AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 26, 1997
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

DELAWARE	1711	76-0526487
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

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

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

COPIES TO:

WILLIAM D. GUTERMUTH	RICHARD C. TILGHMAN, JR.
BRACEWELL & PATTERSON, L.L.P.	PIPER & MARBURY, L.L.P.
SOUTH TOWER PENNZOIL PLACE	36 SOUTH CHARLES STREET
711 LOUISIANA STREET, SUITE 2900	BALTIMORE, MARYLAND 21201
HOUSTON, TEXAS 77002-2781	

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE(2)
Common Stock, $0.01 par value.....	7,015,000	$14.00	$98,210,000	$29,761

(1) Includes 915,000 shares which may be purchased by the underwriters pursuant to an over-allotment option.

(2) Calculated pursuant to Rule 457(o) of the rules and regulations under the Securities Act of 1933, as amended.

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

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*
* INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A *

SUBJECT TO COMPLETION
MARCH 26, 1997

6,100,000 SHARES

[LOGO]

COMFORT SYSTEMS USA, INC.

COMMON STOCK

All of the 6,100,000 shares of Common Stock offered hereby are being offered by Comfort Systems USA, Inc. Prior to this offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price for the Common Stock will be between $12.00 and $14.00 per share. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The Common Stock has been approved for listing on The New York Stock Exchange under the symbol " ", subject to official notice of issuance.

THE COMMON STOCK OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK.
SEE "RISK FACTORS" COMMENCING ON PAGE 11 HEREOF.

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

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

(1) Before deducting expenses of the offering payable by the Company, estimated at $4,000,000.

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

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

ALEX. BROWN & SONS
INCORPORATED

BEAR, STEARNS & CO. INC.

DONALDSON, LUFKIN & JENRETTE
Securities Corporation

SANDERS MORRIS MUNDY

THE DATE OF THIS PROSPECTUS IS , 1997.

[Graphics]
[Describe map or picture]

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

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

PROSPECTUS SUMMARY

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

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY, AND SHOULD BE READ IN CONJUNCTION WITH, THE MORE DETAILED INFORMATION AND THE COMBINED, PRO FORMA COMBINED AND INDIVIDUAL HISTORICAL FINANCIAL STATEMENTS, INCLUDING THE NOTES THERETO, APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE INDICATED, (I) ALL SHARE, PER SHARE AND FINANCIAL INFORMATION SET FORTH HEREIN (A) HAVE BEEN ADJUSTED TO GIVE EFFECT TO ALL OF THE MERGERS; (B) ASSUME AN INITIAL PUBLIC OFFERING PRICE OF $13.00 PER SHARE; AND (C) ASSUME NO EXERCISE OF THE UNDERWRITERS' OVER-ALLOTMENT OPTION; AND (II) ALL REFERENCES HEREIN TO COMMON STOCK INCLUDE BOTH COMMON STOCK, $0.01 PAR VALUE, AND RESTRICTED VOTING COMMON STOCK, $0.01 PAR VALUE (THE "RESTRICTED COMMON STOCK"), OF COMFORT SYSTEMS.

THE COMPANY

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

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

The Company's commercial and industrial installation business targets "design and build" projects where the Company is responsible for designing, engineering and installing a cost-effective, energy-efficient system, customized to meet the specific needs of the building owner. Management believes that the "design and build" segment represents a faster growing and more profitable segment of the HVAC business than traditional "plan and spec" installation. The cost and other terms of "design and build" projects are normally negotiated between the building owner or its representative and the Company, thereby providing single point responsibility for the building owner and enabling the Company to reduce the customer's cost as well as overall design and installation time. "Plan and spec" installation refers to projects where an architect or a consulting engineer designs the HVAC system and the installation project is put out for bid. In recent years, the Company has undertaken a shift from "plan and spec" to "design and

build" projects with "design and build" revenues increasing from approximately 65% of installation revenues in 1994 to approximately 80% in 1996.

Growth in the maintenance, repair and replacement business is driven by a number of factors, particularly (i) the aging of the installed base, (ii) the increasing energy efficiency, sophistication and complexity of HVAC systems and (iii) the increasing restrictions on the use of refrigerants commonly used in older HVAC systems. The energy efficiency and sophistication of new HVAC systems are encouraging building owners to upgrade and reconfigure their current HVAC systems. Moreover, the increasing sophistication and complexity of these HVAC systems are leading many commercial and industrial building owners and property managers to outsource maintenance and repair through service agreements with HVAC service providers. Service agreements lead to better utilization of personnel, link the customer with the Company should a major repair or replacement be needed and result in recurring revenues. The Company believes there is also an opportunity to expand its presence in the highly fragmented residential maintenance, repair and replacement market. The replacement segment of the residential HVAC market has grown significantly in recent years as a result of the aging of the installed base of residential HVAC systems, the introduction of more energy-efficient systems and the upgrading of older homes with central air conditioning.

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

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

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

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

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

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

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

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

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

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

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

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

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

THE OFFERING

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

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(1) Includes 9,720,927 shares of Common Stock to be issued in connection with the Mergers, but excludes 1,976,954 shares of Common Stock subject to options to be granted upon consummation of this Offering at an exercise price equal to the initial public offering price. See "Management -- 1997 Long-Term Incentive Plan" and " -- 1997 Non-Employee Directors' Stock Plan."

(2) Includes 618,609 shares of Restricted Common Stock held by Notre Capital Ventures II, L.L.C. ("Notre"). Each share of Restricted Common Stock is entitled to one-half vote on all matters submitted to stockholders. Restricted Common Stock is convertible into one share of Common Stock under certain circumstances. See "Description of Capital Stock -- Conversion of the Restricted Common Stock."

RECENT DEVELOPMENTS

During January and February 1997, Comfort Systems sold an aggregate of 1,269,935 shares of Common Stock to management of and consultants to the Company for $0.01 per share. As a result, the Company will record a non-recurring, non-cash compensation charge of $6.5 million in the first quarter of 1997, representing the difference between the amount paid for the shares and the estimated fair value of the shares on the date of sale.

Immediately prior to the Mergers, each of the Founding Companies, except Atlas, will distribute to its stockholders an amount equal to its net income for the period from January 1, 1997 through the date of the Mergers (the "Interim Earnings Distributions"). These distributions are expected to be funded partially from the Founding Companies' cash and the balance through borrowings from existing sources.

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

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

	PRO FORMA COMBINED(1)
	TWELVE MONTHS ENDED DECEMBER 31, 1996
INCOME STATEMENT DATA:	
Revenues	$167,525
Gross profit	47,813
Selling, general and administrative expenses(2)	27,814
Goodwill amortization(3)	2,579
Income from operations	17,420
Interest and other income (expense), net(4)	(844)
Income before income taxes	16,576
Net income(5)	8,914
Net income per share	0.49
Shares used in computing pro forma net income per share(6)	18,180,311

	DECEMBER 31, 1996	
	PRO FORMA COMBINED(7)	AS ADJUSTED(8)
BALANCE SHEET DATA:		
Working capital(4)	$ (32,145)(9)	$ 37,604
Total assets	149,243	173,689
Long-term debt, net of current maturities(4)	14,247	14,247
Stockholders' equity(4)	63,156	132,905

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

(2) The pro forma combined income statement data reflect an aggregate of $6.6 million in pro forma reductions in salaries, bonuses and benefits to the owners of the Founding Companies to which they have agreed prospectively (the "Compensation Differential").

(3) Consists of amortization of the $103.2 million of goodwill to be recorded as a result of the Mergers over a 40-year period and computed on the basis described in the Notes to the Unaudited Pro Forma Combined Financial Statements.

(4) Several of the Founding Companies are S Corporations. In connection with the Mergers, these Founding Companies will make distributions to their stockholders totalling $16.6 million, representing substantially all of their previously taxed undistributed earnings (the "S Corporation Distributions"). In order to fund these distributions, the Founding Companies will borrow $10.9 million from existing sources. Accordingly, pro forma interest expense has been increased by $818,000, pro forma working capital has been reduced by $5.7 million, pro forma long-term debt has been increased by $10.9 million and pro forma stockholders' equity has been reduced by $16.6 million.

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

(6) Includes (i) 2,969,912 shares issued to Notre, (ii) 1,269,935 shares issued to management of and consultants to Comfort Systems, (iii) 9,720,927 shares issued to owners of the Founding Companies and (iv) 4,219,537 of the 6,100,000 shares sold in the Offering necessary to pay the cash portion of the Merger consideration and expenses of this Offering.

(7) The pro forma combined balance sheet data assume that the Mergers were consummated on December 31, 1996.

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

(9) Includes a $45.3 million note payable to owners of the Founding Companies, representing the cash portion of the Merger consideration to be paid from a

portion of the net proceeds of this Offering.

SUMMARY INDIVIDUAL FOUNDING COMPANY FINANCIAL DATA
(IN THOUSANDS)

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

	FISCAL YEARS ENDED(1)		
	1994	1995	1996
QUALITY:			
Revenues	$ 24,434	$ 32,594	$ 29,597
Income from operations	2,154	4,953	4,490
ATLAS:			
Revenues	21,848	22,444	30,030
Income from operations	105	643	2,101
TRI-CITY:			
Revenues	16,883	25,030	24,237
Income from operations	393	2,539	1,773
LAWRENCE:			
Revenues	12,758	12,568	17,163
Income (loss) from operations	112	(51)	67
ACCURATE:			
Revenues	9,763	12,171	16,806
Income (loss) from operations	(122)	213	499
EASTERN:			
Revenues	7,348	6,067	7,944
Income from operations	274	117	431
CSI/BONNEVILLE:			
Revenues	6,502	6,361	7,842
Income from operations	881	448	981
TECH:			
Revenues	6,923	6,960	7,537
Income from operations	593	948	1,680
SEASONAIR:			
Revenues	5,168	5,942	6,737
Income from operations	189	451	134
WESTERN:			
Revenues	4,149	4,112	6,494
Income (loss) from operations	161	(151)	744
ALL OTHER FOUNDING COMPANIES(2):			
Revenues	8,934	12,264	13,138
Income from operations	266	321	531

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

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

THE COMPANY

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

QUALITY AIR HEATING AND COOLING, INC. -- Quality Air Heating and Cooling, Inc. ("Quality"), headquartered in Grand Rapids, Michigan, was founded in 1968 and operates primarily throughout western Michigan. Quality focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems, primarily for medium and large commercial facilities. Quality operates a sheet metal and ductwork fabrication facility for its installation services. Quality had 1996 revenues of $29.6 million and currently has 208 employees. Robert J. Powers, the President of Quality, has been employed by Quality for 16 years, will sign a five-year employment agreement with Quality to continue his present position following consummation of this Offering and will become a director of the Company.

ATLAS AIR CONDITIONING CO. -- Atlas Comfort Services USA, Inc., which does business as Atlas Air Conditioning Co. ("Atlas"), and is headquartered in Houston, Texas, was founded in 1947 and operates primarily in the southwest, northeast and mid-Atlantic regions of the United States. Atlas is a leading provider of HVAC installation services for apartment complexes, condominiums, hotels and elder care facilities in the United States and also provides maintenance, repair and replacement of HVAC systems. Atlas had 1996 revenues of $30.0 million and currently has 180 employees. Brian S. Atlas and Michael Atlas, the Chief Executive Officer and Chief Operating Officer of Atlas, respectively, have been employed by Atlas for 22 and 20 years, respectively. They will sign five-year employment agreements with Atlas to continue their present positions following consummation of this Offering. Brian S. Atlas will become a director of the Company.

TRI-CITY MECHANICAL, INC. -- Tri-City Mechanical, Inc. ("Tri-City"), headquartered in Tempe, Arizona, was founded in 1962 and operates in Arizona, California and Nevada. Tri-City focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems primarily for large commercial and industrial facilities, as well as process piping for industrial facilities. Tri-City operates a sheet metal and ductwork fabrication facility for its installation services. Tri-City had 1996 revenues of $24.2 million and currently has 233 employees. Michael Nothum, Jr., the President of Tri-City, has been employed by Tri-City for 18 years, will sign a five-year employment agreement with Tri-City to continue his present position following consummation of this Offering and will become a director of the Company.

S. M. LAWRENCE CO., INC. -- S. M. Lawrence Co., Inc. and Lawrence Service, Inc. (together "Lawrence"), headquartered in Jackson, Tennessee, were founded in 1917 and operate primarily in Tennessee and the surrounding states. Lawrence focuses on providing "design and build" installation services and process piping primarily for industrial facilities and maintenance, repair and replacement of commercial and industrial HVAC systems. Lawrence operates a sheet metal and ductwork fabrication facility for its installation services. Lawrence had 1996 revenues of $17.2 million and currently has 200 employees. Samuel M. Lawrence III and Frank F. Lawrence, the Chief Executive Officer and President of Lawrence, respectively, have been employed by Lawrence for 20 and 17 years, respectively, and will sign five-year employment agreements with Lawrence to continue their present positions following consummation of this Offering. Samuel M. Lawrence III will become a director of the Company.

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

installation services. Accurate had 1996 revenues of $16.8 million and currently has 136 employees. Thomas J. Beaty, President and founder of Accurate, has been employed by Accurate for 16 years, will sign a five-year employment agreement with Accurate to continue his present position following consummation of this Offering and will become a director of the Company.

FREEWAY HEATING AND AIR CONDITIONING, INC. -- Freeway Heating and Air Conditioning, Inc. ("Freeway"), headquartered in Bountiful, Utah, was founded in 1947 and operates primarily in the Salt Lake City area. Freeway provides installation services and maintenance, repair and replacement of HVAC systems for commercial and residential facilities. Freeway had 1996 revenues of $9.4 million and currently has 110 employees. Robert Arbuckle, President of Freeway, has been employed by Freeway for 22 years and will sign a five-year employment agreement with Freeway to continue his present position following consummation of this Offering.

EASTERN HEATING AND COOLING INC. -- Eastern Heating and Cooling Inc. ("Eastern"), headquartered in Albany, New York, was founded in 1945 and operates primarily within a 75-mile radius of Albany, New York. Eastern focuses on providing "design and build" installation and maintenance, repair and replacement of HVAC systems for commercial and industrial facilities. Eastern also offers continuous monitoring and control services for commercial facilities. Eastern had 1996 revenues of $7.9 million and currently has 63 employees. Alfred J. Giardenelli, Jr., President of Eastern, has been employed by Eastern for 26 years, will sign a five-year employment agreement with Eastern to continue his present position following consummation of this Offering and will become a director of the Company.

CSI/BONNEVILLE -- Contract Service Inc., which does business as C. S. I. Heating and Air Conditioning and Bonneville Heating and Cooling ("CSI/Bonneville"), and is headquartered in Salt Lake City, Utah, was founded in 1969 and operates primarily in Utah. CSI/Bonneville focuses on providing maintenance, repair and replacement of HVAC systems for commercial and residential facilities. CSI/Bonneville had 1996 revenues of $7.8 million and currently has 80 employees. John C. Phillips, President and co-founder of CSI/Bonneville, has been employed by CSI/Bonneville for 28 years, will sign a five-year employment agreement with CSI/Bonneville to continue his present position following consummation of this Offering and will become a director of the Company.

TECH HEATING AND AIR CONDITIONING, INC. -- Tech Heating and Air Conditioning, Inc. and Tech Mechanical, Inc. (together "Tech"), headquartered in Solon, Ohio, were founded in 1979 and operate primarily in the greater Cleveland, Ohio area. Tech focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial and industrial facilities. Tech also offers continuous monitoring and control services for commercial facilities. Tech had 1996 revenues of $7.5 million and currently has 51 employees. Robert R. Cook, President and founder of Tech, has been employed by Tech for 18 years, will sign a five-year employment agreement with Tech to continue his present position following consummation of this Offering and will become a director of the Company.

SEASONAIR, INC. -- Seasonair, Inc. ("Seasonair"), headquartered in Rockville, Maryland, was founded in 1966 and operates primarily in Maryland, the District of Columbia and Virginia. Seasonair focuses on providing installation services and maintenance, repair and replacement of HVAC systems for light commercial facilities. Seasonair had 1996 revenues of $6.7 million and currently has 67 employees. James C. Hardin, Sr., who will become Chief Executive Officer of Seasonair upon consummation of this Offering, has been employed by Seasonair for 11 years and will sign a five-year employment agreement with Seasonair following consummation of this Offering.

WESTERN BUILDING SERVICES, INC. -- Western Building Services, Inc. ("Western"), headquartered in Denver, Colorado, was founded in 1980 and operates primarily in Colorado. Western focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial facilities. Western also offers continuous monitoring and control services for commercial facilities. Western had 1996 revenues of $6.5 million and currently has 55 employees. Charles W. Klapperich, President and founder of Western, has been employed by Western for 17 years, will sign a five-

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

STANDARD HEATING AND AIR CONDITIONING CO. -- Standard Heating and Air Conditioning Co. ("Standard"), headquartered in Birmingham, Alabama, was founded in 1939 and operates primarily in Alabama. Standard focuses on providing comprehensive maintenance, repair and replacement of HVAC systems for residential and light commercial facilities. Standard had 1996 revenues of $3.7 million and currently has 38 employees. Thomas B. Kime, President of Standard, has been employed by Standard for over 20 years and will sign a five-year employment agreement with Standard to continue his present position with Standard following consummation of this Offering.

The aggregate consideration to be paid by Comfort Systems in the Mergers consists of $45.3 million in cash and 9,720,927 shares of Common Stock, plus $8.6 million of existing debt of the Founding Companies. The consideration to be paid by Comfort Systems for each Founding Company was determined by negotiations between Comfort Systems and representatives of each Founding Company and was based primarily upon the pro forma adjusted net income of each Founding Company.

Comfort Systems USA, Inc. was incorporated in 1996 in Delaware. The Company's executive offices are located at 4801 Woodway, Suite 300E, Houston, Texas 77056, and its telephone number is (713) 964-2685.

RISK FACTORS

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

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

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

RISKS RELATED TO ACQUISITION FINANCING. The timing, size and success of the Company's acquisition efforts and the associated capital commitments cannot be readily predicted. The Company currently intends to finance future acquisitions by using shares of its Common Stock for all or a substantial portion of the consideration to be paid. If the Common Stock does not maintain a sufficient market value, or if potential acquisition candidates are otherwise unwilling to accept Common Stock as part of the consideration for the sale of their businesses, the Company may be required to utilize more of its cash resources, if available, in order to initiate and maintain its acquisition program. Upon completion of this Offering, the Company will have $24.4 million of net proceeds remaining for future acquisitions and working capital after payment of Merger and Offering expenses and the cash portion of the purchase price for the Founding Companies. If the Company does not have sufficient cash resources, its growth could be limited unless it is able to obtain additional capital through debt or equity financings. Upon consummation of this Offering, the Company intends to obtain a bank line of credit of at least $50 million for working capital and acquisitions. However,

there can be no assurance that the Company will be able to obtain the line of credit or additional financing it will need for its acquisition program on terms that the Company deems acceptable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

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

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

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

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

business may be adversely affected by declines in new installation projects in various geographic regions of the United States.

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

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

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

SUBSTANTIAL PROCEEDS OF OFFERING PAYABLE TO AFFILIATES OF FOUNDING COMPANIES. Of the net proceeds of this Offering, $45.3 million, or approximately 65%, of the net proceeds of this Offering will be paid as the cash portion of the purchase price for the Founding Companies. Some of the recipients of these funds will become directors of the Company or holders of more than 5% of the Common Stock. Additionally, Notre has advanced to Comfort Systems certain organization expenses and Offering costs and will be reimbursed approximately $825,000 from the proceeds of this Offering. See "Use of Proceeds" and "Certain Transactions."

