

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

-----  
 FORM S-8  
 REGISTRATION STATEMENT  
 UNDER THE SECURITIES ACT OF 1933  
 -----

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

DELAWARE  
 (STATE OF JURISDICTION OF  
 INCORPORATION OR ORGANIZATION)

76-0526487  
 (I.R.S. EMPLOYER  
 IDENTIFICATION NO.)

777 POST OAK BOULEVARD, SUITE 500  
 HOUSTON, TEXAS 77056  
 (713) 830-9600  
 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE  
 NUMBER, INCLUDING AREA CODE, OF REGISTRANTS  
 PRINCIPAL EXECUTIVE OFFICES)  
 -----

2000 INCENTIVE PLAN  
 (FULL TITLE OF THE PLAN)  
 -----

WILLIAM F. MURDY  
 CHIEF EXECUTIVE OFFICER  
 COMFORT SYSTEMS USA, INC.  
 777 POST OAK BOULEVARD, SUITE 500  
 HOUSTON, TEXAS 77056  
 (713) 830-9600  
 FAX: (713) 830-9696

(NAME, ADDRESS, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)  
 -----

COPY TO:

WILLIAM GEORGE, ESQ.  
 GENERAL COUNSEL  
 COMFORT SYSTEMS USA, INC.  
 777 POST OAK BOULEVARD, SUITE 500  
 HOUSTON, TEXAS 77056  
 (713) 830-9600  
 FAX: (713) 830-9696  
 -----

TITLE OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Common Stock (par value \$0.01 per share)(1)	3,500,000	\$4.13	\$14,455,000	\$3,816.12

- (1) Pursuant to Rule 416(a), this Registration Statement also registers such indeterminate number of additional shares of Common Stock issuable in connection with stock splits, share dividends or similar transactions.
- (2) Estimated pursuant to Rule 457(h) solely for the purpose of calculating the registration fee based on the average of the high and low sales prices for the Common Stock as reported by the New York Stock Exchange on August 18, 2000.

PART I

INFORMATION REQUIRED IN THE SECTION 10(A) PROSPECTUS

EXPLANATORY NOTE

The information specified in Part I of Form S-8 is not filed as a part of this registration statement. Pursuant to Rule 428(b)(1) of the Securities Act of 1933, as amended (the "Securities Act"), the documents containing the

information specified in Part I of Form S-8 will be sent or given to employees who participate in the 2000 Incentive Plan.

## PART II

### INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

#### ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE

Comfort Systems USA, Inc., a Delaware company (the "Company"), hereby incorporates by reference into this registration statement (the "Registration Statement") the following documents:

- o the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, filed on March 16, 2000;
- o the Company's Form 10-Q for the quarter ended March 31, 2000, filed on May 12, 2000;
- o the Company's Form 10-Q for the quarter ended June 30, 2000, filed on August 14, 2000; and
- o the description of the Company's common stock, par value \$.01 per share, contained in the Company's Form 8-A, filed on May 19, 1997.

All documents filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the filing date of this Registration Statement and prior to the filing of a post-effective amendment to this Registration Statement which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing of such documents.

The Company will provide, without charge, to each participant of the Company's 2000 Incentive Plan, on written or oral request of such person, a copy (without exhibits, unless such exhibits are specifically incorporated by reference) of any or all of the documents incorporated by reference pursuant to this Item 3. All such requests should be directed to Comfort Systems USA,

Inc., 777 Post Oak Blvd, Suite 500, Houston, Texas 77056, Attention: General Counsel, phone number (713) 830-9600.

ITEM 4. DESCRIPTION OF SECURITIES

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL

Not applicable.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law (the "DGCL") permits a corporation to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action.

In an action brought to obtain a judgment in the corporation's favor, whether by the corporation itself or derivatively by a stockholder, the corporation may only indemnify for expenses, including attorney's fees, actually and reasonably incurred in connection with the defense or settlement of such action, and the corporation may not indemnify for amounts paid in satisfaction of a judgment or in settlement of the claim. In any such action, no indemnification may be paid in respect of any claim, issue or matter as to which such person shall have been adjudged liable to the corporation except as otherwise approved by the Delaware Court of Chancery or the court in which the claim was brought. In any other type of proceeding, the indemnification may extend to judgments, fines and amounts paid in settlement, actually and reasonably incurred in connection with such other proceeding, as well as to expenses.

