,017

NOTE 13 -- LONG-TERM DEBT

Long-term debt consists of the following at December 31, 1997:

Capital lease obligations (Note 12)	$ 3,012,017
Note payable, payable in monthly installments of $4,147 including interest at 5.17%, through March 1998, secured by computer equipment	12,336
	3,024,353
Current maturities	409,312
	$ 2,615,041

Maturities of long-term debt, including capital lease obligations, for the next five years are as follows:

1998	$ 409,312
1999	452,722
2000	516,396
2001	589,139
2002	273,607

NOTE 14 -- TRANSACTIONS WITH RELATED PARTIES

The Company has leases (see Notes 12 and 13), notes receivable (see Note 7) and advances (see Note 6) with related parties.

Additionally, for the year ended December 31, 1997, the Company paid $4,390,215 to a related party for subcontract and material costs. As of December 31, 1997, the Company had accounts payable to this related party of $399,061.

NOTE 15 -- PENSION PLAN

The Company has adopted a trusteed employees' pension and savings plan. The plan covers all employees not covered by collective bargaining agreements, after completion of one year of service. Discretionary contributions are determined by the Board of Directors. The plan allows, pursuant to Section 401(k) of the Internal Revenue Code, employees to redirect a portion of their annual compensation as a contribution to the plan. In addition, the Company has a matching contribution of up to 7.5% of eligible compensation in certain situations. Employer contributions totaled $488,153 for the year ended December 31, 1997.

The Company also made contributions of $3,506,698 for the year ended December 31, 1997 to collectively bargained, multi-employer defined-benefit pension plans in accordance with provisions of labor contracts. Information from the plans' administrators is not available to permit the Company to determine its share of unfunded vested benefits, if any.

NOTE 16 -- CAPTIVE INSURANCE PROGRAM

The Company is a shareholder in a captive insurance company which required an investment of $36,000. Premiums for workers' compensation, general liability and auto are paid to the captive insurance company. The Company may be required to pay additional premiums if claims are significantly higher than expected. However, the maximum amount of such possible additional costs is limited due to reinsurance. As of December 31, 1997, the maximum potential additional premium which could be assessed is approximately $1,162,000 (this covers the policy periods from October 1, 1995 to March 31, 1998). The captive agreement requires that one half of this amount be secured, so the Company obtained a letter of credit for the secured amount.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the use in this Registration Statement of Comfort Systems USA, Inc. on Form 8-K/A of our report dated February 24, 1998 relating to the financial statements of Shambaugh & Son, Inc. as of December 31, 1997 and for the year then ended appearing elsewhere in this registration statement.

Crowe, Chizek and Company LLP

/s/ CROWE, CHIZEK AND COMPANY LLP

South Bend, Indiana
January 26, 1999