NO PRIOR PUBLIC MARKET AND DETERMINATION OF OFFERING PRICE. Prior to this Offering, there has been no public market for the Common Stock. Therefore, the initial public offering price for the Common Stock will be determined by negotiation between the Company and the Representatives of the Underwriters and may bear no relationship to the price at which the Common Stock will trade after the Offering. See "Underwriting" for the factors to be considered in determining the initial public offering price. The Common Stock has been approved for quotation on The New York Stock Exchange, subject to official notice of issuance. However, there can be no assurance that an active trading market will develop subsequent to this Offering or, if developed, that it will be sustained. After this Offering, the market price of the Common Stock may be subject to significant fluctuations in response to numerous factors, including the timing of any acquisitions by the Company, variations in the Company's annual or quarterly financial results or those of its competitors, changes by financial research analysts in their estimates of the future earnings of the Company, conditions in the economy in general or in the Company's industry in particular, unfavorable publicity or changes in applicable laws and regulations (or judicial or administrative interpretations thereof) affecting the Company or the HVAC, process piping and plumbing and electrical services industries. From time to time, the stock market experiences significant price and volume volatility, which may affect the market price of the Common Stock for reasons unrelated to the Company's performance.

POTENTIAL EFFECT OF SHARES ELIGIBLE FOR FUTURE SALE ON PRICE OF COMMON STOCK. Upon consummation of the Mergers and this Offering, 20,060,774 shares of Common Stock will be outstanding. The 6,100,000 shares sold in this Offering (other than shares that may be purchased by affiliates of the Company) will be freely tradable. The remaining outstanding shares may be resold publicly only following their registration under the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an available exemption

from registration (such as provided by Rule 144 following a one year holding period for previously unregistered shares). The holders of these remaining shares have certain rights to have their shares registered in the future under the Securities Act, but may not exercise such registration rights, and have agreed with the Company that they will not sell, transfer or otherwise dispose of any of their shares, for one year following the closing of this Offering. See "Shares Eligible for Future Sale." On completion of this Offering, the Company also will have outstanding options to purchase up to a total of 1,976,954 shares of Common Stock. The Company intends to register all the shares subject to these options under the Securities Act for public resale. The Company intends to register 8,000,000 additional shares of Common Stock under the Securities Act within 90 days after completion of its offering for issuance in connection with future acquisitions. These shares generally will be freely tradable after their issuance by persons not affiliated with the Company unless the Company contractually restricts their resale.

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

IMMEDIATE AND SUBSTANTIAL DILUTION. Purchasers of Common Stock in this Offering will experience immediate, substantial dilution in the net tangible book value of their stock of $11.52 per share and may experience further dilution in that value from issuances of Common Stock in connection with future acquisitions. See "Dilution."

USE OF PROCEEDS

The net proceeds from the sale of the 6,100,000 shares of Common Stock offered hereby, after deducting underwriting discounts and commissions and estimated Offering and Merger expenses, are estimated to be $69.7 million ($80.8 million if the Underwriters' over-allotment option is exercised in full).

Of the net proceeds, $45.3 million will be used to pay the cash portion of the purchase price for the Founding Companies, some of which will be paid to stockholders who will become directors or holders of more than 5% of the Common Stock.

The $24.4 million of remaining net proceeds will be used for working capital and other general corporate purposes, which are expected to include future acquisitions. The Company currently has no binding agreements to effect any future acquisitions. Pending such uses, the net proceeds will be invested in short-term, interest-bearing, investment grade securities.

The Company is currently negotiating with a group of banks to obtain a credit facility of at least $50 million, which would be available upon the consummation of this Offering. There can be no assurance that any line of credit will be obtained or that, if obtained, it will be on terms that are favorable to the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Combined Results of Operations."

DIVIDEND POLICY

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

In connection with the consummation of the Mergers, certain of the Founding Companies intend to make S Corporation Distributions, aggregating $16.6 million, to their former stockholders. In addition, each of the Founding Companies, except Atlas, will make Interim Earnings Distributions immediately prior to the Mergers.

CAPITALIZATION

The following table sets forth the current maturities of long-term obligations and capitalization at December 31, 1996 (i) of the Founding Companies combined; (ii) of Comfort Systems on a pro forma combined basis to give effect to the issuance of 1,269,935 shares of Common Stock to management of and consultants to Comfort Systems, the Mergers and the S Corporation Distributions; and (iii) of Comfort Systems, pro forma combined, as adjusted to give effect to the Mergers, the S Corporation Distributions, this Offering and the application of a portion of the estimated net proceeds therefrom. This table should be read in conjunction with the Unaudited Pro Forma Combined Financial Statements of the Company and the Notes thereto included elsewhere in this Prospectus.

	DECEMBER 31, 1996		
	COMBINED	PRO FORMA COMBINED	AS ADJUSTED
		(IN THOUSANDS)	
Current maturities of long-term debt obligations(1)	$ 5,301	$50,604(2)	$ 5,301
Long-term obligations, less current maturities(1)	$ 3,347	$14,247(3)	$ 14,247
Stockholders' equity:			
Preferred Stock: $0.01 par value, 5,000,000 shares authorized; none issued or outstanding	--	--	--
Common Stock; $0.01 par value, 52,969,912 shares authorized; 13,960,774 shares issued and outstanding pro forma combined; and 20,060,774 shares issued and outstanding, as adjusted(4)	392	140	201
Additional paid-in capital	175	63,016	132,704
Retained earnings	22,552	--	--
Treasury stock	(1,201)	--	--
Total stockholders' equity	21,918	63,156	132,905
Total capitalization	$25,265	$77,403	$ 147,152

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(1) For a description of the Company's debt, see the Notes to Unaudited Pro Forma Combined Financial Statements and Notes to the Founding Companies' Financial Statements.

(2) Includes a $45.3 million note payable to owners of the Founding Companies, representing the cash portion of the Merger consideration to be paid from a portion of the net proceeds of this Offering.

(3) Includes $10.9 million in long-term obligations to reflect that portion of the S Corporation Distributions that will be funded through borrowings.

(4) Includes 2,969,912 shares of Restricted Common Stock. See "Description of Capital Stock." Excludes 1,976,954 shares of Common Stock subject to options to be granted upon consummation of this Offering at an exercise price equal to the initial public offering price. See "Management -- 1997 Long-Term Incentive Plan" and "-- 1997 Non-Employee Directors' Stock Plan."

DILUTION

The deficit in pro forma combined net tangible book value of the Company at December 31, 1996 was $40.0 million or $2.87 per share of Common Stock. The deficit in pro forma combined net tangible book value per share represents the amount by which the Company's pro forma combined total liabilities exceeds the Company's pro forma combined net tangible assets, divided by the number of shares of Common Stock to be outstanding after giving effect to the Mergers. After giving effect to the sale of the 6,100,000 shares of Common Stock in this Offering and after deduction of the underwriting discounts and commissions and estimated Offering and Merger expenses, the pro forma combined net tangible book value of the Company at December 31, 1996 would have been approximately $29.8 million or $1.48 per share. This represents an immediate increase in pro forma combined net tangible book value of $4.35 per share to existing stockholders and an immediate dilution of $11.52 per share to purchasers of Common Stock in this Offering. The following table illustrates this pro forma dilution:

Assumed initial public offering price per share		$ 13.00
Pro forma combined deficit in net tangible book value per share before this Offering	$ (2.87)	
Increase in pro forma combined net tangible book value per share attributable to new investors	4.35	
Pro forma combined net tangible book value per share after this Offering		1.48
Dilution per share to new investors		$ 11.52

The following table sets forth, on a pro forma combined basis to give effect to the Mergers at December 31, 1996, the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by existing stockholders and the new investors purchasing shares of Common Stock from the Company in this Offering, before deducting underwriting discounts and commissions and estimated Offering and Merger expenses:

	SHARES PURCHASED		TOTAL	AVERAGE PRICE
	NUMBER	PERCENT	CONSIDERATION	PER SHARE
Existing stockholders	13,961	69.6%	$ (40,007)(1)	$ (2.87)
New investors	6,100	30.4	79,300	$ 13.00
Total	20,061	100.0%	$ 39,293	

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

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

Comfort Systems will acquire the Founding Companies simultaneously with and as a condition to the consummation of this Offering. For financial statement presentation purposes, however, Quality, one of the Founding Companies, has been identified as the "accounting acquiror." The following selected financial data for Quality as of March 31, 1995 and 1996 and as of December 31, 1996 and for the years ended March 31, 1995, 1996 and December 31, 1996, have been derived from audited financial statements of Quality. The selected historical financial data as of March 31, 1993 and 1994, and the fiscal years ended March 31, 1993 and 1994, have been derived from unaudited financial statements of Quality, which have been prepared on the same basis as the audited financial statements and, in the opinion of Quality, reflect all adjustments consisting of normal recurring adjustments, necessary for a fair presentation of such data. The selected unaudited pro forma combined financial data present data for the Company, adjusted for (i) the effects of the Mergers, (ii) the effects of certain pro forma adjustments to the historical financial statements described below and (iii) the consummation of this Offering and the application of the net proceeds therefrom. See the Unaudited Pro Forma Combined Financial Statements and the Notes thereto and the historical Financial Statements of Quality and certain of the Founding Companies and the Notes thereto included elsewhere in this Prospectus.

	FISCAL YEAR ENDED MARCH 31,				TWELVE MONTHS ENDED DECEMBER 31,
	1993	1994	1995	1996	1996
INCOME STATEMENT DATA:					
QUALITY					
Revenues	$ 20,444	$ 19,706	$ 24,434	$ 32,594	$29,597
Gross profit	6,916	7,465	8,800	11,744	11,130
Selling, general and administrative expenses	5,196	5,907	6,646	6,791	6,640
Income from operations	1,720	1,558	2,154	4,953	4,490
Interest and other income (expense), net	(20)	9	17	(120)	(57)
Net income	$ 1,700	$ 1,567	$ 2,171	$ 4,833	$ 4,433
PRO FORMA COMBINED(1)					
Revenues	$ 167,525				
Gross profit	47,813				
Selling, general and administrative expenses(2)	27,814				
Goodwill amortization(3)	2,579				
Income from operations	17,420				
Interest and other income (expense), net(4)	(844)				
Income before income taxes	16,576				
Net income(5)	8,914				
Net income per share	0.49				
Shares used in computing pro forma net income per share(6)	18,180,311				

	QUALITY					COMBINED COMPANIES	
	MARCH 31,				DECEMBER 31,	DECEMBER 31, 1996	
	1993	1994	1995	1996	1996	PRO FORMA COMBINED(7)	AS ADJUSTED(8)
BALANCE SHEET DATA:							
Working capital(4)	$ 2,410	$ 2,557	$ 2,859	$ 3,389	$ 4,932	$ (32,145)(9)	$ 37,604
Total assets	8,272	7,764	9,656	11,724	11,688	149,243	173,689
Long-term debt, net of current maturities(4)	--	140	2,444	1,392	646	14,247	14,247
Stockholders' equity(4)	3,345	3,663	1,186	2,705	5,044	63,156	132,905

(FOOTNOTES ON FOLLOWING PAGE)

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

(2) The pro forma combined income statement data reflect the Compensation Differential of $6.6 million.

(3) Consists of amortization of the $103.2 million of goodwill to be recorded as a result of the Mergers over a 40-year period and computed on the basis described in the Notes to the Unaudited Pro Forma Combined Financial Statements.

(4) Several of the Founding Companies are S Corporations. In connection with the Mergers, these Founding Companies will make the S Corporation Distributions totalling $16.6 million. In order to fund these distributions the Founding Companies will borrow approximately $10.9 million from existing sources. Accordingly, pro forma interest expense has been increased by $818,000, pro forma working capital has been reduced by $5.7 million, pro forma long-term debt has been increased dby $10.9 million and pro forma stockholders' equity has been reduced by $16.6 million.

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

(6) Includes (i) 2,969,912 shares issued to Notre, (ii) 1,269,935 shares issued to management of and consultants to Comfort Systems, (iii) 9,720,927 shares issued to owners of the Founding Companies and (iv) 4,219,537 of the 6,100,000 shares sold in the Offering necessary to pay the cash portion of the Merger consideration and expenses of this Offering.

(7) The pro forma combined balance sheet data assume that the Mergers were consummated on December 31, 1996.

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

(9) Includes a $45.3 million note payable to owners of the Founding Companies, representing the cash portion of the Merger consideration to be paid from a portion of the net proceeds of this Offering.

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

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

INTRODUCTION

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

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

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

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

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

that these savings will be offset by costs related to the Company's new corporate management and by the costs associated with being a public company. However, because these savings and costs cannot be accurately quantified at this time, they have not been included in the pro forma financial information included herein.

During January and February 1997, Comfort Systems sold an aggregate of 1,269,935 shares of Common Stock to management and consultants. As a result, the Company will record a non-recurring, non-cash compensation charge of $6.5 million in the first quarter of 1997, representing the difference between the amount paid for the shares and the estimated fair value of the shares on the date of sale.

In July 1996, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 97 ("SAB 97") relating to business combinations immediately prior to an initial public offering. SAB 97 requires that these combinations be accounted for using the purchase method of acquisition accounting. Under the purchase method, one of the Founding Companies must be designated as the accounting acquiror. For the remaining Founding Companies, $103.2 million, representing the excess of the fair value of the Merger consideration received over the fair value of the net assets to be acquired, will be recorded as "goodwill" on the Company's balance sheet. Goodwill will be amortized as a non-cash charge to the income statement over a 40-year period. The pro forma impact of this amortization expense, which is non-deductible for tax purposes, is $2.6 million per year on an after-tax basis. Prior to the issuance of SAB 97, goodwill and related amortization expense were not required to be recorded for most business combinations similar to the Mergers. The amount of goodwill to be recorded and the related amortization expense will depend in part on the actual Offering price. See "Certain Transactions -- Organization of the Company."

COMBINED RESULTS OF OPERATIONS

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

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

	FISCAL YEARS ENDED(1)					
	1994		1995(2)		1996(2)	
	(IN THOUSANDS)					
Revenues	$ 124,710	100.0%	$ 146,512	100.0%	$ 167,525	100.0%
Cost of services	92,318	74.0	105,043	71.7	119,712	71.5
Gross profit	32,392	26.0	41,469	28.3	47,813	28.5
Selling, general and administrative expenses	27,386	22.0	31,038	21.2	34,382	20.5
Income from operations	5,006	4.0	10,431	7.1	13,431	8.0

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

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

COMBINED RESULTS FOR 1996 COMPARED TO 1995

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

GROSS PROFIT. Combined gross profit increased $6.3 million, or 15.3%, from $41.5 million in 1995 to $47.8 million in 1996, due principally to increases in gross profit of $2.2 million at Atlas, $1.5 million at Lawrence and $1.1 million at Western. As a percentage of revenues, combined gross profit increased from 28.3% in 1995 to 28.5% in 1996. Gross profit as a percentage of revenues at Atlas increased from 12.5% of revenues in 1995 to 16.5% of revenues in 1996 as increasing demand for Atlas' specialized installation services enabled Atlas to earn higher margins. Gross profit as a percentage of revenues at Accurate decreased from 26.1% of revenues in 1995 to 21.0% of revenues in 1996 as a result of an increase in overtime and subcontract labor necessary to support the increased number of "design and build" projects. Gross profit as a percentage of revenues at Western increased from 17.1% to 28.2% from 1995 to 1996, one-half of which resulted from Western's participation in an incentive program sponsored by the Public Service Company of Colorado.

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

COMBINED RESULTS FOR 1995 COMPARED TO 1994

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

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

management emphasized higher-margin "design and build" projects and successfully implemented an incentive program for project managers to control project costs.

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

COMBINED LIQUIDITY AND CAPITAL RESOURCES

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

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

The Company is currently negotiating with a group of banks to obtain a credit facility which would be available upon the closing of the Offering. The Company expects this facility to be a revolving line of credit of at least $50 million. The facility is intended to be used for acquisitions, capital expenditures, refinancing of debt not paid out of the proceeds of this Offering and for general corporate purposes. It is anticipated that such facility will require the Company to comply with various loan covenants including (i) maintenance of certain financial ratios, (ii) restrictions on additional indebtedness, and (iii) restrictions on liens, guarantees, advances and dividends.

QUALITY RESULTS OF OPERATIONS

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

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

	YEAR ENDED MARCH 31,				YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED DECEMBER 31,	
	1995		1996(1)		1996(1)		1995	
	(IN THOUSANDS)							
Revenues	$ 24,434	100.0%	$ 32,594	100.0%	$ 29,597	100.0%	$ 26,279	100.0%
Cost of services	15,634	64.0	20,850	64.0	18,467	62.4	16,559	63.0
Gross profit	8,800	36.0	11,744	36.0	11,130	37.6	9,720	37.0
Selling, general and administrative expenses	6,646	27.2	6,791	20.8	6,640	22.4	5,183	19.7
Income from operations	2,154	8.8	4,953	15.2	4,490	15.2	4,537	17.3

	NINE MONTHS ENDED DECEMBER 31,	
	1996	
Revenues	$ 23,282	100.0%
Cost of services	14,176	60.9
Gross profit	9,106	39.1
Selling, general and administrative expenses	5,032	21.6
Income from operations	4,074	17.5

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

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

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

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

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

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

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

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

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

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

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

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

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

QUALITY LIQUIDITY AND CAPITAL RESOURCES

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

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

ATLAS RESULTS OF OPERATIONS

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

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

	YEAR ENDED JUNE 30,						SIX MONTHS ENDED DECEMBER 31,	
	1994		1995		1996		1995	
	(IN THOUSANDS)							
Revenues	$ 21,848	100.0%	$ 22,444	100.0%	$ 29,174	100.0%	$ 14,689	100.0%
Cost of services	19,657	90.0	19,635	87.5	25,449	87.2	12,886	87.7
Gross profit	2,191	10.0	2,809	12.5	3,725	12.8	1,803	12.3
Selling, general and administrative expenses	2,086	9.5	2,166	9.6	2,843	9.8	1,417	9.6
Income from operations	105	0.5	643	2.9	882	3.0	386	2.7

	SIX MONTHS ENDED DECEMBER 31,	
	1996	
Revenues	$ 15,545	100.0%
Cost of services	12,508	80.5
Gross profit	3,037	19.5
Selling, general and administrative expenses	1,432	9.2
Income from operations	1,605	10.3

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

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

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

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

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

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

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $0.6 million, or 31.3%, from $2.2 million for the year ended June 30, 1995 to $2.8 million for the year ended June 30, 1996, as Atlas increased its infrastructure to support higher volume. As a percentage of revenues, selling, general and administrative expenses increased from 9.7% to 9.8%.

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

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

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $0.1 million, or 3.8%, from $2.1 million for the twelve months ended June 30, 1994 to $2.2 million for the twelve months ended June 30, 1995. As a percentage of revenues, selling, general and administrative expenses increased from 9.5% to 9.7%.

ATLAS LIQUIDITY AND CAPITAL RESOURCES

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

At December 31, 1996, Atlas had working capital of $2.7 million and total debt of $1.7 million.

TRI-CITY RESULTS OF OPERATIONS

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

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

	YEAR ENDED DECEMBER 31,					
	1994		1995		1996	
	(IN THOUSANDS)					
Revenues	$ 16,883	100.0%	$ 25,030	100.0%	$ 24,237	100.0%
Cost of services	14,271	84.5	19,298	77.1	18,561	76.6
Gross profit	2,612	15.5	5,732	22.9	5,676	23.4
Selling, general and administrative expenses	2,219	13.2	3,193	12.8	3,903	16.1
Income from operations	393	2.3	2,539	10.1	1,773	7.3

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

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

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

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

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

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

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

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

TRI-CITY LIQUIDITY AND CAPITAL RESOURCES

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

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

LAWRENCE RESULTS OF OPERATIONS

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

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

	YEAR ENDED OCTOBER 31,					
	1994		1995		1996	
	(IN THOUSANDS)					
Revenues	$ 12,758	100.0%	$ 12,568	100.0%	$ 17,163	100.0%
Cost of services	9,797	76.8	9,142	72.7	12,211	71.1
Gross profit	2,961	23.2	3,426	27.3	4,952	28.9
Selling, general and administrative expenses	2,849	22.3	3,477	27.7	4,885	28.5
Income (loss) from operations	112	0.9	(51)	(0.4)	67	0.4

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

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

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

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

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

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

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

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

LAWRENCE LIQUIDITY AND CAPITAL RESOURCES

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

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

ACCURATE RESULTS OF OPERATIONS

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

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

	YEAR ENDED JUNE 30,				YEAR ENDED DECEMBER 31,	
	1994		1995		1996	
	(IN THOUSANDS)					
Revenues	$ 9,763	100.0%	$ 12,171	100.0%	$ 16,806	100.0%
Cost of services	7,204	73.8	8,998	73.9	13,270	79.0
Gross profit	2,559	26.2	3,173	26.1	3,536	21.0
Selling, general and administrative expenses	2,681	27.5	2,960	24.3	3,037	18.0
Income (loss) from operations	(122)	(1.3)	213	1.8	499	3.0

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

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

GROSS PROFIT. Gross profit increased $0.3 million, or 11.4%, from $3.2 million for the year ended June 30, 1995 to $3.5 million for the year ended December 31, 1996. As a percentage of revenues, gross profit deceased from 26.1% to 21.0%, primarily as a result of an increase in subcontract labor and employee overtime necessary to support the increased number of "design and build" projects.