The statute does not permit indemnification unless the person seeking indemnification has acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation and, in the case of criminal actions or proceedings, the person had no reasonable cause to believe his conduct was unlawful. The statute contains additional limitations applicable to criminal actions and to actions brought by or in the name of the corporation. The determination as to whether an employee or agent (who is not then a director or officer of the corporation) seeking indemnification has met the required standard of conduct may be made by any person or persons having authority to act on the matter. The determination as to whether a director or officer seeking indemnification has met the required standard will be made (1) by a majority vote of a quorum of disinterested members of the board of directors, (or a committee thereof) (2) by independent legal

counsel in a written opinion, if such a quorum does not exist or if the disinterested directors so direct, or (3) by the stockholders.

The Company's Certificate of Incorporation requires the Company to indemnify its directors and officers to the fullest extent permitted by Section 145 of the DGCL. In addition, the Company maintains liability insurance for its directors and officers.

ITEM 7. EXEMPTION FROM REGISTRATION

Not Applicable.

ITEM 8. EXHIBITS

- 4.1\* Comfort Systems USA, Inc. 2000 Incentive Plan.
- 5.1\* Opinion of William George, General Counsel, Comfort Systems USA, Inc.
- 23.1\* Consent of Arthur Andersen LLP.
- 23.2\* Consent of William George (included in Exhibit 5.1).
- 24.1\* Power of Attorney (included on the signature page hereto).

- - - - -

\* Filed herewith

ITEM 9. UNDERTAKINGS

(1) The undersigned registrant hereby undertakes:

To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in this Registration Statement;

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form S-8 and has duly authorized this Registration Statement to be signed on its behalf by the undersigned, in the City of Houston, State of Texas on August 18, 2000.

COMFORT SYSTEMS USA, INC.

By: /s/ WILLIAM F. MURDY,  
William F. Murdy,  
CHIEF EXECUTIVE OFFICER

We, the undersigned directors and officers of Comfort Systems USA, Inc., constitute and appoint William F. Murdy or William George, III, or either of them, our true and lawful attorneys and agents, to do any and all acts and things in our name and on our behalf in our capacities as directors and officers, and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys and agents, or either of them, may deem necessary or advisable to enable said corporation to comply with the Securities Act of 1933, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with the filing of this Registration Statement, including specifically without limitation, power and authority to sign for any of us, in our names in the capacities indicated below, any and all amendments hereto; and we do each hereby ratify and confirm all that the said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ WILLIAM F. MURDY William F. Murdy	Chairman of the Board and Chief Executive Officer	August 18, 2000
/s/ J. GORDON BEITTENMILLER J. Gordon Beittenmiller	Senior Vice President, Chief Financial Officer and Director (principal accounting and financial officer)	August 18, 2000

SIGNATURE  
-----

TITLE  
-----

DATE  
-----

/s/ GARY E. HESS Gary E. Hess	Executive Vice President, Chief Operating Officer and Director	August 18, 2000
/s/ ALFRED J. GIARDENELLI, JR. Alfred J. Giardenelli, Jr.	Director	August 18, 2000
/s/ STEVEN S. HARTER Steven S. Harter	Director	August 18, 2000
/s/ JOHN MERCADANTE, JR. John Mercadante, Jr.	Director	August 18, 2000
/s/ ROBERT J. POWERS Robert J. Powers	Director	August 18, 2000
/s/ DIANE D. SANDERS Diane D. Sanders	Director	August 18, 2000
/s/ MARK P. SHAMBAUGH Mark P. Shambaugh	Director	August 18, 2000

EXHIBIT INDEX

- 4.1\* Comfort Systems USA, Inc. 2000 Incentive Plan.
- 5.1\* Opinion of William George, General Counsel, Comfort Systems USA, Inc.
- 23.1\* Consent of Arthur Andersen LLP.
- 23.2\* Consent of William George (included in Exhibit 5.1).
- 24.1\* Power of Attorney (included on the signature page hereto).

- -----  
\* Filed herewith



## COMFORT SYSTEMS USA, INC.

## 2000 INCENTIVE PLAN

## 1. PURPOSE

The purpose of this Incentive Plan (the "Plan") is to advance the interests of Comfort Systems USA, Inc. (the "Company") and its subsidiaries by enhancing their ability to attract and retain employees and other persons or entities who are in a position to make significant contributions to the success of the Company and its subsidiaries through ownership of shares of the common stock, no par value per share (the "Stock"), of the Company and cash incentives.