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

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

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

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $0.3 million, or 10.4%, from $2.7 million in fiscal 1994 to $3.0 million in fiscal 1995. As a percentage of

revenues, selling, general and administrative expenses decreased from 27.5% to 24.3% as Accurate was able to increase revenues without a commensurate increase in overhead expenses.

ACCURATE LIQUIDITY AND CAPITAL RESOURCES

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

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

CSI/BONNEVILLE RESULTS OF OPERATIONS

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

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

	YEAR ENDED DECEMBER 31,					
	1994		1995		1996	
	(IN THOUSANDS)					
Revenues	$ 6,502	100.0%	$ 6,361	100.0%	$ 7,842	100.0%
Cost of services	4,393	67.6	4,413	69.4	5,201	66.3
Gross profit	2,109	32.4	1,948	30.6	2,641	33.7
Selling, general and administrative expenses	1,228	18.9	1,500	23.6	1,660	21.2
Income from operations	881	13.5	448	7.0	981	12.5

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

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

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

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

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

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

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

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

CSI/BONNEVILLE LIQUIDITY AND CAPITAL RESOURCES

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

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

TECH RESULTS OF OPERATIONS

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

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

	YEAR ENDED DECEMBER 31,			
	1995		1996	
	(IN THOUSANDS)			
Revenues	$ 6,960	100.0%	$ 7,537	100.0%
Cost of services	4,212	60.5	3,996	53.0
Gross profit	2,748	39.5	3,541	47.0
Selling, general and administrative expenses	1,800	25.9	1,861	24.7
Income from operations	948	13.6	1,680	22.3

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

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

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

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

TECH LIQUIDITY AND CAPITAL RESOURCES

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

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

WESTERN RESULTS OF OPERATIONS

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

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

	YEAR ENDED DECEMBER 31,			
	1995		1996	
	(IN THOUSANDS)			
Revenues	$ 4,112	100.0%	$ 6,494	100.0%
Cost of services	3,408	82.9	4,662	71.8
Gross profit	704	17.1	1,832	28.2
Selling, general and administrative expenses	855	20.8	1,088	16.7
Income (loss) from operations	(151)	(3.7)	744	11.5

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

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

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $0.2 million in 1995, or 27.3%, from $0.9 million in 1995 to $1.1 million in 1996. As a percentage of revenues, selling, general and administrative expenses decreased from 20.8% to 16.7% as a result of the substantial revenue increase without a commensurate increase in overhead expenses.

WESTERN LIQUIDITY AND CAPITAL RESOURCES

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

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

SEASONAL AND CYCLICAL NATURE OF THE HVAC INDUSTRY

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

INFLATION

Inflation did not have a significant effect on the results of operations of the combined Founding Companies for 1994, 1995 or 1996.

BUSINESS

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

INDUSTRY OVERVIEW

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

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

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

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

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

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

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

STRATEGY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ACQUISITION PROGRAM

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

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

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

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

OPERATIONS AND SERVICES PROVIDED

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

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

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

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

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

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

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

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

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

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

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

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

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

SOURCES OF SUPPLY

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

SALES AND MARKETING

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

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

EMPLOYEES

As of December 31, 1996, the Company had 1,426 employees, including 74 management personnel, 1,126 engineers and service and installation technicians, 71 sales personnel and 155 administrative personnel. The Company does not anticipate any reductions in staff as a result of the consolidation of the Founding Companies. Rather, as it implements its internal growth and acquisition strategies, the Company expects that the number of employees will increase. Three of the Founding Companies have collective bargaining agreements which cover, in the aggregate, fewer than 50 employees. Under these agreements, these Founding Companies make payments to multi-employer pension plans. The Company has not experienced any strikes or work stoppages and believes its relationship with its employees and union representatives is satisfactory.

RECRUITING, TRAINING AND SAFETY

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

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

FACILITIES AND VEHICLES

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

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

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

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

RISK MANAGEMENT, INSURANCE AND LITIGATION

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

The Company is, from time to time, a party to litigation arising in the normal course of its business, most of which involves claims for personal injury and property damage incurred in connection with its operations. The Company is not currently involved in any litigation the Company believes will have a material adverse effect on its financial condition or results of operations.

COMPETITION

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

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

GOVERNMENTAL REGULATION AND ENVIRONMENTAL MATTERS

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

Many state and local regulations governing the HVAC services trades require permits and licenses to be held by individuals. In some cases, a required permit or license held by a single individual may be sufficient to authorize specified activities for all the Company's service technicians who work in the state or county that issued the permit or license. The Company intends to implement a policy to ensure that, where possible, any such permits or licenses that may be material to the Company's operations in a particular geographic region are held by at least two Company employees within that region.

The Company's operations are subject to the federal Clean Air Act, as amended (the "Clean Air Act"), which governs air emissions and imposes specific requirements on the use and handling of chlorofluorocarbons ("CFCs") and certain other refrigerants. Clean Air Act regulations require the certification of service technicians involved in the service or repair of equipment containing these

refrigerants and also regulate the containment and recycling of these refrigerants. These requirements have increased the Company's training expenses and expenditures for containment and recycling equipment. The Clean Air Act is intended ultimately to eliminate the use of CFCs in the United States and to require alternative refrigerants to be used in replacement HVAC systems. As a result, the number of conversions of existing HVAC systems which use CFCs to systems using alternative refrigerants is expected to increase.

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

DIRECTORS AND EXECUTIVE OFFICERS

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

NAME	AGE	POSITION
Fred M. Ferreira	54	Chairman of the Board, Chief Executive Officer and President
J. Gordon Beittenmiller	38	Senior Vice President, Chief Financial Officer and Director
Reagan S. Busbee	33	Senior Vice President
William George, III	31	Vice President, General Counsel and Secretary
Milburn E. Honeycutt	33	Vice President and Controller
S. Craig Lemmon	45	Vice President -- Acquisitions
Brian J. Vensel	36	Vice President -- Acquisitions
Brian S. Atlas	44	Chief Executive Officer of Atlas, Director
Thomas J. Beaty	43	President of Accurate, Director
Robert R. Cook	42	President of Tech, Director
Alfred J. Giardenelli, Jr	49	President of Eastern, Director
Charles W. Klapperich	50	President of Western, Director
Samuel M. Lawrence III	45	Chief Executive Officer of Lawrence, Director
Michael Nothum, Jr	42	President of Tri-City, Director
John C. Phillips	54	President of CSI/Bonneville, Director
Robert J. Powers	57	President of Quality, Director
Steven S. Harter	34	Director
Lawrence Martin	55	Director
John Mercadante, Jr	52	Director
Robert Arbuckle	47	President of Freeway
James C. Hardin, Sr	35	Chief Executive Officer of Seasonair
Thomas B. Kime	50	President of Standard

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

J. Gordon Beittenmiller has served as Senior Vice President, Chief Financial Officer and a director of Comfort Systems since February 1997. From 1994 to February 1997, Mr. Beittenmiller was Corporate Controller of Keystone International, Inc. ("Keystone"), a publicly-traded manufacturer of industrial valves and actuators, and served Keystone in other financial positions from 1991 to 1994. From 1987 to 1991, he was Vice President -- Finance of Critical Industries, Inc., a publicly-traded manufacturer and distributor of specialized safety equipment. From 1982 to 1987, he held various positions with Arthur Andersen LLP. Mr. Beittenmiller is a Certified Public Accountant.

Reagan S. Busbee has served as Senior Vice President of Comfort Systems since January 1997. From 1992 through 1996, Mr. Busbee served as Vice President of Chas. P. Young Co., a financial printer and a

wholly-owned subsidiary of Consolidated Graphics Inc., a publicly-traded company. From August 1986 to May 1992, he was a certified public accountant with Arthur Andersen LLP.

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

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

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

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

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

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

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

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

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

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

Michael Nothum, Jr. will become a director of the Company upon consummation of this Offering. He has been employed by Tri-City since 1979, serving as President since 1992, and will continue in that capacity after consummation of this Offering. Mr. Nothum currently serves on the Education and Training Committee of Associated Builders and Contractors and on the Legislative Committee of the Air Conditioning Contractors Association.

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

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

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

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

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

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

James C. Hardin, Sr. has been employed by Seasonair since 1986 and will become its Chief Executive Officer upon consummation of this Offering.

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

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

The Board of Directors has established an Audit Committee, a Compensation Committee and an Executive Committee. Effective as of the consummation of this Offering, the members of the Audit Committee and the Compensation Committee will be Messrs. Harter, Mercadante and Martin. The members of the Executive Committee will be selected following the consummation of this Offering and will include at least one outside director.

DIRECTORS' COMPENSATION

Directors who are also employees of the Company or one of its subsidiaries will not receive additional compensation for serving as directors. Each director who is not an employee of the Company or one of its subsidiaries will receive a fee of $2,000 for attendance at each Board of Directors' meeting and $1,000 for each committee meeting (unless held on the same day as a Board of Directors' meeting). In addition, under

the Company's 1997 Non-Employee Directors' Stock Plan, each non-employee director will automatically be granted an option to acquire 10,000 shares of Common Stock upon such person's initial election as a director, and an annual option to acquire 5,000 shares at each annual meeting of the Company's stockholders thereafter at which such director is re-elected or remains a director, unless such annual meeting is held within three months of such person's initial election as a director. Each non-employee director also may elect to receive shares of Common Stock or credits representing "deferred shares" in lieu of cash directors' fees. See " -- 1997 Non-Employee Directors' Stock Plan." Directors are also reimbursed for out-of-pocket expenses incurred in attending meetings of the Board of Directors or committees thereof.

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

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

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

Each of Messrs. Nothum and Powers will enter into an employment agreement with their respective Founding Company providing for an annual base salary of $150,000. Each employment agreement will be for a term of five years, and unless terminated or not renewed by the Founding Company or not renewed by the employee, the term will continue thereafter on a year-to-year basis on the same terms and conditions existing at the time of renewal. Each of these agreements will provide that, in the event of a termination of employment by the Founding Company without cause during the first three years of the employment term (the "Initial Term"), the employee will be entitled to receive from the Founding Company an amount equal to his then current salary for the remainder of the Initial Term or for one year, whichever is greater. In the event of a termination of employment with cause during the final two years of the initial five year term of the employment agreement, the employee will be entitled to receive an amount equal to his then current salary for one year. In either case, payment is due in one lump sum on the effective date of termination. In the event of a change in control of the Company (as defined in the agreement) during the Initial Term, if the employee is not given at least five days' notice of such change in control, the employee may elect to terminate his employment and receive in one lump sum three times the amount he would receive pursuant to a termination without cause during the Initial Term. The non-competition provisions of the employment agreement do not apply to a termination without such notice. In the event the employee is given at least five days' notice of such change in control, the employee may elect to terminate his employment agreement and receive in one lump sum two times the amount he would receive pursuant to a termination without cause during the Initial Term. In such event, the non-competition provisions of the employment agreement would

apply for two years from the effective date of termination. Each employment agreement contains a covenant not to compete with the Company for a period of two years immediately following termination of employment or, in the case of a termination by the Company without cause in the absence of a change in control, for a period of one year following termination of employment.

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

1997 LONG-TERM INCENTIVE PLAN

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

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

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

At the closing of this Offering, NQSOs to purchase a total of 675,000 shares of Common Stock will be granted as follows: 200,000 shares to Mr. Ferreira, 100,000 shares to Mr. Beittenmiller, 100,000 shares to Mr. Busbee, 100,000 shares to Mr. Lemmon, 75,000 shares to Mr. George, 50,000 shares to Mr. Honeycutt and 50,000 shares to Mr. Vensel. In addition, at the closing of this Offering, options to purchase 1,271,954 shares will be granted to certain employees of the Founding Companies. Each of the foregoing options will have an exercise price equal to the initial public offering price per share. These options will vest at the rate of 20% per year, commencing on the first anniversary of this Offering and will expire at the earlier of seven years from the date of grant or three months following termination of employment.

1997 NON-EMPLOYEE DIRECTORS' STOCK PLAN

The Company's 1997 Non-Employee Directors' Stock Plan (the "Directors' Plan"), which was adopted by the Board of Directors and approved by the Company's stockholders in March 1997, provides for (i) the automatic grant to each non-employee director serving at the commencement of this Offering of an option to purchase 10,000 shares, (ii) the automatic grant to each non-employee director of an option to purchase 10,000 shares upon such person's initial election as a director and (iii) an automatic annual grant to each non-employee director of an option to purchase 5,000 shares at each annual meeting of stockholders thereafter at which such director is re-elected or remains a director, unless such annual meeting is held within three months of such person's initial election as a director. All options will have an exercise price per share equal to the fair market value of the Common Stock on the date of grant and are immediately vested and expire on the earlier of ten years from the date of grant or one year after termination of service as a director. The Directors' Plan also permits non-employee directors to elect to receive, in lieu of cash directors' fees, shares or credits representing "deferred shares" at future settlement dates, as selected by the director. The number of shares or deferred shares received will equal the number of shares of Common Stock which, at the date the fees would otherwise be payable, will have an aggregate fair market value equal to the amount of such fees.

CERTAIN TRANSACTIONS

ORGANIZATION OF THE COMPANY

In connection with the formation of Comfort Systems, Comfort Systems issued to Notre a total of 2,969,912 shares of Common Stock for an aggregate cash consideration of $29,699. Mr. Harter is the President of Notre and a director of the Company. In March 1997, Notre exchanged its 2,969,912 shares of Common Stock for an equal number of shares of Restricted Common Stock. On the consummation of this Offering, a portion of the Restricted Common Stock will convert automatically into Common Stock. See "Description of Capital Stock." Notre has agreed to advance whatever funds are necessary to effect the Mergers and this Offering. As of March 26, 1997, Notre had outstanding advances to the Company in the aggregate amount of approximately $825,000, all of which is on a non-interest-bearing basis. All of Notre's advances will be repaid from the net proceeds of this Offering.

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

Simultaneously with the consummation of this Offering, Comfort Systems will acquire by merger or share exchange all of the issued and outstanding stock of the Founding Companies, at which time each Founding Company will become a wholly-owned subsidiary of the Company. The aggregate consideration to be paid by Comfort Systems in the Mergers consists of $45.3 million in cash and 9,720,927 shares of Common Stock. In addition, immediately prior to the Mergers certain of the Founding Companies will make the S Corporation Distributions of $16.6 million, and the Interim Earnings Distributions. Also, prior to the Mergers, Accurate will distribute to Thomas Beaty real property having a net book value of approximately $370,000.

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

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

The following table sets forth the consideration to be paid by Comfort Systems for each of the Founding Companies:

	CASH	SHARES OF COMMON STOCK
	(DOLLARS IN THOUSANDS)	
Quality	$ 10,082	2,207,158
Tri-City	8,680	1,557,962
Atlas	6,864	1,432,000
Lawrence	4,500	1,197,796
Tech	3,997	717,408
Accurate	3,145	564,537
CSI/Bonneville	1,813	493,672
Western	2,022	362,939
Freeway	1,039	319,698
Seasonair	1,516	272,084
Standard	947	291,457
Eastern	698	304,216
Total	$ 45,303	9,720,927

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

NAME	CASH	SHARES OF COMMON STOCK
	(DOLLARS IN THOUSANDS)	
Robert J. Powers	$ 8,143	1,461,915
Michael Nothum, Jr	4,236	760,287
Robert R. Cook	3,997	717,408
Brian S. Atlas	3,432	716,000
Thomas J. Beaty	3,145	564,537
John C. Phillips	1,310	403,305
Samuel M. Lawrence III	1,031	317,307
Alfred J. Giardenelli, Jr	698	304,216
Charles W. Klapperich	1,423	255,401

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

Certain of the Founding Companies have incurred indebtedness which has been personally guaranteed by their stockholders or by entities controlled by its stockholders. At December 31, 1996, the aggregate amount of indebtedness of these Founding Companies that was subject to personal guarantees was approximately $2.8 million. The Company intends to use its best efforts to have the personal guarantees of this indebtedness released within 60 days after the closing of this Offering and, in the event that any guarantee cannot be released, to repay such indebtedness. See "Use of Proceeds."

LEASES OF REAL PROPERTY BY FOUNDING COMPANIES

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

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

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

Following the Mergers, Accurate will lease two parcels of real property in Houston, Texas owned by Mr. Beaty, who will become a director of the Company upon consummation of this Offering, and his wife. One of the leased premises is used by Accurate for office and warehouse space. The lease on one of these premises expires on May 31, 2002 and provides for an annual rental of $60,000. The other leased premise is used by Accurate as a sheet metal shop under a lease that expires on May 31, 2002 and provides for an annual rental of $72,000. The rental rate on these premises in subsequent years of the lease term will be adjusted in accordance with the Consumer Price Index (the "CPI"). Additionally, Accurate will pay all utility, taxes and insurance costs on both leased premises. Accurate has options to renew each lease for two additional five-year terms. The Company believes that the rent for both properties does not exceed fair market value. Accurate previously owned the property it uses for its sheet metal shop. Prior to the Mergers, Accurate will distribute this property having a net book value of approximately $370,000 to Mr. Beaty and his wife.

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

Following the Mergers, CSI/Bonneville will continue to lease its office and warehouse space in Salt Lake Valley, Utah from J & J Investments, a joint venture partly owned by Mr. Phillips, who will become a

director of the Company upon consummation of this Offering. This lease expires on February 28, 2002 and provides for an annual rental in 1997 of $120,720, increasing annually by 5%. CSI/Bonneville is responsible for ad valorem taxes, maintenance, insurance and third-party management costs related thereto. CSI/Bonneville has options to renew the lease for two additional five-year terms at a fair market value, as determined by an appraisal. The Company believes that the rent for this property does not exceed fair market value.

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

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

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

OTHER TRANSACTIONS

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

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

On December 27, 1996, Accurate borrowed $630,000 from Mr. Beaty. Interest is payable monthly at the rate of 9% on the outstanding balance. The note matures on June 30, 1997. The balance of this note will be partially reduced by $370,000, the net book value of the property to be distributed to Mr. Beaty and his wife prior to the Mergers.

CSI/Bonneville owed Messrs. Phillips and another stockholder of CSI/Bonneville $424,000 and $105,000, respectively. Two of the promissory notes, payable to Mr. Phillips and the other stockholder, are in the principal amount of $80,000 and $20,000, respectively, and are payable on demand. The remaining eight promissory notes are each payable ten years from the date of the note, and mature at various times from 2002 to 2006. All of the notes bear interest at 10%, with interest payable monthly and principal payable at maturity. In 1996, CSI/Bonneville made interest payments to Mr. Phillips and the other stockholder in the amount of $35,000 and $6,000, respectively.

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

COMPANY POLICY

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

PRINCIPAL STOCKHOLDERS

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

	SHARES BENEFICIALLY OWNED AFTER OFFERING	
NAME	NUMBER	PERCENT
Notre Capital Ventures II, L.L.C.....	2,969,912	14.8%
Steven S. Harter(1).....	2,979,912	14.8
Robert J. Powers.....	1,461,915	7.3
Michael Nothum, Jr.....	760,287	3.8
Robert R. Cook.....	717,408	3.6
Brian S. Atlas.....	716,000	3.6
Thomas J. Beaty.....	564,537	2.8
Fred M. Ferreira.....	479,435	2.4
John C. Phillips.....	403,305	2.0
Samuel M. Lawrence III.....	317,307	1.6
Alfred J. Giardenelli, Jr.....	304,216	1.5
Charles W. Klapperich.....	255,401	1.3
J. Gordon Beittenmiller.....	116,000	*
Reagan S. Busbee.....	116,000	*
S. Craig Lemmon.....	116,000	*
William George, III.....	75,000	*
Milburn E. Honeycutt.....	58,000	*
Brian J. Vensel.....	58,000	*
Lawrence Martin(2)(3).....	27,692	*
John Mercadante, Jr.(2).....	20,000	*
All executive officers, directors and named directors as a group (19 persons).....	9,538,723	47.5

* Less than 1%.

(1) Includes 10,000 shares of Common Stock issuable upon exercise of options granted under the Directors' Plan and 2,969,912 shares of Common Stock issued to Notre. Mr. Harter is the President of Notre.

(2) Includes 10,000 shares of Common Stock which may be issued upon exercise of options granted under the Directors' Plan.

(3) Includes 7,692 shares of Common Stock issuable on conversion of a convertible note issued by Notre which is convertible into Common Stock of the Company owned by Notre.

DESCRIPTION OF CAPITAL STOCK

GENERAL

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

COMMON STOCK AND RESTRICTED COMMON STOCK

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

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

Each share of Restricted Common Stock will automatically convert to Common Stock on a share for share basis (i) in the event of a disposition of such share of Restricted Common Stock by Notre, (ii) in the event any person acquires beneficial ownership of 15% or more of the total number of outstanding shares of Common Stock, (iii) in the event any person offers to acquire 15% or more of the total number of outstanding shares of Common Stock, (iv) at any time after the second anniversary of this Offering, at the election of Notre, (v) on the fifth anniversary of the date of this Prospectus or (vi) earlier, upon the affirmative vote of a majority of the aggregate number of votes which may be cast by the holders of the total number of outstanding shares of Common Stock and Restricted Common Stock. Following exercise or expiration of the Underwriters' over-allotment option, a number of shares of Restricted Common Stock will be automatically converted to shares of Common Stock so that the aggregate number of votes attributable to (i) the shares of Common Stock issued and outstanding prior to this Offering (excluding shares issued in the Mergers), (ii) the shares of Common Stock issuable on conversion of such shares of Restricted Common Stock, and (iii) unconverted shares of Restricted Common Stock, equals 19.9% of the aggregate number of votes attributable to all shares of Common Stock and Restricted Common Stock outstanding immediately

following the exercise or expiration of the Underwriters' over-allotment option. After July 1, 1998, the Board of Directors may elect to convert any remaining shares of Restricted Common Stock into shares of Common Stock in the event 80% or more of the originally outstanding shares of Restricted Common Stock have been previously converted into shares of Common Stock.

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

PREFERRED STOCK

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

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

STATUTORY BUSINESS COMBINATION PROVISION

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

CERTAIN PROVISIONS OF THE CERTIFICATE OF INCORPORATION AND BYLAWS

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

Additionally, the Certificate of Incorporation of the Company provides that directors and officers of the Company shall be, and at the discretion of the Board of Directors non-officer employees and agents may be, indemnified by the Company to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities actually and reasonably incurred in connection with service for or on behalf of the Company, and further permits the advancing of expenses incurred in defense of claims.

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

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

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

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is

SHARES ELIGIBLE FOR FUTURE SALE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Certain employees of Donaldson, Lufkin & Jenrette Securities Corporation, one of the Representatives, are investors in Notre, and as a result beneficially own an aggregate of less than 1% of the Common Stock to be outstanding after this Offering. A principal of Sanders Morris Mundy Inc., one of the Representatives, is also an investor in Notre. In February 1997, that principal and an investment fund affiliated with Sanders Morris Mundy Inc. each purchased notes from Notre which are convertible into shares of Common Stock upon consummation of this Offering. The shares of Common Stock beneficially owned by that principal and that investment fund also represent less than 1% of the Common Stock to be outstanding after this Offering.

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

LEGAL MATTERS

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

EXPERTS

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

ADDITIONAL INFORMATION

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

the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. For further information with respect to the Company, reference is hereby made to the Registration Statement and such exhibits and schedules filed as a part thereof, which may be inspected, without charge, at the Public Reference Section of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the SEC located at Seven World Trade Center, 13th Floor, New York, New York 10048 and at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. The SEC maintains a web site that contains reports, proxy and information statements regarding registrants that file electronically with the SEC. The address of this web site is (http://www.sec.gov). Copies of all or any portion of the Registration Statement may be obtained from the Public Reference Section of the SEC, upon payment of the prescribed fees.

INDEX TO FINANCIAL STATEMENTS

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

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

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

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

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

COMFORT SYSTEMS USA, INC.
UNAUDITED PRO FORMA COMBINED BALANCE SHEETS
DECEMBER 31, 1996
(AMOUNTS IN THOUSANDS)

	QUALITY	ATLAS	TRI-CITY	LAWRENCE	ACCURATE	EASTERN	CSI/BONNEVILLE	TECH
ASSETS								
Cash and cash equivalents	$ 2,651	$ 101	$1,958	$ 327	$ 79	$ 83	$ 207	$ 611
Restricted cash and investments	--	--	818	--	--	--	--	--
Accounts receivable	5,793	4,071	4,520	3,389	2,536	1,282	728	1,811
Less allowance	80	100	30	--	33	25	22	40
Accounts receivable, net	5,713	3,971	4,490	3,389	2,503	1,257	706	1,771
Other receivables	5	--	11	76	18	13	--	7
Inventories	541	1,770	762	253	104	100	362	208
Prepaid expenses and other	17	82	12	61	--	--	4	33
Costs in excess of billings	1,312	676	288	358	231	66	110	--
Other	691	145	--	--	--	--	--	--
Total current assets	10,930	6,745	8,339	4,464	2,935	1,519	1,389	2,630
Property and equipment, net	758	499	656	644	925	604	642	500
Goodwill, net	--	22	--	--	--	--	--	--
Other noncurrent assets	--	88	--	132	--	144	16	--
Total assets	$11,688	$7,354	$8,995	$5,240	$3,860	$2,267	$ 2,047	$3,130
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current maturities of long-term debt	$ 675	$ 457	$--	$--	$ 542	$ 302	$--	$ 252
Accounts payable and accrued expenses	2,178	2,246	2,179	2,737	1,236	826	691	757
Payable to stockholders	1,519	107	--	--	630	140	100	--
Billings in excess of costs and earnings	1,254	523	667	344	312	102	136	--
Deferred income taxes	--	752	--	--	--	--	--	--
Other	372	--	--	--	--	--	--	--
Total current liabilities	5,998	4,085	2,846	3,081	2,720	1,370	927	1,009
Deferred income taxes	--	--	--	--	--	--	--	--
Long-term debt net of current maturities	646	1,179	--	--	133	281	--	60
Payable to stockholders	--	98	--	--	--	150	429	--
Total liabilities	6,644	5,362	2,846	3,081	2,853	1,801	1,356	1,069
Commitments and contingencies								
Stockholders' equity:								
Common stock	22	1	25	161	1	50	9	1
Additional paid-in-capital	6	--	105	--	--	--	--	--
Retained earnings	5,914	1,991	6,019	2,013	1,006	416	682	2,063
Treasury stock	(898)	--	--	(15)	--	--	--	(3)
Total stockholders' equity	5,044	1,992	6,149	2,159	1,007	466	691	2,061
Total liabilities and stockholders' equity	$11,688	$7,354	$8,995	$5,240	$3,860	$2,267	$ 2,047	$3,130

	SEASONAIR	WESTERN	OTHER FOUNDING COMPANIES	COMFORT SYSTEMS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED	POST MERGER ADJUSTMENTS	AS ADJUSTED
ASSETS								
Cash and cash equivalents	$ 69	$ 177	$ 662	$ 1	$ (5,700)	$ 1,226	$ 24,446	$25,672
Restricted cash and investments	--	--	--	--	--	818	--	818
Accounts receivable	978	844	1,769	--	--	27,721	--	27,721
Less allowance	--	--	61	--	--	391	--	391
Accounts receivable, net	978	844	1,708	--	--	27,330	--	27,330
Other receivables		3	--	--	--	133	--	133
Inventories	190	86	576	--	--	4,952	--	4,952
Prepaid expenses and other	96	30	182	--	--	517	--	517
Costs in excess of billings	75	26	--	--	--	3,142	--	3,142
Other	104	--	443	177	--	1,560	--	1,560
Total current assets	1,512	1,166	3,571	178	(5,700)	39,678	24,446	64,124
Property and equipment, net	63	191	294	--	--	5,776	--	5,776
Goodwill, net	--	--	--	--	103,141	103,163	--	103,163
Other noncurrent assets	83	129	34	--	--	626	--	626
Total assets	$ 1,658	$1,486	$ 3,899	$ 178	$ 97,441	$149,243	$ 24,446	$173,689
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current maturities of long-term debt	$ 20	$ 63	$ 443	$--	$ --	$ 2,754	$ --	$ 2,754
Accounts payable and accrued expenses	810	556	1,635	177	--	16,028	--	16,028
Payable to stockholders	14	37	--	--	45,303	47,850	(45,303)	2,547
Billings in excess of costs and earnings	156	151	228	--	--	3,873	--	3,873
Deferred income taxes	--	--	49	--	--	801	--	801

Other	--	--	145	--	--	517	--	517
Total current liabilities	1,000	807	2,500	177	45,303	71,823	(45,303)	26,520
Deferred income taxes	17	--	--	--	--	17	--	17
Long-term debt net of current maturities	--	261	34	--	10,900	13,494	--	13,494
Payable to stockholders	76	--	--	--	--	753	--	753
Total liabilities	1,093	1,068	2,534	177	56,203	86,087	(45,303)	40,784
Commitments and contingencies								
Stockholders' equity:								
Common stock	78	1	42	1	(252)	140	61	201
Additional paid-in-capital	1	62	1	--	62,841	63,016	69,688	132,704
Retained earnings	721	355	1,372	--	(22,552)	--	--	--
Treasury stock	(235)	--	(50)	--	1,201	--	--	--
Total stockholders' equity	565	418	1,365	1	41,238	63,156	69,749	132,905
Total liabilities and stockholders' equity	$ 1,658	$1,486	$ 3,899	$ 178	$ 97,441	$149,243	$ 24,446	$173,689

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

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

	TECH	SEASONAIR	WESTERN	OTHER FOUNDING COMPANIES	COMFORT SYSTEMS	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
REVENUES	$ 7,537	$6,737	$6,494	$ 13,138	$--	$ --	$ 167,525
COST OF SERVICES	3,996	4,006	4,662	8,991	--	--	119,712
Gross profit	3,541	2,731	1,832	4,147	--	--	47,813
SELLING, GENERAL AND ADMINISTRATIVE	1,861	2,597	1,088	3,616	--	(6,568)	27,814
GOODWILL AMORTIZATION	--	--	--	--	--	2,579	2,579
INCOME FROM OPERATIONS	1,680	134	744	531	--	3,989	17,420
OTHER INCOME (EXPENSE):							
Interest income	--	--	--	17	--	--	216
Interest expense	(18)	(21)	(51)	--	--	(818)	(1,550)
Other	31	82	(21)	34	--	--	490
INCOME BEFORE INCOME TAXES	1,693	195	672	582	--	3,171	16,576
PROVISION FOR INCOME TAXES	--	69	--	49	--	6,734	7,662
NET INCOME	$ 1,693	$ 126	$ 672	$ 533	$--	$ (3,563)	$ 8,914
NET INCOME PER SHARE							$ 0.49
SHARES USED IN COMPUTING PRO FORMA NET INCOME PER SHARE(1)							18,180,311

(1) Includes (i) 2,969,912 shares issued to Notre, (ii) 1,269,935 shares issued to management of and consultants to Comfort Systems, (iii) 9,720,927 shares issued to owners of the Founding Companies and (iv) 4,219,537 of the 6,100,000 shares sold in the Offering necessary to pay the cash portion of the Merger consideration and expenses of this Offering. The 1,880,463 shares excluded reflects the net cash proceeds to Comfort Systems.

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

1. GENERAL:

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

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

2. ACQUISITION OF FOUNDING COMPANIES:

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

The following table sets forth the consideration to be paid (a) in cash and (b) in shares of Common Stock to the common stockholders of each of the Founding Companies. For purposes of computing the estimated purchase price for accounting purposes, the Value of shares is determined using an estimated fair value of $9.75 per share, which represents a discount of twenty-five percent from the assumed initial public offering price of $13 due to restrictions on the sale and transferability of the shares issued. The estimated purchase price for the acquisitions is based upon preliminary estimates and is subject to certain purchase price adjustments at and following closing. The table does not reflect the S Corporation Distributions distributions totaling $16.6 million constituting substantially all of the Founding Companies undistributed earnings previously taxed to their stockholdersf ("S Corporation Distributions").

	CASH	SHARES OF COMMON STOCK
	(DOLLARS IN THOUSANDS)	
Quality	$ 10,082	2,207,158
Atlas	6,864	1,432,000
Tri-City	8,680	1,557,962
Lawrence	4,500	1,197,796
Accurate	3,145	564,537
Eastern	698	304,216
CSI/Bonneville	1,813	493,672
Tech	3,997	717,408
Seasonair	1,516	272,084
Western	2,022	362,939
Freeway	1,039	319,698
Standard	947	291,457
Total	$ 45,303	9,720,927

3. UNAUDITED PRO FORMA COMBINED BALANCE SHEET ADJUSTMENTS:

(a) Records the S Corporation Distributions.

(b) Records the purchase of the Founding Companies by Quality as described in Note 2.

(c) Records the liability for the cash portion of the consideration to be paid to the stockholders of the Founding Companies in connection with the Mergers.

(d) Records the debt obtained to fund the S Corporation Distributions.

(e) Records the cash proceeds from the issuance of shares of Comfort Systems Common Stock net of estimated offering costs (based on an assumed initial public offering price of $13 per share). Offering costs primarily consist of underwriting discounts and commissions, accounting fees, legal fees and printing expenses.

(f) Records the cash portion of the consideration to be paid to the stockholders of the Founding Companies in connection with the Mergers.

The following table summarizes unaudited pro forma combined balance sheet adjustments:

	ADJUSTMENT				PRO FORMA
	(A)	(B)	(C)	(D)	ADJUSTMENTS
ASSETS					
Cash and cash equivalents	$ (16,600)	$ --	$ --	$ 10,900	$ (5,700)
Total current assets	(16,600)	--	--	10,900	(5,700)
Goodwill, net	--	103,141	--	--	103,141
Total assets	$ (16,600)	$ 103,141	$ --	$ 10,900	$ 97,441
LIABILITIES AND STOCKHOLDERS' EQUITY					
Payable to stockholder	$ --	$ --	$ 45,303	$ --	$ 45,303
Total current liabilities	--	--	45,303	--	45,303
Long-term debt, net of current maturities	--	--	--	10,900	10,900
Total liabilities	--	--	45,303	10,900	56,203
Stockholders' equity:					
Common stock	--	(252)	--	--	(252)
Additional paid-in capital	(16,600)	124,744	(45,303)	--	62,841
Retained earnings	--	(22,552)	--	--	(22,552)
Treasury stock	--	1,201	--	--	1,201
Total stockholders' equity	(16,600)	103,141	(45,303)	--	41,238
Total liabilities and stockholders' equity	$ (16,600)	$ 103,141	$ --	$ 10,900	$ 97,441

	ADJUSTMENT		POST MERGER
	(E)	(F)	ADJUSTMENTS
ASSETS			
Cash and cash equivalents	$ 24,446	$ --	$ 24,446
Total current assets	24,446	--	24,446
Total assets	$ 24,446	$ --	$ 24,446
LIABILITIES AND STOCKHOLDERS' EQUITY			
Payable to stockholder	$ --	$ (45,303)	$ (45,303)
Total current liabilities	--	(45,303)	(45,303)
Total liabilities	--	(45,303)	(45,303)
Stockholders' equity:			
Common stock	61	--	61
Additional paid-in capital	24,385	45,303	69,688
Retained earnings	--	--	--
Treasury stock	--	--	--
Total stockholders' equity	24,446	45,303	69,749
Total liabilities and stockholders' equity	$ 24,446	$ --	$ 24,446

4. UNAUDITED PRO FORMA COMBINED STATEMENTS OF OPERATIONS ADJUSTMENTS:

(a) Reflects the reduction in salaries, bonuses and benefits to the owners of the Founding Companies to which they have agreed prospectively.

(b) Reflects the amortization of goodwill to be recorded as a result of these Mergers over a 40-year estimated life.

(c) Reflects the interest expense on borrowings of $10.9 million necessary to fund the S Corporation Distributions.

(d) Reflects the incremental provision for federal and state income taxes relating to the other statements of operations' adjustments and for income taxes on S Corporation income.

The following table summarizes unaudited pro forma combined statements of operations adjustments:

	(A)	(B)	(C)	(D)	PRO FORMA ADJUSTMENTS
SELLING, GENERAL AND ADMINISTRATIVE	$ (6,568)	$ --	$ --	$ --	$(6,568)
GOODWILL AMORTIZATION	--	2,579	--	--	2,579
INCOME FROM OPERATIONS	6,568	(2,579)	--	--	3,989
OTHER INCOME (EXPENSE):					
Interest expense	--	--	(818)	--	(818)
INCOME BEFORE INCOME TAXES	6,568	(2,579)	(818)	--	3,171
PROVISION FOR INCOME TAXES	--	--	--	6,734	6,734
NET INCOME	$ 6,568	$ (2,579)	$ (818)	$ (6,734)	$(3,563)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Comfort Systems USA, Inc.:

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

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

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

ARTHUR ANDERSEN LLP

Houston, Texas
March 25, 1997

COMFORT SYSTEMS USA, INC.
BALANCE SHEET
DECEMBER 31, 1996
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS	
CASH AND CASH EQUIVALENTS	$ 1
DEFERRED OFFERING COSTS	177
Total assets	$ 178
LIABILITIES AND STOCKHOLDER'S EQUITY	
ACCRUED LIABILITIES AND AMOUNTS DUE TO STOCKHOLDER	$ 177
STOCKHOLDER'S EQUITY:	
Preferred Stock, $.01 par, 5,000,000 authorized, none issued and outstanding	--
Common Stock $.01 par, 52,969,912 shares authorized, 121,139 shares issued and outstanding	1
Total stockholder's equity	1
Total liabilities and stockholder's equity	$ 178

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

1. BUSINESS AND ORGANIZATION:

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

Comfort has not conducted any operations, and all activities to date have related to the Offering and the Mergers. Cash of $1,000 was generated from the initial capitalization of the Company (see Note 2). All other expenditures to date have been funded by the primary stockholder, Notre Capital Ventures II, LLC ("Notre"), on behalf of the Company. Accordingly, statements of operations, changes in stockholder's equity and cash flows would not provide meaningful information and have been omitted. Notre has committed to fund the organization expenses and offering costs. As of December 31, 1996, costs of approximately $177,000 have been incurred by Notre in connection with the Offering. Comfort Systems has treated these costs as deferred offering costs. Comfort Systems is dependent upon the Offering to execute the pending Mergers. There is no assurance that the pending Mergers discussed below will be completed or that Comfort Systems will be able to generate future operating revenues.

2. STOCKHOLDER'S EQUITY:

COMMON STOCK AND PREFERRED STOCK

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

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

In January and February 1997, the Company issued a total of 1,269,935 shares of Common Stock to management and consultants to the Company at a price of $.01 per share. As a result, the Company will record a non-recurring, non-cash compensation charge of $6.5 million in the first quarter of 1997, representing the difference between the amount paid for the shares and an estimated fair value of the shares on the date of sale.