The Plan is intended to accomplish these goals by enabling the Company to grant awards in the form of Options, Restricted Stock Awards, or Performance Awards (each as defined below), or combinations thereof (each, an "Award"), as more fully described below.

## 2. ADMINISTRATION

The Plan will be administered by the Board of Directors of the Company (the "Board"). The Board will have authority, not inconsistent with the express provisions of the Plan and in addition to other authority granted under the Plan, to (a) grant Awards at such time or times as it may choose; (b) determine the size of each Award, including the number of shares of Stock, if any, subject to the Award; (c) determine the type or types of each Award; (d) determine the terms and conditions of each Award; (e) waive compliance by a holder of an Award with any obligations to be performed by such holder under an Award and waive any terms or conditions of an Award; (f) amend or cancel an existing Award in whole or in part (and if an Award is canceled, grant another Award in its place on such terms and conditions as the Board shall specify), except that the Board may not, without the consent of the holder of an Award, take any action under this clause with respect to such Award if such action would adversely affect the rights of such holder; (g) prescribe the form or forms of instruments that are required or deemed appropriate under the Plan, including any written notices and elections required of Participants (as defined below), and change such forms from time to time; (h) adopt, amend and rescind rules and regulations for the administration of the Plan; and (i) interpret the Plan and decide any questions and settle all controversies and disputes that may arise in connection with the Plan. Such determinations and actions of the Board, and all other determinations and actions of the Board made or taken under authority granted by any provision of the Plan, will be conclusive and will bind all parties. Nothing in this paragraph shall be construed as limiting the power of the Board to make adjustments under Section 7.2 or Section 8.6.

The Board may, in its discretion, delegate some or all of its powers with respect to the Plan to a committee (the "Committee"), in which event all references (as appropriate) to the Board hereunder shall be deemed to refer to the Committee. The Committee, if one is appointed, shall consist of at least two directors. A majority of the members of the Committee shall constitute a quorum, and all determinations of the Committee shall be made by a majority of its members. On and after registration of the Stock under the Securities Exchange Act of 1934 (the "1934 Act"), the Board shall delegate the power to select directors and officers to receive awards under the Plan and the timing, pricing, and amount of such awards to a committee, all members of which shall be disinterested persons within the meaning of Rule 16b-3 under the 1934 Act and "outside directors" within the meaning of section 162(m)(4)(c)(i) of the Internal Revenue Code of 1986, as amended (the "Code").

## 3. EFFECTIVE DATE AND TERM OF PLAN

The Plan will become effective on the date on which it is approved by the stockholders of the Company. Awards may be made prior to such stockholder approval (but after Board adoption of the Plan) if made subject thereto. No Award may be granted under the Plan after April 16, 2010, but Awards previously granted may extend beyond that date.

## 4. SHARES SUBJECT TO THE PLAN

Subject to adjustment as provided in Section 8.6, the aggregate number of shares of Stock that may be delivered pursuant to Awards granted under the Plan shall not exceed 3,500,000. If any Award is forfeited or otherwise terminated without the delivery of Stock, shares of Stock are surrendered or withheld from any Award to satisfy any income tax withholding obligations, or if any Award payable in Stock or cash is satisfied in cash rather than Stock, then the number of shares of Stock covered by such terminated or forfeited Award or which are equal to the number of shares surrendered, withheld or terminated or for which cash was substituted will be available for future grants under this Plan

Subject to Section 8.6(a), the maximum number of shares of Stock as to which Options may be granted to any Participant in any one calendar year is 1,000,000, which limitation shall be construed and applied consistently with the rules under Section 162(m) of the Code.

Stock delivered under the Plan may be either authorized but unissued Stock or previously issued Stock acquired by the Company and held in treasury. No fractional shares of Stock will be delivered under the Plan.

## 5. ELIGIBILITY AND PARTICIPATION

Each key employee of the Company or any of its subsidiaries (an "Employee") and each other person or entity (including without limitation non-Employee directors of the Company or a subsidiary of the Company) who, in the opinion of the Board, is in a position to make a significant contribution to the success of the Company or its subsidiaries, will be eligible to receive Awards under the Plan (each such Employee, person or entity receiving an Award, "a Participant"). A "subsidiary" for purposes of the Plan shall mean a corporation in which the Company owns, directly or indirectly, stock possessing 50% or more of the total combined voting power of all classes of stock.