RESTRICTED COMMON STOCK

In March 1997, the primary stockholder exchanged its 2,969,912 shares of Common Stock for an equal number of shares of restricted voting common stock ("Restricted Common Stock"). The holder of Restricted Common Stock is entitled to elect one member of the Company's Board of Directors and to one-half of one vote for each share on all other matters.

Each share of Restricted Common Stock will automatically convert to Common Stock on a share for share basis (i) in the event of a disposition of such share of Restricted Common Stock by Notre, (ii) in the event any person acquires beneficial ownership of 15% or more of the total outstanding shares of Common Stock, (iii) in the event any person offers to acquire 15% or more of the total outstanding shares of Common Stock, (iv) at any time after the second anniversary of this Offering, at the election of Notre, (v) on the fifth anniversary of the consummation of the Offering or (vi) in the event a majority of the aggregate number of votes which may be cast by the holders of the total outstanding shares of Common Stock and Restricted Common Stock entitled to vote appprove such conversion. Following exercise or expiration of the Underwriters' over-allotment option granted in connection with the Offering, a number of shares of Restricted Common Stock will be automatically converted into shares of Common Stock so that the aggregate number of votes attributable to (i) the shares of Common Stock issued and outstanding prior to

this Offering (excluding shares issued in the Mergers), (ii) the shares of Common Stock issuable on conversion of such shares of Restricted Common Stock, and (iii) unconverted shares of Restricted Common Stock, equals 19.9% of the aggregate number of votes attributable to all shares of Common Stock and Restricted Common Stock outstanding immediately following the exercise or expiration of the Underwriters' over-allotment option. After July 1, 1998, the Board of Directors may elect to convert any remaining shares of Restricted Common Stock into shares of Common Stock in the event 80% or more of the originally outstanding shares of Restricted Common Stock have been previously converted into shares of Common Stock.

LONG-TERM INCENTIVE PLAN

In March 1997, the Company's stockholders approved the Company's 1997 Long-Term Incentive Plan (the "Plan"), which provides for the granting or awarding of incentive or non-qualified stock options, stock appreciation rights, restricted or deferred stock, dividend equivalents and other incentive awards to directors, officers, key employees and consultants to the Company. The number of shares authorized and reserved for issuance under the Plan is the greater of 2,500,000 shares or 13% of the aggregate number of shares of Common Stock outstanding. The terms of the option awards will be established by the Compensation Committee of the Company's Board of Directors. The Company intends to file a registration statement on Form S-8 under the Securities Act registering the issuance of shares upon exercise of options granted under this Plan. The Company expects to grant non-qualified stock options to purchase a total of 675,000 shares of Common Stock to key employees of the Company at the initial public offering price upon consummation of the Offering. In addition, the Company expects to grant options to purchase a total of 1,271,602 shares of Common Stock to certain employees of the Founding Companies at the initial Offering price per share. These options will vest at the rate of 20% per year, commencing on the first anniversary of the Offering and will expire seven years from the date of grant or three months following termination of employment.

NON-EMPLOYEE DIRECTORS STOCK PLAN

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

Each non-employee director will be granted options to purchase an additional 10,000 shares at the time of the initial election. In addition, each director will be automatically granted options to purchase 5,000 shares at each annual meeting of the stockholders occurring more than two months after the date of the director's initial election. All options will be exercised at the fair market value at the date of grant and are immediately vested upon grant.

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

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

3. STOCK BASED COMPENSATION:

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," allows entities to choose between a new fair value based method of accounting for employee stock options or similar equity instruments and the current intrinsic, value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB No. 25"). Entities electing to remain with the accounting in APB Opinion No. 25 must make pro forma disclosures of net income and

earnings per share as if the fair value method of accounting had been applied. The Company will provide pro forma disclosure of net income and earnings per share, as applicable, in the notes to future consolidated financial statements.

4. SUBSEQUENT TO THE DATE OF AUDITORS' REPORT (UNAUDITED):

Wholly-owned subsidiaries of Comfort Systems have signed definitive agreements to acquire by merger or share exchange 12 companies ("Founding Companies") to be effective with the Offering. The companies to be acquired are Accurate Air Systems, Inc., Atlas Comfort Services USA, Inc. and Subsidiary, Contract Service, Inc., Eastern Heating and Cooling, Inc., Freeway Heating and Air Conditioning, Inc., Quality Air Heating & Cooling, Inc., Seasonair, Inc., S.M. Lawrence Inc. and Related Company, Standard Heating and Air Conditioning Company, Tech Heating and Air Conditioning, Inc. and Related Company, Tri-City Mechanical, Inc. and Western Building Services, Inc. The aggregate consideration that will be paid by Comfort Systems to acquire the Founding Companies is approximately $45.3 million in cash and 9,720,927 shares of Common Stock.

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

The Company is negotiating with a group of banks to obtain a credit facility which would be available upon the closing of the Offering. The Company expects this facility to be a revolving line of credit of at least $50 million. The facility is intended to be used for acquisitions, capital expenditures, refinancing of debt not paid out of the proceeds of this Offering and for general corporate purposes. There can be no assurance that any line of credit will be obtained or that, if obtained, it will be on terms that are favorable to the Company.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Quality Air Heating & Cooling, Inc.:

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

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

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

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

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

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

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

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

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

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

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

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

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

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

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

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

1. BUSINESS AND ORGANIZATION:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY AND EQUIPMENT

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

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

REVENUE RECOGNITION

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

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

WARRANTY COSTS

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

INCOME TAXES

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

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENT

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

3. PROPERTY AND EQUIPMENT:

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

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

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

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

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

Accounts payable and accrued expenses consist of the following:

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

Installation contracts in progress are as follows:

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

5. LONG-TERM DEBT:

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

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

Year ending December 31,	
1997.....	$ 675
1998.....	646
	$ 1,321

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

6. LEASES:

The Company leases a facility from a company which is owned by one of the Company's shareholders. The lease expires on April 30, 2005. Quality has an option to renew the lease for one additional three-year

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

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

Year ending December 31,	
1997	$ 241
1998	231
1999	221
2000	221
2001	221
Thereafter	718
	$ 1,853

7. RELATED-PARTY TRANSACTIONS:

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

8. EMPLOYEE BENEFIT PLAN:

The Company has a defined contribution profit sharing plan. The plan provides for the Company to match one-half of the first 4 percent contributed by each employee. Total contributions by the Company under the plan were approximately $104,000, $110,000 and $125,000 for the years ending March 31, 1995 and 1996, and December 31, 1996, respectively. The Company may also make discretionary contributions. The Company made discretionary contributions of $200,000 and $300,000 for the years ended March 31, 1995 and 1996, and had accrued approximately $169,000 at December 31, 1996, for contributions to be funded in 1997.

9. FINANCIAL INSTRUMENTS

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

10. COMMITMENTS AND CONTINGENCIES:

LITIGATION

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

INSURANCE

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

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

ROYALTY AGREEMENT

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

11. SHAREHOLDERS' EQUITY:

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

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

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

In connection with the merger, the Company will make a cash distribution of approximately $5,914,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at December 31, 1996, the effect on the accompanying balance sheet would be a decrease in assets of $2,351,000, an increase in liabilities of $3,563,000 and a decrease in shareholders' equity of $5,914,000.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Atlas Comfort Services USA, Inc.:

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

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

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

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

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

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

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

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

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

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

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

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

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

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

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

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

1. BUSINESS AND ORGANIZATION:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY AND EQUIPMENT

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

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

REVENUE RECOGNITION

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

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the customer. Based on the

Company's experience with similar contracts in recent years, the retention balance will be billed and collected in the upcoming fiscal year.

WARRANTY COSTS

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

INCOME TAXES

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

USE OF ESTIMATES

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

GOODWILL

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

NEW ACCOUNTING PRONOUNCEMENTS

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

3. PROPERTY AND EQUIPMENT:

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

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

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

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

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

Accounts payable and accrued expenses consist of the following:

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

Installation contracts in progress are as follows:

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

5. DEBT:

LINE OF CREDIT

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

NOTES PAYABLE TO FINANCIAL INSTITUTIONS

Long-term debt is summarized as follows:

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

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

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

NOTES PAYABLE TO AFFILIATES

Notes payable to affiliates are summarized as follows:

	JUNE 30,		DECEMBER 31,
	1995	1996	1996
	(IN THOUSANDS)		
Note payable to a related party in monthly installments of $5,500 including interest at 10% through March 1998, collateralized by stock of the Company	$ 159	$ 105	$ 78
Unsecured note payable to an affiliate in monthly installments of $2,500 including interest at 6% through September 1996	326	--	--
Notes payable to Company officers in monthly installments of $4,812 including interest at 10% through June 1999	186	146	127
Notes payable to Company officers with interest due monthly at the prime rate through September 1996, secured by accounts receivable, certain property and equipment, and intangible assets	700	--	--
Unsecured note payable to Company officers with interest and any unpaid principal balance due August 8, 1995, at the rate of 9%	100	--	--
	1,471	251	205
Less -- Current maturities	200	102	107
	$ 1,271	$ 149	$ 98

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

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

Year ending December 31,	
1997	$ 463
1998	424
1999	718
2000	13
2001 and thereafter	1
	$ 1,619

6. LEASES:

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

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

	CAPITAL LEASES	NONCANCELABLE OPERATING LEASES
Year ended December 31,		
1997	$ 117	$ 142
1998	98	23
1999	44	--
2000	6	--
Total minimum lease payments	265	165
Amounts representing interest	43	
Present value of net minimum lease payments	222	
Less -- Current portion	101	
Long-term obligation	$ 121	

7. INCOME TAXES (IN THOUSANDS):

Federal and state income taxes are as follows:

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

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

	YEAR ENDED JUNE 30,			SIX MONTHS ENDED DECEMBER 31,
	1994	1995	1996	1996
Provision at the statutory rate.....	$ (16)	$ 171	$ 233	$ 536
Increase resulting from --				
Permanent differences, mainly meals and entertainment.....	164	6	18	33
State income tax, net of benefit for federal deduction.....	17	21	28	65
	$ 165	$ 198	$ 279	$ 634

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

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

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

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

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

8. RELATED-PARTY TRANSACTIONS:

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

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

9. COMMITMENTS AND CONTINGENCIES:

LITIGATION

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

INSURANCE

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

10. EMPLOYEE BENEFIT PLAN

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

11. FINANCIAL INSTRUMENTS:

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

12. SIGNIFICANT CUSTOMERS AND VENDORS:

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

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

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

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

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Tri-City Mechanical, Inc.:

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

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

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

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

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

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

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

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

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
REVENUES	$ 16,883	$ 25,030	$24,237
COST OF SERVICES	14,271	19,298	18,561
Gross profit	2,612	5,732	5,676
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,219	3,193	3,903
Income from operations	393	2,539	1,773
OTHER INCOME (EXPENSE):			
Interest expense	(2)	(1)	--
Interest income	50	132	152
Other	24	81	89
NET INCOME	$ 465	$ 2,751	$ 2,014

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

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

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

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

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

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

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

1. BUSINESS AND ORGANIZATION:

Tri-City Mechanical, Inc., an Arizona corporation, (the "Company") focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems primarily for large commercial and industrial facilities, as well as process piping for industrial facilities. In addition, Tri-City operates a full service sheet metal and ductwork fabrication facility for its installation services. Tri-City primarily operates in Arizona, California, and Nevada.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH

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

INVENTORIES

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

INVESTMENTS

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

PROPERTY AND EQUIPMENT

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

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

REVENUE RECOGNITION

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

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

WARRANTY COSTS

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

INCOME TAXES

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

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENT

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

3. PROPERTY AND EQUIPMENT:

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

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

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

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

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

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

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

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

5. LONG-TERM DEBT:

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

6. LEASES:

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

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

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

Year ending December 31 --	
1997	$ 142
1998	65
1999	3
	$ 210

7. EMPLOYEE BENEFIT PLANS:

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

8. RELATED-PARTY TRANSACTIONS:

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

9. COMMITMENTS AND CONTINGENCIES:

LITIGATION

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

INSURANCE

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

10. FINANCIAL INSTRUMENTS:

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

11. SALES TO SIGNIFICANT CUSTOMER:

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

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

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

In connection with the merger the Company will make a cash distribution of approximately $6,019,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at December 31, 1996, the effect on the accompanying balance sheet would be a decrease in assets of $2,477,000, an increase in liabilities of $3,542,000 and a decrease in shareholders' equity of $6,019,000.

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

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To S. M. Lawrence Inc.:

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

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

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

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

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

	OCTOBER 31,	
	1995	1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 680	$ 327
Accounts receivable --		
Trade	1,457	2,493
Retainage	454	896
Other receivables	1	1
Note receivable from shareholder	50	75
Inventories	215	253
Costs and estimated earnings in excess of billings on uncompleted contracts	66	358
Prepaid expenses and other current assets	39	61
Total current assets	2,962	4,464
PROPERTY AND EQUIPMENT, net	459	644
OTHER NONCURRENT ASSETS	138	132
Total assets	$ 3,559	$ 5,240
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt	$ 10	$ --
Accounts payable and accrued expenses	1,153	2,737
Billings in excess of costs and estimated earnings on uncompleted contracts	299	344
Total current liabilities	1,462	3,081
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, no par value, 3,000 shares authorized, 1,480 shares issued and outstanding	161	161
Treasury stock, at cost	(15)	(15)
Retained earnings	1,951	2,013
Total shareholders' equity	2,097	2,159
Total liabilities and shareholders' equity	$ 3,559	$ 5,240

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

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

	YEARS ENDED OCTOBER 31,		
	1994	1995	1996
REVENUES	$ 12,758	$ 12,568	$ 17,163
COST OF SERVICES	9,797	9,142	12,211
Gross profit	2,961	3,426	4,952
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,849	3,477	4,885
Income (loss) from operations	112	(51)	67
OTHER INCOME (EXPENSE):			
Interest income, net	32	55	47
Other	(41)	34	8
INCOME BEFORE INCOME TAXES	103	38	122
PROVISION FOR INCOME TAXES	50	30	60
NET INCOME	$ 53	$ 8	$ 62

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

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

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

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

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

	YEARS ENDED OCTOBER 31,		
	1994	1995	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 53	$ 8	$ 62
Adjustments to reconcile net income to net cash provided by (used in) operating activities --			
Depreciation and amortization	263	121	200
Changes in operating assets and liabilities			
(Increase) decrease in --			
Accounts receivable	262	203	(1,502)
Inventories	(18)	(26)	(38)
Costs and estimated earnings in excess of billings on uncompleted contracts	42	26	(292)
Prepaid Expenses and other assets	46	(13)	3
Increase (decrease) in --			
Accounts payable and accrued expenses	(156)	143	1,584
Billings in excess of costs on uncompleted contracts	33	(171)	45
Net cash provided by operating activities	525	291	62
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to cash surrender value of insurance	(38)	(45)	(19)
Purchases to property and equipment, net	(74)	(380)	(386)
Net cash used in investing activities	(112)	(425)	(405)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on note receivable from shareholder	--	(2)	(10)
Proceeds received on note from shareholder	--	12	--
Payments on note payable to shareholder	(181)	--	--
Net cash provided by (used in) financing activities	(181)	10	(10)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	232	(124)	(353)
CASH AND CASH EQUIVALENTS, beginning of period	572	804	680
CASH AND CASH EQUIVALENTS, ending of period	$ 804	$ 680	$ 327
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for --			
Interest	$ 14	$ --	$ 5
Income taxes	$ --	$ 16	$ 14

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

1. BUSINESS AND ORGANIZATION:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY AND EQUIPMENT

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

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

REVENUE RECOGNITION

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

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

WARRANTY COSTS

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

INCOME TAXES

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

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENT

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

3. PROPERTY AND EQUIPMENT:

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

	ESTIMATED USEFUL LIVES IN YEARS	OCTOBER 31, 1995	OCTOBER 31, 1996
Transportation equipment	5	$ 774	$ 907
Machinery and equipment	7	648	677
Furniture and fixtures	5	145	210
Leasehold improvements	32	122	231
Construction in process		81	--
		1,770	2,025
Less -- Accumulated depreciation and amortization		(1,311)	(1,381)
Property and equipment, net		$ 459	$ 644

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

	OCTOBER 31,	
	1995	1996
Accounts payable, trade.....	$ 620	$ 1,560
Accrued compensation and benefits....	466	1,091
Other accrued expenses.....	67	86
	$ 1,153	$ 2,737

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

	OCTOBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	$ 13,475	$ 15,503
Estimated earnings, net of losses....	4,193	5,641
	17,668	21,144
Less -- Billings to date.....	17,901	21,130
	$ (233)	$ 14
Costs and estimated earnings in excess of billings on uncompleted contracts.....	$ 66	$ 358
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(299)	(344)
	$ (233)	$ 14

5. LINE OF CREDIT:

The Company had an unsecured bank line of credit at October 31, 1995 and 1996, with an outstanding balance of $0 for all years. The available balance was $800,000 for 1995 and $850,000 for 1996. The line of credit is secured by guarantees and is payable upon demand. Interest is payable on the line of credit at prime plus 1 percent.

6. LEASES:

The Company leases facilities from a company which is owned by one of the shareholders. The lease is for a one-year period and is renewed annually. For the years ended October 31, 1994, 1995 and 1996, the rent expense under this related-party lease was $110,400, $110,400, and $110,400, respectively.

7. INCOME TAXES:

Federal and state income taxes are as follows (in thousands):

	OCTOBER 31,		
	1994	1995	1996
Federal --			
Current	$ 25	$ 24	$ 54
Deferred	17	1	(3)
State --			
Current	5	4	10
Deferred	3	1	(1)
	$ 50	$ 30	$ 60

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate tax rate of 34 percent to income before income taxes for 1994 and 1995 and 35 percent for 1996 as follows (in thousands):

	OCTOBER 31,		
	1994	1995	1996
Provision at the statutory rate	$ 35	$ 13	$ 39
Increase resulting from --			
State income tax, net of benefits for federal deduction	5	3	6
Other	10	14	15
	$ 50	$ 30	$ 60

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

	OCTOBER 31,	
	1995	1996
Accruals and reserves not deductible until paid	$ (1)	$ 2
Net deferred income tax assets (liabilities)	$ (1)	$ 2

The net deferred tax assets and liabilities are comprised of the following (in thousands):

	OCTOBER 31,	
	1995	1996
Deferred tax assets --		
Current	$ --	$ 2
Total	--	2
Deferred tax liabilities --		
Current	(1)	--
Total	(1)	--
Net deferred income tax assets (liabilities)	$ (1)	$ 2

8. RELATED-PARTY TRANSACTIONS:

The Company loans one of the shareholders money annually. In 1994, the shareholder signed a promissory note for $44,695 to be paid on demand, accruing interest at eight percent. The entire balance remained outstanding at year-end 1994. The entire note was repaid during fiscal year 1995. In fiscal year 1995, the shareholder signed a promissory note for $50,435 to be paid on demand, accruing interest at eight percent. The entire amount remained outstanding at year-end 1995. The entire note was repaid during fiscal year 1996. In 1996, the shareholder signed a promissory note for $75,435 to be paid on demand, accruing interest at eight percent. The entire balance remained outstanding at year-end 1996.

The Company entered into a non-compete agreement with a former major shareholder on November 1, 1991 for $542,562. Under this agreement, the former shareholder agreed not to compete with the Company for a period of 36 months beginning with November 1, 1991. The principal to be paid was recorded as an asset and was fully amortized over 36 months. The last payment of $180,854 was made during fiscal 1994.

In September 1995, the Company entered into an agreement to purchase equipment from a related party. The terms of the agreement included a $2,776 cash down payment and a note payable due in one year for $11,852. Payments on the note were $1,975 and $9,877 during 1995 and 1996.

9. COMMITMENTS AND CONTINGENCIES:

LITIGATION

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

INSURANCE

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

The Company has adopted a partially self-funded medical plan. Under this plan, the Company pays up to $20,000 per year per employee. The Company's insurance copay pays the remaining amount. For the years ended December 31, 1994, 1995, and 1996 the Company contributed $102,647, $82,866 and $143,788, respectively. For claims incurred but not yet reported the Company accrued $25,000 for the years ended December 31, 1995 and 1996.

10. EMPLOYEE BENEFIT PLANS:

The Company has adopted a 401(k) retirement plan which provides for 100 percent matching contribution by the Company, up to a maximum liability of 5 percent of each participating employee's annual compensation. The Company has the right to make additional discretionary contributions. Total contributions by the Company under this plan to provide contributions and pay expenses were $57,434, $141,105 and $368,377 during 1994, 1995, and 1996, respectively. Amounts due to this plan were approximately $117,508 and $397,000 for the years ended December 31, 1995 and 1996, respectively.

11. FINANCIAL INSTRUMENTS

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

12. SALES TO SIGNIFICANT CUSTOMER:

During 1996, one customer accounted for approximately 19 percent of the Company's sales.

13. SUBSEQUENT EVENT:

In December 1996, the Company signed an agreement to own a one-third interest in an investment. The investment is a partnership which will own an aircraft, available to be used by any of the partners. The Company's cost for this investment is $100,000.

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

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

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Accurate Air Systems, Inc.:

We have audited the accompanying balance sheets of Accurate Air Systems, Inc. as of June 30, 1995, December 31, 1995 and 1996, and the related statements of operations, shareholder's equity and cash flows for each of the years ended June 30, 1994 and 1995, for the six months ended December 31, 1995, and for the year ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Accurate Air Systems, Inc., as of June 30, 1995, December 31, 1995 and 1996, and the results of their operations and their cash flows for the years ended June 30, 1994 and 1995, for the six months ended December 31, 1995, and for the year ended December 31, 1996 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

ACCURATE AIR SYSTEMS, INC.
BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	JUNE 30, 1995	DECEMBER 31, 1995	DECEMBER 31, 1996
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 50	$ 33	$ 79
Accounts receivable --			
Trade, net of allowance of $70 and $70 and $33	1,385	1,671	1,778
Retainage	550	321	725
Other receivables	8	16	18
Inventories	122	129	104
Costs and estimated earnings in excess of billings on uncompleted contracts	275	212	231
Prepaid expenses and other current assets	181	81	--
Total current assets	2,571	2,463	2,935
PROPERTY AND EQUIPMENT, net	804	1,014	925
DEFERRED TAX ASSET	14	--	--
Total assets	$3,389	$3,477	$3,860
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term debt	$ 88	$ 109	$ 42
Accounts payable and accrued expenses	1,707	1,355	1,236
Line of credit	374	600	500
Note payable -- shareholder	--	--	630
Billings in excess of costs and estimated earnings on uncompleted contracts	229	206	312
Total current liabilities	2,398	2,270	2,720
LONG-TERM DEBT, net of current maturities	56	175	133
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDER'S EQUITY:			
Common stock $1 par, 250,000 shares authorized, 1,000 shares issued and outstanding	1	1	1
Retained earnings	934	1,031	1,006
Total shareholder's equity	$ 935	$1,032	$1,007
Total liabilities and shareholder's equity	$3,389	$3,477	$3,860

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

ACCURATE AIR SYSTEMS, INC.
STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEARS ENDED JUNE 30,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED DECEMBER 31,
	1994	1995	1995	1996
REVENUES	$9,763	$ 12,171	$5,585	$ 16,806
COSTS OF SERVICES	7,204	8,998	4,312	13,270
Gross Profit	2,559	3,173	1,273	3,536
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,681	2,960	1,131	3,037
Income (Loss) from Operations	(122)	213	142	499
OTHER INCOME/(EXPENSE):				
Interest Expense	(21)	(48)	(41)	(80)
Other	(9)	(9)	(4)	14
INCOME (LOSS) BEFORE INCOME TAXES	(152)	156	97	433
PROVISION (BENEFIT) FOR INCOME TAXES	(54)	60	--	--
NET INCOME (LOSS)	$ (98)	$ 96	$ 97	$ 433

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

ACCURATE AIR SYSTEMS, INC.
STATEMENTS OF SHAREHOLDER'S EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		RETAINED	TOTAL SHAREHOLDER'S
	SHARES	AMOUNT	EARNINGS	EQUITY
BALANCE, June 30, 1993	1,000	$ 1	$ 941	$ 942
Net loss	--	--	(98)	(98)
BALANCE, June 30, 1994	1,000	1	843	844
Distribution to shareholder	--	--	(5)	(5)
Net income	--	--	96	96
BALANCE, June 30, 1995	1,000	1	934	935
Net income	--	--	97	97
BALANCE, December 31, 1995	1,000	1	1,031	1,032
Distributions to shareholder	--	--	(458)	(458)
Net income	--	--	433	433
BALANCE, December 31, 1996	1,000	$ 1	$1,006	$ 1,007

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

ACCURATE AIR SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED JUNE 30,		SIX MONTHS ENDED DECEMBER 31,	YEAR ENDED DECEMBER 31,
	1994	1995	1995	1996
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$ (98)	$ 96	$ 97	$ 433
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities --				
Depreciation and amortization	128	124	85	186
Deferred income tax provision	(150)	(70)	81	--
Changes in operating assets and liabilities --				
(Increase) decrease in --				
Accounts receivable	127	(395)	(66)	(513)
Costs and estimated earnings in excess of billings on uncompleted contracts	(90)	(58)	63	(19)
Prepaid expenses and other current assets	(1)	(44)	31	81
Inventories	(22)	(16)	(7)	25
Increase (decrease) in --				
Accounts payable and accrued expenses	365	419	(350)	(119)
Billings in excess of costs and estimated earnings on uncompleted contracts	64	119	(22)	106
Net cash provided by (used in) operating activities	323	175	(88)	180
CASH FLOWS FROM INVESTING ACTIVITIES:				
Additions of property and equipment	(100)	(347)	(295)	(97)
Net cash used in investing activities	(100)	(347)	(295)	(97)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings of long-term debt	--	183	192	--
Payments of long-term debt	(186)	(39)	(52)	(109)
Borrowings of short-term debt	--	--	--	630
Borrowings on line of credit	50	--	226	--
Payments on line of credit	--	(76)	--	(100)
Distributions to shareholder	--	(5)	--	(458)
Net cash provided by (used in) financing activities	(136)	63	366	(37)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87	(109)	(17)	46
CASH AND CASH EQUIVALENTS, beginning of period	72	159	50	33
CASH AND CASH EQUIVALENTS, end of period	$ 159	$ 50	$ 33	$ 79
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for --				
Interest	$ 21	$ 48	$ 41	$ 79
Income taxes	53	34	--	--

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

1. BUSINESS AND ORGANIZATION:

Accurate Air Systems, Inc., a Texas corporation, (the "Company") focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial facilities. Accurate primarily operates in Texas, Oklahoma and New Mexico.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CHANGE IN FISCAL YEAR END

Effective July 1, 1995, the Company changed its fiscal year end from June 30 to December 31. The statements of operations, shareholder's equity and cash flows for the six months ended December 31, 1995 are presented in the accompanying financial statements. The results of operations for the six month period are not necessarily indicative of the results for a full year period.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY AND EQUIPMENT

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

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

REVENUE RECOGNITION

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

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

WARRANTY COSTS

The Company warrants labor for the first year after installation on new air conditioning and heating systems. The Company generally warrants labor for 90 days after the servicing of existing air conditioning and heating systems. A reserve for warranty costs is recorded upon completion of installation or service.

INCOME TAXES

Effective July 1, 1995, the Company elected S Corporation status as defined by the Internal Revenue Code whereby the Company is not subject to taxation for federal purposes. Under S Corporation status, each shareholder reports his share of the Company's taxable earnings or losses in his personal federal and state tax returns. The balance in the deferred tax liability account at July 1, 1995 was credited to income during the six month period ended December 31, 1995.

Prior to July 1, 1995, the Company followed the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109. Under this method, deferred income taxes were recorded based upon differences between the financial reporting and tax bases of assets and liabilities and were measured using the enacted tax rates and laws that would have been in effect when the underlying assets or liabilities were recovered or settled.

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENT

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

3. PROPERTY AND EQUIPMENT:

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

	ESTIMATED USEFUL LIVES IN YEARS	JUNE 30, 1995	DECEMBER 31, 1995	DECEMBER 31, 1996
Land	--	$ 200	$ 200	$ 200
Buildings	31.5	205	213	213
Transportation equipment	5	414	336	241
Machinery and equipment	5 - 7	262	477	510
Leasehold improvements	15 - 18	57	60	61
Furniture and fixtures	5 - 7	74	122	133
Less -- Accumulated depreciation and amortization		(408)	(394)	(433)
Property and equipment, net		$ 804	$1,014	$ 925

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

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

	JUNE 30, 1995	DECEMBER 31, 1995	DECEMBER 31, 1996
Balance at beginning of year.....	$ 57	$ 70	$ 70
Additions to costs and expenses.....	19	--	--
Deductions for uncollectible receivables written off and recoveries.....	(6)	--	(37)
	$ 70	$ 70	$ 33

Accounts payable and accrued expenses consist of the following:

	JUNE 30, 1995	DECEMBER 31, 1995	DECEMBER 31, 1996
Accounts payable, trade.....	$ 537	$ 871	$ 685
Accrued compensation and benefits....	509	179	288
Other accrued expenses.....	575	243	190
Warranty reserve.....	86	62	73
	$1,707	$1,355	$1,236

Installation contracts in progress are as follows:

	JUNE 30, 1995	DECEMBER 31, 1995	DECEMBER 31, 1996
Costs incurred on contracts in progress.....	$4,113	$2,468	$5,514
Estimated earnings, net of losses....	1,428	726	1,760
Less -- Billings to date.....	5,495	3,188	7,355
	$ 46	$ 6	$ (81)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	$ 275	$ 212	$ 231
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(229)	(206)	(312)
	$ 46	$ 6	$ (81)

5. SHORT-TERM DEBT:

On October 15, 1996, the Company executed a renewal and extension of its revolving line of credit with its bank. The new agreement provides for maximum borrowings of up to $900,000 with interest payable monthly on the amount outstanding at the rate of prime plus one percent, not to exceed 18 percent. The agreement provides that the Company may borrow up to 70 percent of its accounts receivable that are less than sixty days past due. The revolving line of credit is secured by accounts receivable and the personal guaranty of the sole shareholder, and requires the Company to maintain certain minimum tangible net worth and cash flow ratios. Balances outstanding relating to the line are approximately $374,000, $600,000, and $500,000 as of June 30, 1995, and December 31, 1995 and 1996, respectively. The Company was in compliance with all covenants at each applicable year end.

On December 27, 1996, the Company borrowed $630,000 from the Company's shareholder. Interest is payable monthly at a rate of 9 percent on the outstanding balance. The note matures on June 30, 1997. The entire balance was outstanding as of December 31, 1996.

6. LONG-TERM DEBT:

	JUNE 30, 1995	DECEMBER 31, 1995	DECEMBER 31, 1996
		(IN THOUSANDS)	
Note payable, secured by real estate, payable in twenty-four installments of $2,540 including interest at 9.50% per annum with the final payment due January 28, 1997.....	$ 44	$ 31	$--
Notes payable, secured by transportation and operating equipment, monthly installments of various amounts, including interest at rates ranging from 9.00% to 9.75% per annum until 1997.....	100	69	21
Note payable, secured by operating equipment, payable in thirty-five installments of $3,177 including interest at a rate of prime plus one percent. A final payment of $128,696 due on August 1, 1998.....	--	184	154
	144	284	175
Less -- Current maturities.....	88	109	42
	$ 56	$ 175	$ 133

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

1997.....	$ 42
1998.....	133
	$ 175

7. LEASES:

The Company leases facilities from a company which is partially owned by the shareholder. The lease expires in April 1999. The rent paid under this related-party lease was approximately $15,000, $60,000, $30,000 and $60,000 for the years ended June 30, 1994 and June 30, 1995, the six months ended December 31, 1995 and the year ended December 31, 1996. The Company also leased a facility from a third party, which expired on December 31, 1996. The rent paid under this lease was approximately $12,000, $12,000, $6,000 and $13,200 for the years ended June 30, 1994 and 1995, the six months ended December 31, 1995, and the year ended December 31, 1996, respectively. The leases require the Company to pay taxes, maintenance, insurance and certain other operating costs of the leased property.

The Company also leases vehicles for operations which expire in 1998. The payments under these vehicle leases were approximately $--, $1,400, $26,000 and $94,000 for the years ended June 30, 1994 and 1995, the six months ended December 31, 1995 and the year ended December 31, 1996, respectively.

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

	DECEMBER 31, 1996
Year Ended	
1997.....	$ 197
1998.....	60
1999.....	15
	$ 272

8. INCOME TAXES (IN THOUSANDS):

Federal and state income taxes are as follows:

	YEAR ENDED JUNE 30,	
	1994	1995
Federal --		
Current	$ (37)	$ 111
Deferred	(9)	(60)
State --		
Current	(7)	20
Deferred	(1)	(11)
	$ (54)	$ 60

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

	YEAR ENDED JUNE 30,	
	1994	1995
Provision at the statutory rate	$ (52)	$ 53
Increase (decrease) resulting from --		
State income tax, net of benefit for federal deduction	(2)	6
Other	--	1
	$ (54)	$ 60

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

	JUNE 30, 1995
Depreciation and amortization	$ 14
Accruals and reserves not deductible until paid	121
State taxes	(4)
Cash to accrual adjustments	(50)
Net deferred income tax assets	$ 81

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

	JUNE 30, 1995
Deferred tax assets --	
Current	$ 114
Long-term	14
Total	128
Deferred tax liabilities --	
Current	47
Long-term	--
Total	47
Net deferred income tax assets	$ 81

9. COMMITMENTS AND CONTINGENCIES:

LITIGATION

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

INSURANCE

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

Effective January 1, 1995, the Company became self-insured for medical claims up to $30,000 per year per covered individual per event. Claims in excess of these amounts are covered by a stop-loss policy. The Company has recorded reserves for self-insured claims based on estimated claims incurred through June 30, 1995, six months ended December 31, 1995 and the year ended December 31, 1996.

10. EMPLOYEE BENEFIT PLANS:

The Company has adopted a 401(k) plan which provides for 10 percent matching contributions by the Company, up to a maximum of 6 percent of each participating employee's annual compensation. The Company has the right to make additional discretionary contributions. Employees become 100 percent vested in the employer's contribution after 7 years of service. Total contributions by the Company under this plan to provide contributions and pay expenses were approximately $118,000, $131,000, $12,000 and $199,000 during the years ended June 30, 1994 and 1995, the six months ended December 31, 1995 and the year ended December 31, 1996, respectively. Amounts due to this plan were approximately $109,000, $-- and $173,000 for the year ended June 30, 1995, the six months ended December 31, 1995 and the year ended December 31, 1996, respectively.

The Company also adopted a discretionary profit-sharing plan under which the Company may contribute up to 25 percent of a participant's compensation, up to a maximum contribution of $30,000. Employees become 100 percent vested in the employer's contributions after 7 years of service. The Company's contributions and administrative expenses were approximately $5,000, $8,000, $-- and $--, for the years ended June 30, 1994 and 1995, and six months ended December 31, 1995 and the year ended December 31, 1996, respectively.

11. FINANCIAL INSTRUMENTS:

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

12. CAPITAL STOCK:

In addition to the 250,000 authorized shares of $1 par value voting common stock, the Company has the following classes of authorized capital stock. None of these three classes have been issued.

	SHARES AUTHORIZED	PAR VALUE
Nonvoting Common	250,000	$ 1
Voting Preferred	250,000	$ 1
Nonvoting Preferred	250,000	$ 1

13. SALES TO SIGNIFICANT CUSTOMERS:

For the years ended June 30, 1994 and 1995, the six months ended December 31, 1995, and year ended December 31, 1996 one customer accounted for approximately 12, 25, 13, and 0 percent, respectively, of the Company's revenue.

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

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

In connection with the merger, the Company will dividend certain assets to the shareholder, consisting of land, buildings and automobiles, with a total carrying value of approximately $370,000 as of December 31, 1996. In addition, the Company will make a cash distribution of approximately $73,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account.

Concurrently with the merger, the Company will enter into new agreements with a company partially owned by the shareholder to lease land and buildings owned by such party used in the Company's operations for a negotiated amount and term.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Eastern Heating and Cooling, Inc.:

We have audited the accompanying balance sheet of Eastern Heating and Cooling, Inc., as of December 31, 1996, and the related statements of operations, shareholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Heating and Cooling, Inc., as of December 31, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

EASTERN HEATING AND COOLING, INC.
BALANCE SHEET
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31, 1996
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 83
Accounts receivable --	
Trade, net of allowance of $25	1,214
Retainage	43
Other receivables	13
Inventories	100
Costs and estimated earnings in excess of billings on uncompleted contracts	66
Total current assets	1,519
PROPERTY AND EQUIPMENT, net	604
OTHER NONCURRENT ASSETS	144
Total assets	$2,267
LIABILITIES AND SHAREHOLDER'S EQUITY	
CURRENT LIABILITIES:	
Current maturities of long-term debt	$ 302
Accounts payable and accrued expenses	826
Line of credit	140
Billings in excess of costs and estimated earnings on uncompleted contracts	102
Total current liabilities	1,370
LONG-TERM DEBT, net of current maturities	431
COMMITMENTS AND CONTINGENCIES	
SHAREHOLDER'S EQUITY:	
Common stock, no par value, 200 shares authorized, 100 shares issued and outstanding	50
Retained earnings	416
Total shareholder's equity	466
Total liabilities and shareholder's equity	$2,267

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

EASTERN HEATING AND COOLING, INC.
STATEMENT OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1996
REVENUES	$ 7,944
COST OF SERVICES	5,276
Gross profit	2,668
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,237
Income from operations	431
OTHER INCOME (EXPENSE):	
Interest expense	(87)
Other	40
NET INCOME	$ 384

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

EASTERN HEATING AND COOLING, INC.
STATEMENT OF SHAREHOLDER'S EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		RETAINED	TOTAL SHAREHOLDER'S
	SHARES	AMOUNT	EARNINGS	EQUITY
BALANCE, December 31, 1995.....	100	$ 50	$ 356	$ 406
Distributions to shareholder....	--	--	(324)	(324)
Net income.....	--	--	384	384
BALANCE, December 31, 1996.....	100	$ 50	$ 416	$ 466

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

EASTERN HEATING AND COOLING, INC.
STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 384
Adjustments to reconcile net income to net cash provided by (used in) operating activities --	
Depreciation and amortization	144
Gain on sale of property and equipment	(31)
Changes in operating assets and liabilities --	
(Increase) decrease in --	
Accounts receivable	(434)
Inventories	4
Costs and estimated earnings in excess of billings on uncompleted contracts	123
Other noncurrent assets	80
Increase in --	
Accounts payable and accrued expenses	246
Billings in excess of costs and estimated earnings on uncompleted contracts	10
Net cash provided by operating activities	526
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of property and equipment	38
Additions of property and equipment	(262)
Net cash used in investing activities	(224)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Borrowings of long-term debt	208
Payments of long-term debt	(280)
Borrowings under line of credit	140
Distributions to shareholder	(325)
Net cash used in financing activities	(257)
NET INCREASE IN CASH AND CASH EQUIVALENTS	45
CASH AND CASH EQUIVALENTS, beginning of period	38
CASH AND CASH EQUIVALENTS, end of period	$ 83
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for --	
Interest	$ 52

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

1. BUSINESS AND ORGANIZATION:

Eastern Heating and Cooling, Inc., a New York corporation, (the "Company") focuses on providing "design and build" installation and maintenance, repair and replacement of HVAC systems for commercial and industrial facilities. Eastern also offers continuous monitoring and control systems for commercial facilities. Eastern primarily operates in the area within a 75 mile radius of Albany, New York.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY AND EQUIPMENT

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

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

REVENUE RECOGNITION

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

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

WARRANTY COSTS

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

INCOME TAXES

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

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENT

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

3. PROPERTY AND EQUIPMENT:

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

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1996
Transportation equipment	7	$ 957
Machinery and equipment	10	54
Computer and telephone equipment	3-5	6
Leasehold improvements	20	36
Furniture and fixtures	7-10	126
		1,179
Less -- Accumulated depreciation and amortization		(575)
Property and equipment, net		$ 604

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

	DECEMBER 31, 1996
Balance at beginning of year	$ 16
Additions to costs and expenses	25
Deductions for uncollectible receivables written off and recoveries	(16)
	$ 25

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

	DECEMBER 31, 1996
Accounts payable, trade	$ 611
Accrued compensation and benefits	120
Other accrued expenses	95
	$ 826

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

	DECEMBER 31, 1996
Costs incurred on contracts in progress	$ 749
Estimated earnings, net of losses	235
	984
Less -- Billings to date	1,020
	$ (36)
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 66
Billings in excess of costs and estimated earnings on uncompleted contracts	(102)
	$ (36)

5. LONG-TERM DEBT:

Long-term debt consists of the following:

The Company has a term note payable to a financial institution with an outstanding balance of approximately $133,000 at December 31, 1996. The term note matures in April 1999, and bears interest at prime plus 2 percent (10.25 percent at December 31, 1996) which is payable along with principal of $4,583 monthly. The note is secured by substantially all assets of the Company and is guaranteed by the Company's shareholder.