## 6. TYPES OF AWARDS

### 6.1. OPTIONS

(a) NATURE OF OPTIONS. The Board may grant Awards giving the recipient the right on exercise thereof to purchase Stock (each, an "Option").

Both "incentive stock options," as defined in Section 422(b) of the Code (any Option intended to qualify as an incentive stock option under the Code being hereinafter referred to as an "ISO"), and Options that are not ISOs, may be granted under the Plan. ISOs shall be awarded only to Employees. An Option awarded under the Plan shall be a non-ISO unless it is expressly designated as an ISO at time of grant.

(b) EXERCISE PRICE. The exercise price of an Option will be determined by the Board subject to the following:

- (i) The exercise price of an ISO or an Option intended to qualify as performance based compensation under Section 162(m) of the Code shall not be less than 100% (110% in the case of an ISO granted to a ten-percent stockholder) of the fair market value of the Stock subject to the Option, determined as of the time the Option is granted. For this purpose, "fair market value" in the case of ISOs shall have the same meaning as it does in the provisions of the Code and the regulations thereunder applicable to ISOs; and "ten-percent stockholder" shall mean any participant who at the time of grant owns directly, or by reason of the attribution rules set forth in Section 424(d) of the Code is deemed to own, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any of its parent or subsidiary corporations.
- (ii) In no case may the exercise price paid for Stock which is part of an original issue of authorized Stock be less than the par value per share of the Stock.

(c) DURATION OF OPTIONS. The latest date on which an Option may be exercised will be the tenth anniversary (the fifth anniversary in the case of an ISO granted to a ten-percent stockholder

as defined in 6.1(b) above) of the day immediately preceding the date the Option was granted, or such earlier date as may have been specified by the Board at the time the Option was granted.

(d) EXERCISE OF OPTIONS. An Option will become exercisable at such time or times, and on such conditions, as the Board may specify. The Board may at any time and from time to time accelerate the time at which all or any part of an Option may be exercised. Any exercise of an Option must be in writing, signed by the proper person and delivered or mailed to the Company, accompanied by (1) any documents required by the Board and (2) payment in full in accordance with paragraph (e) below for the number of shares for which the Option is exercised.

(e) PAYMENT FOR STOCK. Stock purchased on exercise of an Option must be paid for as follows: (1) in cash or by check (acceptable to the Company in accordance with guidelines established for this purpose), bank draft or money order payable to the order of the Company or (2) if so permitted by the Board at or after the grant of the Option or by the instrument evidencing the Option, (i) through the delivery of shares of Stock which have been held for at least six months (unless the Board approves a shorter period) and which have a fair market value equal to the exercise price, (ii) by delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company sufficient funds to pay the exercise price, or (iii) by any combination of the foregoing permissible forms of payment.

(f) DISCRETIONARY PAYMENTS. If (i) the fair market value as reasonably determined by the Board of shares of Stock subject to an Option exceeds the exercise price of the Option at the time of its exercise and (ii) the person exercising the Option so requests the Board in writing, the Board may in its sole discretion cancel the Option and cause the Company to pay in cash or in shares of Common Stock (at a price per share equal to the fair market value per share) to the person exercising the Option an amount equal to the difference between the fair market value of the Stock which would have been purchased pursuant to the exercise (determined on the date the Option is canceled) and the aggregate exercise price which would have been paid.

## 6.2. RESTRICTED STOCK.

(a) RESTRICTED STOCK. Subject to the terms and provisions of the Plan, the Board may grant shares of Stock or allow the purchase shares of Stock in such amounts and upon such terms and conditions as the Board shall determine subject to the restrictions, if any, described below ("Restricted Stock").

(b) RESTRICTED STOCK AGREEMENT. The Board may require, as a condition to an Award of Restricted Stock (a "Restricted Stock Award"), that a recipient of a Restricted Stock Award enter into a restricted stock award agreement, setting forth the terms and conditions of the Award or that the recipient execute other instruments including, but not limited to, any stockholders agreement of the Company (any instrument governing the Restricted Stock being a "Restricted Stock Award Agreement"). In lieu of a Restricted Stock Award Agreement, the Board may provide the terms and conditions of an Award in a notice to the Participant of the Award, on the stock certificate

representing the Restricted Stock, in the resolution approving the Award, or in such other manner as it deems appropriate.

(c) TRANSFERABILITY AND OTHER RESTRICTIONS. Except as otherwise provided in this Section 6.2, the shares of Restricted Stock granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable period or periods, if any, established by the Board and the satisfaction of any other conditions or restrictions, if any, established by the Board (such period during which a share of Restricted Stock is subject to such restrictions and conditions is referred to as the "Restricted Period"). Except as the Board may otherwise determine under Section 7.1 or Section 7.2 or except as set forth in the Restricted Stock Award Agreement, if a Participant dies or suffers a Status Change (as defined at Section 7.2(a)) for any reason during the Restricted Period, the Company may purchase the shares of Restricted Stock subject to such restrictions and conditions for the amount of cash paid by the Participant for such shares; PROVIDED, that any shares of Restricted Stock for which no cash was paid by the Participant shall be automatically forfeited to the Company.

During the Restricted Period, if any, with respect to any shares of Restricted Stock, the Company shall have the right to retain in the Company's possession the certificate or certificates representing such shares.

(d) REMOVAL OF RESTRICTIONS. Except as otherwise provided in this Section 6.2 and subject to any other restrictions on transfer of the Restricted Stock, including, but not limited to, those restrictions contained in any stockholders agreement of the Company, a share of Restricted Stock covered by a Restricted Stock Award shall become freely transferable by the Participant upon completion of the Restricted Period, if any, including the passage of any applicable period of time and satisfaction of any conditions to vesting. The Board, in its sole discretion, shall have the right at any time immediately to waive all or any part of the restrictions and conditions with regard to all or any part of the shares held by any Participant.

(e) VOTING RIGHTS, DIVIDENDS AND OTHER DISTRIBUTIONS. During the Restricted Period, if any, Participants holding shares of Restricted Stock granted hereunder may exercise full voting rights and shall receive all regular cash dividends paid with respect to such shares. Except as the Board shall otherwise determine, any other cash dividends and other distributions paid to Participants with respect to shares of Restricted Stock, including any dividends and distributions paid in shares, shall be subject to the same restrictions and conditions as the shares of Restricted Stock with respect to which they were paid.

(f) OTHER AWARDS SETTLED WITH RESTRICTED STOCK. The Board may, at the time any Award described in this Section 6 is granted, provide that any or all of the Stock delivered pursuant to the Award will be Restricted Stock.

(g) NOTICE OF SECTION 83(B) ELECTION. Any Participant making an election under Section 83(b) of the Code with respect to Restricted Stock must provide a copy thereof to the Company within 10 days of filing such election with the Internal Revenue Service.

### 6.3. PERFORMANCE AWARDS; PERFORMANCE GOALS.

(a) NATURE OF PERFORMANCE AWARDS. A performance award entitles the recipient to receive, without payment, an amount in cash or Stock or a combination thereof (such form to be determined by the Board) following the attainment of Performance Goals (as hereinafter defined) (a "Performance Award"). Performance Goals may be related to personal performance, corporate performance, departmental performance or any other category or combination of categories of performance established by the Board. The Board will determine the Performance Goals, the period or periods during which performance is to be measured and all other terms and conditions applicable to the Award.

(b) OTHER AWARDS SUBJECT TO PERFORMANCE CONDITION. The Board may, at the time any Award described in this Section 6.3 is granted, impose the condition (in addition to any conditions specified or authorized in this Section 6 or any other provision of the Plan) that Performance Goals be met prior to the Participant's realization of any payment or benefit under the Award. Any such Award made subject to the achievement of Performance Goals (other than an Option) shall be treated as a Performance Award for purposes of Section 6.3(c) below.

(c) LIMITATIONS AND SPECIAL RULES. In the case of any Performance Award intended to qualify for the performance-based remuneration exception described in Section 162(m)(4)(C) of the Code and the regulations thereunder (an "Exempt Award"), the Board shall in writing preestablish specific Performance Goals. A Performance Goal must be established prior to passage of 25% of the period of time over which attainment of such goal is to be measured. "Performance Goal" means criteria based upon any one or more of the following (on a consolidated, divisional, subsidiary, line of business or geographical basis or any combinations thereof): (i) sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation or amortization, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital or assets; inventory level or turns; one or more operating ratios; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; stock price; stockholder return; or any combination of the foregoing; or (ii) acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; recapitalizations, restructurings, financings (issuance of debt or equity) and refinancings; or (iii) any combination of the foregoing. A Performance Goal and targets with respect thereto determined by the Board need not be based upon an increase, a positive or improved result or avoidance of loss. The maximum Exempt Award payable to any Participant in respect of any such Performance Goal for any year shall not exceed \$2,500,000.