The Company has various installment notes with several financial institutions which are secured by the related transportation equipment. The terms of the notes range from 48 months to 60 months with monthly payments of principal and interest of approximately $12,300. The notes bear interest at rates ranging from 6.5 percent to 10.5 percent and mature from 1997 to 2001.

The Company has a note payable to its former owner with an outstanding balance of $288,444 at December 31, 1996. The note payable was calculated using an implied interest rate of 9 percent. The note payable is due in installments of $159,385 on January 1, 1997 and $168,948 on January 1, 1998, including interest.

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

Year ending December 31 --	
1997	$ 302
1998	296
1999	85
2000	42
2001	8
	$ 733

6. LINE OF CREDIT:

The Company has a $500,000 line of credit with a financial services company. The line of credit is due on demand and bears interest at prime plus 1 percent per annum (9.25 percent at December 31, 1996). The line of credit is secured by substantially all assets of the Company. The balance outstanding under this line of credit at December 31, 1996 was $140,000.

7. LEASES:

The Company leases a facility from a company which is 50 percent owned by the Company's shareholder. The lease expires in December 1999. The rent paid under this related-party lease was approximately $50,000 for the year ended December 31, 1996.

Additionally, the Company rents other facilities from non-related parties. Future minimum lease payments under non-cancellable operating leases are as follows (in thousands):

Year Ended December 31 --	
1997	$ 55
1998	55
1999	50
	$ 160

8. COMMITMENTS AND CONTINGENCIES:

LITIGATION

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

INSURANCE

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

9. FINANCIAL INSTRUMENTS:

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

10. SALES TO SIGNIFICANT CUSTOMER:

During 1996, one customer accounted for approximately 12 percent of the Company's sales.

11. SUBSEQUENT EVENT:

Effective January 2, 1997, an affiliate of the Company acquired the business and certain operating assets of RECC, Inc., a New York corporation. This affiliate agreed to pay $10,000 over a period of one year.

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

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

In connection with the merger, the Company will make a cash distribution of approximately $416,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at December 31, 1996, the effect on the accompanying balance sheet would be an increase in liabilities of $416,000 and a decrease in shareholder's equity of $416,000.

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

Eastern intends to enter into a 10-year lease with 60 Loudonville Road Associates for a new building and terminate the existing lease. Eastern has agreed to install the HVAC systems in the new building at a price which the Company believes to be at a fair market value. The Company's annual rental in the new building will be at fair market value, as determined by appraisal.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Contract Service, Inc.:

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

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

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

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

CONTRACT SERVICE, INC.
BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31,	
	1995	1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 116	$ 207
Accounts receivable --		
Trade, net of allowance of $11 and $22	651	680
Retainage	10	26
Inventories	306	362
Costs and estimated earnings in excess of billings on uncompleted contracts	104	110
Prepaid expenses and other current assets	11	4
Total current assets	1,198	1,389
PROPERTY AND EQUIPMENT, net	549	642
OTHER NONCURRENT ASSETS	14	16
Total assets	$ 1,761	$ 2,047
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 100	$ 100
Accounts payable and accrued expenses	576	691
Billings in excess of costs and estimated earnings on uncompleted contracts	149	136
Total current liabilities	825	927
LONG-TERM DEBT, net of current maturities	263	429
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, $1 par value, 20,000 shares authorized, 8,946 shares issued and outstanding	9	9
Retained earnings	664	682
Total shareholders' equity	673	691
Total liabilities and shareholders' equity	$ 1,761	$ 2,047

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

CONTRACT SERVICE, INC.
STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
REVENUES	$ 6,502	$ 6,361	$ 7,842
COST OF SERVICES	4,393	4,413	5,201
Gross profit	2,109	1,948	2,641
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,228	1,500	1,660
Income from operations	881	448	981
OTHER INCOME (EXPENSE):			
Interest expense	(5)	(9)	(29)
Other	29	38	51
NET INCOME	$ 905	$ 477	$ 1,003

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

CONTRACT SERVICE, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		RETAINED	TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	EARNINGS	EQUITY
BALANCE, December 31, 1993.....	8,946	$ 9	$ 660	$ 669
Distributions to shareholders...	--	--	(911)	(911)
Net income.....	--	--	905	905
BALANCE, December 31, 1994.....	8,946	9	654	663
Distributions to shareholders...	--	--	(467)	(467)
Net income.....	--	--	477	477
BALANCE, December 31, 1995.....	8,946	9	664	673
Distributions to shareholders...	--	--	(985)	(985)
Net income.....	--	--	1,003	1,003
BALANCE, December 31, 1996.....	8,946	$ 9	$ 682	$ 691

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

CONTRACT SERVICE, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 905	$ 477	$ 1,003
Adjustments to reconcile net income to net cash provided by (used in) operating activities --			
Depreciation	97	120	138
Gain (loss) on sale of property and equipment	8	(5)	--
Changes in operating assets and liabilities --			
(Increase) decrease in --			
Accounts receivable	(219)	(96)	(45)
Inventories	20	(49)	(57)
Costs and estimated earnings in excess of billings on uncompleted contracts	(44)	35	(6)
Prepaid expenses and other current assets	(9)	(2)	7
Other noncurrent assets	(8)	5	(2)
Increase (decrease) in --			
Accounts payable and accrued expenses	(27)	(3)	115
Billings in excess of costs and estimated earnings on uncompleted contracts	12	17	(13)
Net cash provided by operating activities	735	499	1,140
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment	--	6	--
Additions of property and equipment	(138)	(199)	(230)
Net cash used in investing activities	(138)	(193)	(230)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings of long-term debt	102	201	166
Distributions to shareholders	(911)	(467)	(985)
Collections of advances to officers and shareholders	86	--	--
Net cash used in financing activities	(723)	(266)	(819)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(126)	40	91
CASH AND CASH EQUIVALENTS, beginning of period	202	76	116
CASH AND CASH EQUIVALENTS, end of period	$ 76	$ 116	$ 207
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for --			
Interest	$ 6	$ 30	$ 41

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

1. BUSINESS AND ORGANIZATION:

Contract Service, Inc., a Utah corporation, (the "Company") focuses on providing comprehensive maintenance, repair and replacement of HVAC systems for commercial and residential facilities primarily in Utah.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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

REVENUE RECOGNITION

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

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

WARRANTY COSTS

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

INCOME TAXES

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

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENT

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

3. PROPERTY AND EQUIPMENT:

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

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1995	DECEMBER 31, 1996
Transportation equipment.....	5-10	$ 690	$ 907
Machinery and equipment.....	5-30	126	127
Furniture and fixtures.....	5-20	178	189
Less -- Accumulated depreciation....		(445)	(581)
Property and equipment, net....		$ 549	$ 642

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

	DECEMBER 31,	
	1995	1996
Balance at beginning of year.....	$ 11	$ 11
Additions to costs and expenses.....	18	26
Deductions for uncollectible receivables written off and recoveries.....	(18)	(15)
	$ 11	$ 22

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

	DECEMBER 31,	
	1995	1996
Accounts payable, trade	$ 242	$ 256
Accrued compensation	219	312
Other accrued expenses	115	123
	$ 576	$ 691

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

	DECEMBER 31,	
	1995	1996
Costs incurred on contracts in progress	$ 1,998	$ 2,534
Estimated earnings, net of losses	741	978
	2,739	3,512
Less -- Billings to date	2,784	3,538
	$ (45)	$ (26)
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 104	$ 110
Billings in excess of costs and estimated earnings on uncompleted contracts	(149)	(136)
	$ (45)	$ (26)

5. LONG-TERM DEBT:

Long-term debt consists of ten unsecured promissory notes to the Company's shareholders of which two are demand notes. All notes, except the demand notes, are due 10 years from the date of the note. The notes bear an interest rate of 10 percent. Monthly interest payments are made to the shareholders with the principal coming due at the date of maturity.

The aggregate maturities of long-term debt are as follows (in thousands):

Year ending December 31,	
1997	$ 100
1998	--
1999	--
2000	--
2001	--
Thereafter	429
	$ 529

6. LEASES:

The Company leases its facilities from a company owned by its two shareholders. The lease is currently on a month-to-month basis. The rent paid under this related-party lease was approximately $66,000, $106,000 and $120,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

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

Year ending December 31,	
1997	$ 120
1998	120
1999	120
2000	120
2001	120
	$ 600

7. RELATED-PARTY TRANSACTIONS:

At December 31, 1994, 1995 and 1996, the Company held notes payable to the shareholders in the amount of $162,000, $363,000 and $529,000, respectively. See Note 5. The notes bear interest at 10 percent. Interest paid during the year ended December 31, 1994, 1995 and 1996 related to these loans was $6,000, $29,000 and $41,000, respectively.

8. COMMITMENTS AND CONTINGENCIES:

LITIGATION

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

INSURANCE

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

9. EMPLOYEE BENEFIT PLAN:

Beginning January 1, 1994, the Company adopted a 401(k) plan. The plan allows employees to contribute a portion of their gross wages into the plan as a salary deferral and requires the Company to match 25% of the employee contribution up to 5% of employee's gross wages. The Company's matching contributions for the years ended December 31, 1995 and 1996 were $17,000 and $19,000.

The Company has also adopted a cafeteria plan pursuant to Section 125 of the Internal Revenue Code that covers all employees from 90 days after the commencement of employment. Under this plan, the employees may reduce their compensation to fund medical insurance, dental and dependent care/day care benefits. The funds withheld are used to pay actual claims or medical insurance, based on the employees' elections.

10. FINANCIAL INSTRUMENTS:

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

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

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

In connection with the merger, the Company will make a cash distribution of approximately $682,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at December 31, 1996, the effect on the accompanying balance sheet would be a decrease in assets of $4,000, an increase in liabilities of $678,000 and a decrease in shareholders' equity of $682,000.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Tech Heating and Air Conditioning, Inc.:

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

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Tech Heating and Air Conditioning, Inc., and related company as of December 31, 1995 and 1996, and the combined results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

TECH HEATING AND AIR CONDITIONING, INC.,
AND RELATED COMPANY
COMBINED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31,	
	1995	1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 313	$ 611
Accounts receivable --		
Trade, net of allowance of $45 and $40	1,244	1,723
Retainage	92	48
Other receivables	--	7
Inventories	67	208
Prepaid expenses and other current assets	7	33
Total current assets	1,723	2,630
PROPERTY AND EQUIPMENT, net	368	500
Total assets	$ 2,091	$ 3,130
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 88	$ 252
Accounts payable and accrued expenses	1,048	757
Total current liabilities	1,136	1,009
LONG-TERM DEBT, net of current maturities	48	60
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common stock, no par value, 1,000 shares authorized, 500 shares issued	1	1
Treasury stock	(3)	(3)
Retained earnings	909	2,063
Total shareholders' equity	907	2,061
Total liabilities and shareholders' equity	$ 2,091	$ 3,130

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

TECH HEATING AND AIR CONDITIONING, INC.,
AND RELATED COMPANY
COMBINED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,	
	1995	1996
REVENUES	$ 6,960	$ 7,537
COST OF SERVICES	4,212	3,996
Gross profit	2,748	3,541
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,800	1,861
Income from operations	948	1,680
OTHER INCOME (EXPENSE):		
Interest expense	(12)	(18)
Other	20	31
NET INCOME	$ 956	$ 1,693

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

TECH HEATING AND AIR CONDITIONING, INC.,
AND RELATED COMPANY
COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		TREASURY	RETAINED	TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	STOCK	EARNINGS	EQUITY
BALANCE, December 31, 1994	500	$ 1	$ (3)	$ 575	$ 573
Distributions to Shareholders	--	--	--	(622)	(622)
Net income	--	--	--	956	956
BALANCE, December 31, 1995	500	1	(3)	909	907
Distributions to Shareholders	--	--	--	(539)	(539)
Net income	--	--	--	1,693	1,693
BALANCE, December 31, 1996	500	$ 1	$ (3)	$ 2,063	$ 2,061

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

TECH HEATING AND AIR CONDITIONING, INC.,
AND RELATED COMPANY
COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,	
	1995	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 956	$ 1,693
Adjustments to reconcile net income to net cash provided by operating activities --		
Depreciation	89	142
Changes in operating assets and liabilities --		
(Increase) decrease in --		
Accounts receivable	581	(442)
Inventories	(42)	(141)
Prepaid expenses and other current assets	7	(26)
Decrease in --		
Accounts payable and accrued expenses	(513)	(291)
Net cash provided by operating activities	1,078	935
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions of property and equipment	(127)	(274)
Net cash used in investing activities	(127)	(274)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	76	307
Payments of long-term debt	(100)	(131)
Distributions to shareholders	(622)	(539)
Net cash used in financing activities	(646)	(363)
NET INCREASE IN CASH AND CASH EQUIVALENTS	305	298
CASH AND CASH EQUIVALENTS, beginning of period	8	313
CASH AND CASH EQUIVALENTS, end of period	$ 313	$ 611
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for --		
Interest	$ 12	$ 18

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

TECH HEATING AND AIR CONDITIONING, INC.
AND RELATED COMPANY
NOTES TO COMBINED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION:

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and related company (collectively, the "Company") focuses on providing "design and build" installation and services, maintenance, repair and replacement of HVAC systems for commercial and industrial facilities. Tech also offers continuous monitoring and control services for commercial facilities. The Company's customers are primarily in the greater Cleveland, Ohio area.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The combined financial statements include the accounts and results of operations of Tech Heating and Air Conditioning, Inc., and its related company, Tech Mechanical which are under common control and management of two individuals. All significant intercompany transactions and balances have been eliminated in combination.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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

REVENUE RECOGNITION

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

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

WARRANTY COSTS

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

INCOME TAXES

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

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENT

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

3. PROPERTY AND EQUIPMENT:

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

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1995	DECEMBER 31, 1996
Transportation equipment	5	$ 462	$ 553
Machinery and equipment	7	61	159
Computer and telephone equipment	5	107	190
Furniture and fixtures	5-7	145	128
Less -- Accumulated depreciation		(407)	(530)
Property and equipment, net		$ 368	$ 500

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

	DECEMBER 31,	
	1995	1996
Balance at beginning of year.....	$ 25	$ 45
Additions to costs and expenses.....	20	--
Deductions for uncollectible receivables written off and recoveries.....	--	(5)
	$ 45	$ 40

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

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	$ 428	$ 388
Accrued compensation and benefits.....	337	226
Other accrued expenses.....	283	143
	$ 1,048	$ 757

At December 31, 1995 and 1996 billings to customers generally equalled work performed which resulted in no costs and estimated earnings in excess of billings or billings in excess of costs and estimated earnings on uncompleted contracts.

5. LONG-TERM DEBT AND NOTES PAYABLE:

Long-term debt consists of installment notes payable for transportation equipment. The debt is secured by the related transportation equipment. The terms of the notes range from 24 months to 36 months with monthly payments of principal and interest of approximately $8,000. The notes bear interest at rates ranging from 7.5 percent to 9.95 percent.

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

Year ending December 31 --	
1997.....	$ 252
1998.....	55
1999.....	5
	$ 312

The Company has a $1,500,000 line of credit with a financial services company. The line of credit expires in July 1997 and bears interest at prime plus .25 percent per annum (8.5 percent at December 31, 1996). The line of credit is secured by a lien on accounts receivable and inventory and is guaranteed by the shareholders. There was $190,000 outstanding under this line of credit at December 31, 1996.

6. LEASES:

The Company leases facilities from a company which is partially owned by one of the shareholders. The lease expires in April of 2000. The rent paid under this related-party lease was approximately $84,000 for the year ended December 31, 1996. The lease requires for the Company to pay taxes, maintenance, insurance and certain other operating costs of the leased property. The lease contains renewal provisions.

The Company leases a vehicle for a key member of management. The lease payments under this vehicle lease totaled approximately $6,700 for the year ended December 31, 1996.

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

Year ending December 31	
1997	$ 100
1998	91
1999	86
2000	28
	$ 305

7. EMPLOYEE BENEFIT PLANS:

The Company has adopted a retirement plan which qualifies under Section 401(k) of the Internal Revenue Code. The Company has the right to make discretionary contributions. Total contributions by the Company under this plan were approximately $18,000 and $12,000 for 1995 and 1996, respectively.

8. FINANCIAL INSTRUMENTS:

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

9. COMMITMENTS AND CONTINGENCIES:

LITIGATION

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

INSURANCE

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

10. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT (UNAUDITED):

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

In connection with the merger, the Company will make a cash distribution of approximately $2,063,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at December 31, 1996, the effect on the accompanying balance sheet would be a decrease in assets of $511,000, an increase in liabilities of $1,552,000 and a decrease in shareholders' equity of $2,063,000.

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Seasonair, Inc.:

We have audited the accompanying balance sheet of Seasonair, Inc. as of December 31, 1996, and the related statements of operations, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seasonair, Inc., as of December 31, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

SEASONAIR, INC.
BALANCE SHEET
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	DECEMBER 31, 1996
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents.....	$ 69
Accounts receivable --	
Trade.....	961
Retainage.....	17
Inventories.....	190
Costs on uncompleted contracts in excess of billings.....	75
Deferred tax asset.....	104
Prepaid expenses and other current assets.....	96
Total current assets.....	1,512
PROPERTY AND EQUIPMENT, net.....	63
OTHER NONCURRENT ASSETS.....	83
Total assets.....	$1,658
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Current maturities of long-term debt.....	$ 34
Accounts payable and accrued expenses.....	810
Billings in excess of costs and estimated earnings on uncompleted contracts.....	156
Total current liabilities.....	1,000
LONG-TERM DEBT, net of current maturities.....	76
DEFERRED TAX LIABILITY.....	17
COMMITMENTS AND CONTINGENCIES.....	
SHAREHOLDERS' EQUITY:	
Common stock, no par value, 2,000,000 shares authorized, 1,544,000 shares issued and outstanding.....	78
Additional paid-in capital.....	1
Retained earnings.....	721
Treasury Stock, 299,773 shares, at cost.....	(235)
Total shareholders' equity.....	565
Total liabilities and shareholders' equity....	$1,658

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

SEASONAIR, INC.
STATEMENT OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1996
REVENUES	$ 6,737
COST OF SERVICES	4,006
Gross profit	2,731
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,597
Income from operations	134
OTHER INCOME (EXPENSE):	
Interest expense	(21)
Other	82
INCOME BEFORE INCOME TAXES	195
PROVISION FOR INCOME TAXES	69
NET INCOME	$ 126

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

SEASONAIR, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCE, December 31, 1995.....	1,214,724	$ 78	$ 1	$ 632	$ (269)	$ 442
Sales of treasury stock.....	29,503	--	--	--	34	34
Distributions to shareholders...	--	--	--	(37)	--	(37)
Net income.....	--	--	--	126	--	126
BALANCE, December 31, 1996.....	1,244,227	$ 78	$ 1	$ 721	$ (235)	$ 565

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

SEASONAIR, INC.
STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 126
Adjustments to reconcile net income to net cash provided by (used in) operating activities	
Depreciation	(54)
Gain on sale of property and equipment	(4)
Changes in operating assets and liabilities --	
(Increase) decrease in --	
Accounts receivable	49
Inventories	(35)
Prepaid expenses and other current assets	(171)
Costs of uncompleted contracts in excess of billings	58
Other noncurrent assets	(71)
Increase (decrease) in --	
Accounts payable and accrued expenses	(74)
Billings in excess of costs on uncompleted contracts	(23)
Deferred tax liability	30
Net cash used in operating activities	(169)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of property and equipment	71
Net cash provided by investing activities	71
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments of long-term debt	(105)
Distributions to shareholders	(37)
Cash received for sale of treasury shares	34
Net cash used in financing activities	(108)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(206)
CASH AND CASH EQUIVALENTS, beginning of period	275
CASH AND CASH EQUIVALENTS, end of period	$ 69
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for --	
Interest	$ 22

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

1. BUSINESS AND ORGANIZATION:

Seasonair, Inc., a Maryland corporation, (the "Company") focuses on providing installation services and maintenance, repair and replacement of HVAC systems for light commercial facilities. Seasonair primarily operates in Maryland, the District of Columbia and Virginia.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY AND EQUIPMENT

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

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

REVENUE RECOGNITION

The Company recognizes revenue when services are performed except when work is being performed under a construction contract. Revenue from construction contracts is recognized on the completed-contract method. This method is used because the typical contract is completed within a twelve-month period, and the Company's current financial position and results of operations do not vary significantly from those which would result from use of the percentage-of-completion method. A contract is considered complete when all costs except insignificant items have been incurred, and the installation is operating according to specifications or has been accepted by the customer.