## 7. EVENTS AFFECTING OUTSTANDING AWARDS

### 7.1. TERMINATION OF SERVICE

If a Participant who is an Employee ceases to be an Employee for any reason, or if there is a termination (other than by reason of death) of the consulting, service or similar relationship in respect of which a non-Employee Participant was granted an Award hereunder (such termination of the employment or other relationship being hereinafter referred to as a "Status Change"), the following will apply:

(a) Except as otherwise determined by the Board, all Options held by the Participant that were not exercisable immediately prior to the Status Change shall terminate at the time of the Status Change. Any Options that were exercisable immediately prior to the Status Change will continue to be exercisable within the three month period following the Status Change (or such longer period as the Board may determine), and shall thereupon terminate, unless the Award provides by its terms for immediate termination in the event of a Status Change (unless otherwise determined by the Board) or unless the Status Change results from a discharge for cause (as determined by the Board) below) in which case all Options shall terminate immediately. In no event, however, shall an Option remain exercisable beyond the latest date on which it could have been exercised without regard to this Section 7. For purposes of this paragraph, in the case of a Participant who is an Employee, a Status Change shall not be deemed to have resulted by reason of (i) a sick leave or other bona fide leave of absence approved for purposes of the Plan by the Board, so long as the Employee's right to reemployment is guaranteed either by statute or by contract, or (ii) a transfer of employment between the Company and a subsidiary or between subsidiaries, or to the employment of a corporation (or a parent or subsidiary corporation of such corporation) issuing or assuming an option in a transaction to which Section 424(a) of the Code applies.

(b) Except as otherwise determined by the Board and provided in a Restricted Stock Award Agreement, all Restricted Stock held by the Participant at the time of the Status Change which remains subject to restrictions, if any, pursuant to the Restricted Stock Award or Restricted Stock Award Agreement must be transferred to the Company (and, in the event the certificates representing such Restricted Stock are held by the Company, such Restricted Stock will be so transferred without any further action by the Participant) in accordance with Section 6.2(c) above.

(c) Any payment or benefit under a Performance Award to which the Participant was not irrevocably entitled prior to the Status Change will be forfeited and the Award cancelled as of the date of such Status Change unless otherwise determined either by the Board or the terms of the Performance Award established at the time of grant.

### 7.2. CERTAIN CORPORATE TRANSACTIONS.

Except as otherwise provided by the Committee at the time of grant, in the event of a consolidation or merger in which the Company is not the surviving corporation or which results in

the acquisition of substantially all the Company's outstanding Stock by a single person or entity or by a group of persons and/or entities acting in concert, or in the event of the sale or transfer of substantially all the Company's assets or a dissolution or liquidation of the Company (a "Covered Transaction"), the following rules shall apply:

- (a) Subject to paragraph (b) below, all outstanding Awards requiring exercise will cease to be exercisable, and all other Awards to the extent not fully vested (including Awards subject to conditions not yet satisfied or determined) will be forfeited, as of the effective time of the Covered Transaction, provided that the Committee may in its sole discretion, on or prior to the effective date of the covered transaction, (1) make any outstanding Option exercisable in full, (2) remove the restrictions from any Restricted Stock, (3) cause the Company to make any payment and provide any benefit under any Performance Award and (4) remove any performance or other conditions or restrictions on any Award; or
- (b) With respect to an outstanding Award held by a participant who, following the Covered Transaction, will be employed by or otherwise providing services to an entity which is a surviving or acquiring entity in the covered transaction or an affiliate of such an entity, the Committee may at or prior to the effective time of the covered transaction, in its sole discretion and in lieu of the action described in paragraph (a) above, arrange to have such surviving or acquiring entity or affiliate assume any Award held by such participant outstanding hereunder or grant a replacement award which, in the judgment of the Committee, is substantially equivalent to any Award being replaced.

## 8. GENERAL PROVISIONS

### 8.1. DOCUMENTATION OF AWARDS.

Awards will be evidenced by such written instruments, if any, as may be prescribed by the Board from time to time. Such instruments may be in the form of agreements to be executed by both the Participant and the Company, or certificates, letters or similar instruments, which need not be executed by the Participant but acceptance of which will evidence agreement to the terms thereof.



## 8.2. RIGHTS AS A STOCKHOLDER, DIVIDEND EQUIVALENTS.

Except as specifically provided by the Plan, the receipt of an Award will not give a Participant rights as a stockholder; the Participant will obtain such rights, subject to any limitations imposed by the Plan or the instrument evidencing the Award, only upon the issuance of Stock. However, the Board may, on such conditions as it deems appropriate, provide that a Participant will receive a benefit in lieu of cash dividends that would have been payable on any or all Stock subject to the Participant's Award had such Stock been outstanding. Without limitation, the Board may provide for payment to the Participant of amounts representing such dividends, either currently or in the future, or for the investment of such amounts on behalf of the Participant.

## 8.3. CONDITIONS ON DELIVERY OF STOCK.

The Company will not be obligated to deliver any shares of Stock pursuant to the Plan or to remove any restriction from shares previously delivered under the Plan (a) until all conditions of the Award have been satisfied or removed, (b) until, in the opinion of the Company's counsel, all applicable federal and state laws and regulations have been complied with, (c) if the outstanding Stock is at the time listed on any stock exchange or The Nasdaq Stock Market, until the shares to be delivered have been listed or authorized to be listed on such exchange or market upon official notice of notice of issuance, and (d) until all other legal matters in connection with the issuance and delivery of such shares have been approved by the Company's counsel. If the sale of Stock has not been registered under the Securities Act of 1933, as amended, the Company may require, as a condition to exercise of the Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of such Act and may require that the certificates evidencing such Stock bear an appropriate legend restricting transfer.

If an Award is exercised by the Participant's legal representative, the Company will be under no obligation to deliver Stock pursuant to such exercise until the Company is satisfied as to the authority of such representative.

## 8.4. TAX WITHHOLDING.

The Company will withhold from any cash payment made pursuant to an Award an amount sufficient to satisfy all federal, state and local withholding tax requirements (the "withholding requirements").

In the case of an Award pursuant to which Stock may be delivered, the Board will have the right to require that the Participant or other appropriate person remit to the Company an amount sufficient to satisfy the withholding requirements, or make other arrangements satisfactory to the Board with regard to such requirements, prior to the delivery of any Stock or removal of restrictions thereon. If and to the extent that such withholding is required, the Board may permit the Participant or such other person to elect at such time and in such manner as the Board provides to have the Company hold back from the shares to be delivered, or to deliver to the Company, Stock having a

value calculated to satisfy the withholding requirement. The Board may make such share withholding mandatory with respect to any Award at the time such Award is made to a Participant.

If at the time an ISO is exercised the Board determines that the Company could be liable for withholding requirements with respect to the exercise or with respect to a disposition of the Stock received upon exercise, the Board may require as a condition of exercise that the person exercising the ISO agree (a) to provide for withholding under the preceding paragraph of this Section 8.4, if the Board determines that a withholding responsibility may arise in connection with tax exercise, (b) to inform the Company promptly of any disposition (within the meaning of Section 424(c) of the Code) of Stock received upon exercise, and (c) to give such security as the Board deems adequate to meet the potential liability of the Company for the withholding requirements and to augment such security from time to time in any amount reasonably deemed necessary by the Board to preserve the adequacy of such security.

#### 8.5. TRANSFERABILITY OF AWARDS.

Unless otherwise permitted by the Board, no Award may be transferred other than by will or by the laws of descent and distribution.

#### 8.6. ADJUSTMENTS IN THE EVENT OF CERTAIN TRANSACTIONS.

(a) In the event of a stock dividend, stock split or combination of shares, recapitalization or other change in the Company's capitalization, or other distribution to holders of Stock other than normal cash dividends, after the effective date of the Plan, the Board will make any appropriate adjustments to the maximum number of shares that may be delivered under the Plan under the first paragraph of Section 4 above and to the limits described in the second paragraph of Section 4 and in Section 6.3(c).

(b) In any event referred to in paragraph (a), the Board will also make any appropriate adjustments to the number and kind of shares of Stock or securities subject to Awards then outstanding or subsequently granted, any exercise prices relating to Awards and any other provision of Awards affected by such change. The Board may also make such adjustments to take into account material changes in law or in accounting practices or principles, mergers, consolidations, acquisitions, dispositions or similar corporate transactions, or any other event, if it is determined by the Board that adjustments are appropriate to avoid distortion in the operation of the Plan; PROVIDED, that adjustments pursuant to this sentence shall not be made to the extent it would cause any Award intended to be exempt under Section 162(m)(4)(c) of the Code to fail to be so exempt.

(c) In the case of ISOs, the adjustments described in (a) and (b) above will be made only to the extent consistent with continued qualification of the Option under Section 422 of the Code (in the case of an ISO) or Section 162(m) of the Code.

8.7. EMPLOYMENT RIGHTS, ETC.

Neither the adoption of the Plan nor the grant of Awards will confer upon any person any right to continued retention by the Company or any subsidiary as an Employee or otherwise, or affect in any way the right of the Company or subsidiary to terminate an employment, service or similar relationship at any time. Except as specifically provided by the Board in any particular case, the loss of existing or potential profit in Awards granted under the Plan will not constitute an element of damages in the event of termination of an employment, service or similar relationship even if the termination is in violation of an obligation of the Company to the Participant.

8.8. DEFERRAL OF PAYMENTS.

The Board may agree at any time, upon request of the Participant, to defer the date on which any payment under an Award will be made.

8.9. PAST SERVICES AS CONSIDERATION.

Where a Participant purchases Stock under an Award for a price equal to the par value of the Stock, the Board may determine that such price has been satisfied by past services rendered by the Participant.

9. EFFECT, AMENDMENT AND TERMINATION

Neither adoption of the Plan nor the grant of Awards to a Participant will affect the Company's right to grant to such Participant awards that are not subject to the Plan, to issue to such Participant Stock as a bonus or otherwise, or to adopt other plans or arrangements under which Stock may be issued to Employees.

The Board may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by law, or may at any time terminate the Plan as to any further grants of Awards, provided that no such amendment shall materially impair any rights or materially increase any obligations of the Participant under any Award theretofore made under the Plan without the consent of the Participant, and provided further that (except to the extent expressly required or permitted by the Plan) no such amendment will, without the approval of the stockholders of the Company, effectuate a change for which stockholder approval is required in order for the Plan to continue to qualify for the award of ISOs under Section 422 of the Code or for the award of performance-based compensation under Section 162(m) of the Code.

[COMFORT SYSTEMS USA, INC. LETTERHEAD]

August 22, 2000

U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Re: Registration Statement on Form S-8

Ladies and Gentlemen:

I am General Counsel of Comfort Systems USA, Inc. (the "Company"), and I have represented the Company in connection with the preparation of a Registration Statement on Form S-8 of the Company relating to 3,500,000 shares of common stock, par value \$.01 per share (the "Common Stock"), of the Company being registered for issuance pursuant to the 2000 Incentive Plan (the "Plan").

I have examined the Certificate of Incorporation, as amended, and the By-laws of the Company, the Plan and such other corporate documents and records as I have deemed necessary or appropriate in order to render the opinions set forth below.

Based upon the foregoing, and subject to the qualification that I am admitted to the practice of law only in the State of Massachusetts and do not purport to be expert in the laws of any jurisdiction other than the State of Massachusetts and the United States, I am of the opinion that:

1. The shares of Common Stock to be issued under the Plan are duly authorized.

2. When the Common Stock is issued and delivered in accordance with and pursuant to the terms of the Plan, such Common Stock will be validly issued, fully paid and nonassessable.

This opinion is given as of the date hereof, and I assume no obligation to advise you after the date hereof of facts or circumstances that come to my attention or changes in law that occur which could affect the opinions contained herein.

I hereby consent to the filing of this opinion as an exhibit to the Registration Statement and the reference to me in Item 5.1 of the Registration Statement.

Very truly yours,

/s/ WILLIAM GEORGE  
William George  
General Counsel

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this registration statement of our report dated February 22, 2000 included in Comfort Systems USA, Inc's Form 10-K for the year ended December 31, 1999 and to all references to our Firm included in this registration statement.

ARTHUR ANDERSEN LLP  
/s/ ARTHUR ANDERSEN LLP

Houston, Texas  
August 21, 2000