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

Contract costs include all direct equipment, material, labor, and subcontract costs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

WARRANTY COSTS

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

INCOME TAXES

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

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENT

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

3. PROPERTY AND EQUIPMENT:

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

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1996
Transportation equipment.....	5	$ 17
Machinery and equipment.....	5	208
Leasehold improvements.....	39	15
Furniture and fixtures.....	7	16
		256
Less -- Accumulated depreciation and amortization.....		(193)
Property and equipment, net.....		$ 63

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

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

	DECEMBER 31, 1996
Balance at beginning of year.....	$ --
Additions to costs and expenses.....	5
Deductions for uncollectible receivables written off and recoveries.....	(5)
	$ --

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

	DECEMBER 31, 1996
Accounts payable, trade.....	$ 353
Accrued compensation and benefits....	321
Warranty reserve.....	37
Other.....	99
	$ 810

5. LONG-TERM DEBT:

Long-term debt consists of two notes payable to officers and an installment note payable for transportation equipment, which is secured by the related transportation equipment. The terms of the notes range from 51 months to 80 months with monthly payments of principal and interest of approximately $3,598. The notes bear interest at rates ranging from 10 percent to 12.7 percent.

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

Year ending December 31 --	
1997.....	$ 34
1998.....	37
1999.....	38
2000.....	1
	$ 110

The Company has a $150,000 line of credit with a financial services company. The line of credit expires August 5, 1997, and bears interest at prime plus one percent per annum. There was no balance outstanding under this line of credit at December 31, 1996.

6. LEASES:

The Company leases facilities from a partnership which is partially owned by one of the shareholders. The lease expires in October, 2006. The rent paid under this lease was approximately $62,640 for the year ended December 31, 1996. The lease requires the Company to pay taxes, maintenance, insurance and certain other operating costs of the leased property.

The Company leases vehicles for operations. The payments under these vehicle leases were approximately $189,000 for the year ended December 31, 1996.

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

Year ending December 31 --	
1997	$ 241
1998	202
1999	158
2000	105
2001	65
	$ 771

7. INCOME TAXES:

Federal and state income taxes for the year ended December 31, 1996, are as follows (in thousands):

Federal --	
Current	$ 50
Deferred	7
State --	
Current	11
Deferred	1
	$ 69

Actual income tax expense for the year ended December 31, 1996, differs from income tax expense computed by applying the U.S. federal statutory corporate tax rate of 35% to income before income taxes as follows (in thousands):

Provision at the statutory rate	$ 68
Increase (decrease) resulting from --	
State income tax, net of benefits for federal deduction	8
Other	(7)
	$ 69

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effects of these temporary differences representing deferred tax assets and liabilities as of December 31, 1996, result principally from the following (in thousands):

Depreciation and amortization	$ (18)
Accruals and reserves not deductible until paid	110
State taxes	(5)
Net deferred income tax asset	$ 87

The net deferred tax assets and liabilities at December 31, 1996, are comprised of the following (in thousands):

Deferred tax assets --	
Current	$ 104
Long-term	--
Total	104
Deferred tax liabilities --	
Current	--
Long-term	17
Total	17
Net deferred income tax asset	$ 87

8. COMMITMENTS AND CONTINGENCIES:

LITIGATION

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

INSURANCE

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

9. EMPLOYEE BENEFIT PLAN:

The Company has a 401(k) profit-sharing plan which provides for the Company to match employee contributions up to a maximum of $260 per person per year as well as an employee stock ownership plan. Total contributions for both plans by the Company under the plan were approximately $80,000 for purchase of treasury stock for the employee stock ownership plan, and $5,000 for the 401(k) plan for the year ended December 31, 1996.

10. FINANCIAL INSTRUMENTS:

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

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

In March 1997, the Company and its shareholders entered into a definitive agreement with a wholly-owned subsidiary of Comfort Systems, providing for the exchange of shares by the Company with the subsidiary of Comfort Systems. A total of 70,179 shares will be exchanged for cash and distributed to the employee stock ownership plan.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Western Building Services, Inc.:

We have audited the accompanying balance sheets of Western Building Services, Inc. as of December 31, 1995 and 1996, and the related statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Building Services, Inc. as of December 31, 1995 and 1996, and the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Houston, Texas
March 7, 1997

WESTERN BUILDING SERVICES, INC.
BALANCE SHEETS
(IN THOUSANDS, EXCEPT FOR SHARE INFORMATION)

	DECEMBER 31,	
	1995	1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ --	$ 177
Accounts receivable --		
Trade	726	661
Retainage on uncompleted contracts	78	183
Other receivables	133	3
Inventories	71	86
Costs and estimated earnings in excess of billings on uncompleted contracts	65	26
Prepaid expenses and other current assets	31	30
Total current assets	1,104	1,166
PROPERTY AND EQUIPMENT, net	150	191
OTHER NONCURRENT ASSETS	22	129
Total assets	$ 1,276	$ 1,486
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Line of credit	$ 231	$ --
Notes payable	--	6
Current maturities of long-term debt	86	73
Current portion of capital leases	17	21
Accounts payable and accrued expenses	732	556
Billings in excess of costs and estimated earnings on uncompleted contracts	76	151
Total current liabilities	1,142	807
LONG-TERM DEBT, net of current maturities	179	261
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common Stock, $.10 par value, 4,000,000 shares authorized, 2,600 and 2,700 shares issued and outstanding	1	1
Additional paid-in capital	61	62
Retained earnings (deficit)	(107)	355
Total shareholders' equity (deficit)	(45)	418
Total liabilities and shareholders' equity	$ 1,276	$ 1,486

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

WESTERN BUILDING SERVICES, INC.
STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,	
	1995	1996
REVENUES	$ 4,112	$ 6,494
COST OF SERVICES	3,408	4,662
Gross profit	704	1,832
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	855	1,088
Income (loss) from operations	(151)	744
OTHER INCOME (EXPENSE):		
Interest expense	(35)	(51)
Other	6	(21)
NET INCOME (LOSS)	$ (180)	$ 672

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

WESTERN BUILDING SERVICES, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL SHAREHOLDERS' EQUITY (DEFICIT)
	SHARES	AMOUNT			
BALANCE, December 31, 1994	2,600	$ 1	$ 61	$ 73	$ 135
Net loss	--	--	--	(180)	(180)
BALANCE, December 31, 1995	2,600	1	61	(107)	(45)
Distributions to Shareholders	--	--	--	(210)	(210)
Net income	--	--	--	672	672
Common stock issuance	100	--	1	--	1
BALANCE, December 31, 1996	2,700	$ 1	$ 62	$ 355	$ 418

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

WESTERN BUILDING SERVICES, INC.
STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,	
	1995	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(180)	$ 672
Adjustments to reconcile net income to net cash provided by (used in) operating activities --		
Depreciation and amortization	51	51
Changes in operating assets and liabilities --		
(Increase) decrease in --		
Accounts receivable	(179)	91
Inventories	(35)	(15)
Costs and estimated earnings in excess of billings on uncompleted contracts	(5)	39
Prepaid expenses and other current assets	5	1
Other noncurrent assets	(15)	(106)
Increase (decrease) in --		
Accounts payable and accrued expenses	186	(177)
Billings in excess of costs and estimated earnings on uncompleted contracts	17	74
Net cash provided by (used in) operating activities	(155)	630
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	--	20
Additions of property and equipment	(40)	(113)
Net cash used in investing activities	(40)	(93)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock	--	1
Borrowings of long-term debt	206	175
Payments of long-term debt	(259)	(96)
Net borrowings in line of credit	230	(230)
Distributions to shareholders	--	(210)
Net cash provided by (used in) financing activities	177	(360)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18)	177
CASH AND CASH EQUIVALENTS, beginning of period	18	--
CASH AND CASH EQUIVALENTS, end of period	$ --	$ 177
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for --		
Interest	$ 35	$ 51

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

1. BUSINESS AND ORGANIZATION:

Western Building Services, Inc., a Colorado corporation, (the "Company") focuses on providing "design and build" installation services and maintenance, repair and replacement of HVAC systems for commercial facilities. Western also offers continuous monitoring and control services for commercial facilities. The Company primarily operates in Colorado.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

PROPERTY AND EQUIPMENT

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

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

REVENUE RECOGNITION

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

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

The Company has recognized approximately 48% of gross profit in 1995 and 1996 for energy conversions and new installations related to an incentive program developed by the Public Service Company of Colorado (PSC). The Demand Side Management program provided incentives for PSC

customers to convert from electric heat to gas/steam heat in order to reduce peak demand for electricity. This program ended November 1996.

WARRANTY COSTS

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

INCOME TAXES

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

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENT

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

3. PROPERTY AND EQUIPMENT:

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

	ESTIMATED USEFUL LIVES IN YEARS	DECEMBER 31, 1995	DECEMBER 31, 1996
Transportation equipment.....	5	$ 47	$ 47
Machinery and equipment.....	6-7	133	68
Computer and telephone equipment.....	5	120	145
Leasehold improvements.....	3	21	71
Furniture and fixtures.....	7	28	20
		349	351
Less -- Accumulated depreciation and amortization.....		(199)	(160)
Property and equipment, net.....		$ 150	$ 191

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Other noncurrent assets consist of the following (in thousands):

	DECEMBER 31,	
	1995	1996
Covenant not to compete.....	$ --	$ 75
Life insurance surrender value.....	14	27
Other noncurrent assets.....	8	27
	$ 22	$ 129

At December 31, 1996, the Company acquired the contract rights of a competitor for $75,000 through a covenant not to compete agreement. This agreement will be amortized over its three year term which expires at December 31, 1999.

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

	DECEMBER 31,	
	1995	1996
Accounts payable, trade.....	$ 403	$ 249
Accrued compensation and benefits....	108	86
Accrued warranty expense.....	82	82
Other accrued expenses.....	139	139
	$ 732	$ 556

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

	DECEMBER 31,	
	1995	1996
Costs incurred on contracts in progress.....	$ 335	$ 530
Estimated earnings, net of losses....	206	160
	541	690
Less -- Billings to date.....	552	815
	$ (11)	$ (125)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	$ 65	$ 26
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(76)	(151)
	$ (11)	$ (125)

5. LONG-TERM DEBT:

Long-term debt consists of installment notes payable for transportation equipment. The debt is secured by the related transportation equipment. The terms of the notes range from 36 months to 48 months with monthly payments of principal and interest of approximately $8,600. The notes bear interest at rates ranging from 9 percent to 13 percent.

Long-term debt also consists of term loans and capital leases. The term loans were issued in the amounts of $175,000 and $200,000 in 1996 and 1995, respectively. The $175,000 term loan is secured by equipment, inventory, accounts receivable and all contract rights. The $200,000 term loan is secured by all

inventory and equipment and bears interest at prime plus 2 percent per annum. These term loans are also guaranteed by the Company president.

The capital leases relate to computer equipment and printers. The terms of the leases range from 12 to 36 months. The interest rates on these leases range from 10 to 12 percent.

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

Year ending December 31	
1997	$ 85
1998	89
1999	98
2000	89
	$ 361

Management estimates that the fair value of its debt obligations approximates the historical value of approximately $361,000 at December 31, 1996.

The Company has a $300,000 line of credit with a financial institution. The line of credit expires September 28, 1997, and bears interest at prime plus 2 percent per annum. The line of credit is secured by accounts receivable and inventory and is guaranteed by the Company president. There was no balance outstanding under this line of credit at December 31, 1996.

6. LEASES:

The Company leases its facility from a third party, which expires in 1999. The rent paid under this lease was approximately $43,000 and $66,500 for the year ended December 31, 1995 and 1996. The lease requires the Company to pay taxes, maintenance, insurance and certain other operating costs of the leased property. The lease contains renewal provisions.

The Company leases vehicles for operating purposes. The lease payments under these vehicle leases totaled approximately $47,000 and $71,000 for the year ended December 31, 1995 and 1996, respectively.

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

Year ending December 31	
1997	$ 144
1998	132
1999	19
	$ 295

7. EMPLOYEE BENEFIT PLANS:

The Company has adopted a 401(k) plan which allows the Company to make discretionary contributions and discretionary profit sharing contributions. No contributions were made by the Company under this plan in 1995 and 1996. However, expenses of $2,733 and $3,903 were paid by the Company during 1995 and 1996, respectively.

8. FINANCIAL INSTRUMENTS:

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

9. RELATED-PARTY TRANSACTIONS:

At December 31, 1995, the Company had a receivable of $109,500 due from the president and vice president. At December 31, 1996, this balance was $173,500. The Company offset this balance with the dividends payable of $210,315 at December 31, 1996, resulting in a remaining dividend payable of $36,875 to two shareholders and one director.

10. COMMITMENTS AND CONTINGENCIES:

LITIGATION

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

INSURANCE

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

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

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

In connection with the merger, the Company will make a cash distribution of approximately $355,000 prior to the merger which represents the Company's estimated S Corporation accumulated adjustment account. Had these transactions been recorded at December 31, 1996, the effect on the accompanying balance sheet would be a decrease in assets of $77,000, an increase in liabilities of $278,000 and a decrease in shareholders' equity of $355,000.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN A CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

TABLE OF CONTENTS

UNTIL , 1997 (25 DAYS AFTER THE DATE HEREOF), ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

6,100,000 SHARES

[LOGO]

COMFORT SYSTEMS USA, INC.

COMMON STOCK

PROSPECTUS

ALEX. BROWN & SONS
INCORPORATED

BEAR, STEARNS & CO. INC.

DONALDSON, LUFKIN & JENRETTE
Securities Corporation

SANDERS MORRIS MUNDY

, 1997

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the Company in connection with the sale of the securities being registered. All amounts are estimates except for the fees payable to the SEC.

	AMOUNT TO BE PAID
SEC registration fee	$ 29,761
Printing expenses	$ 325,000
Legal fees and expenses	$ 1,075,000
Accounting fees and expenses	$ 2,450,000
Blue Sky fees and expenses	$ 10,000
Transfer Agent's and Registrar's fees	$ 4,000
Miscellaneous	$ 106,239
TOTAL	$ 4,000,000

ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS.

The Company's Certificate of Incorporation, as amended, and Bylaws incorporate substantially the provisions of the Delaware General Corporation Law ("DGCL") providing for indemnification of directors and officers of the Company against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that such person is or was an officer or director of the Company or is or was serving at the request of the Company as a director, officer or employee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

As permitted by Section 102 of the DGCL, the Company's Certificate of Incorporation, as amended, contains provisions eliminating a director's personal liability for monetary damages to the Company and its stockholders arising from a breach of a director's fiduciary duty except for liability (a) for any breach of the director's duty of loyalty to the Company or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL, or (d) for any transaction from which the director derived an improper personal benefit.

Section 145 of the DGCL provides generally that a person sued as a director, officer, employee or agent of a corporation may be indemnified by the corporation for reasonable expenses, including attorneys' fees, if in the case of other than derivative suits such person has acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation (and, in the case of a criminal proceeding, had no reasonable cause to believe that such person's conduct was unlawful). In the case of a derivative suit, an officer, employee or agent of the corporation which is not protected by the Certificate of Incorporation may be indemnified by the corporation for reasonable expenses, including attorneys' fees, if such person has acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in the case of a derivative suit in respect of any claim as to which an officer, employee or agent has been adjudged to be liable to the corporation unless that person is fairly and reasonably entitled to indemnity for proper expenses. Indemnification is mandatory in the case of a director, officer, employee, or agent who is successful on the merits in defense of a suit against such person.

The Company intends to enter into Indemnity Agreements with its directors and certain key officers pursuant to which the Company generally is obligated to indemnify its directors and such officers to the full extent permitted by the DGCL as described above.

The Company intends to purchase liability insurance policies covering directors and officers in certain circumstances.

ITEM 15. RECENT SALES OF UNRESTRICTED SECURITIES.

On December 12, 1996, Comfort Systems issued and sold 1,000 shares of Common Stock to Notre for a consideration of $1,000. This sale was exempt from registration under Section 4(2) of the Securities Act, no public offering being involved.

On January 6, 1997, Comfort Systems issued and sold shares of Common Stock to the following parties in the amounts and for the consideration indicated. These sales were exempt from registration under Section 4(2) of the Securities Act: Notre -- 23,516.623 shares for a consideration of $28,699.12; Fred M. Ferreira -- 3957.7359 shares for a consideration of $4,794.35; J. Gordon Beittenmiller -- 825.5 shares for a consideration of $1,000.00; Reagan S. Busbee - -- 825.5 shares for a consideration of $1,000.00; S. Craig Lemmon -- 825.5 shares for a consideration of $1,000.00; Emmett E. Moore -- 412.75 shares for a consideration of $500.00; John W. Boulabasis -- 412.75 shares for a consideration of $500.00; Stephen R. Baur -- 330.2 shares for a consideration of $400.00; Shellie LePori -- 206.375 shares for a consideration of $250; Constance Drew -- 288.925 shares for a consideration of $350.00; John Mercandante, Jr. -- 82.55 shares for a consideration of $100.00; Lawrence Martin -- 82.55 shares for a consideration of $100.00; Carl L. Norton -- 61.9125 shares for a consideration of $75.00; Larry E. Jacobs -- 61.9125 shares for a consideration of $75.00; Richard T. Howell -- 41.275 shares for a consideration of $50.00; Rod Crosby -- 41.275 shares for a consideration of $50.00; Jennifer Summerford -- 24.765 shares for a consideration of $30.00; Infoscope Partners, Inc. -- 8.255 shares for a consideration of $10.00; Melinda Malik -- 4.1275 shares for a consideration of $5.00; and Steven T. Zellers -- 16.51 shares for a consideration of $20.00.

On February 25, 1997, Comfort Systems issued and sold shares of Common Stock to the following parties in the amounts and for the consideration indicated. These sales were exempt from registration under Section 4(2) of the Securities Act, no public offering being involved: William George, III -- 619.125 shares for a consideration of $750.00; Milburn E. Honeycutt -- 478.79 shares for a consideration of $580.00; Brian J. Vensel -- 478.79 shares for a consideration of $580.00; J. Gordon Beittenmiller -- 132.08 shares for a consideration of $160.00; Reagan S. Busbee -- 132.08 shares for a consideration of $160.00; and S. Craig Lemmon -- 132.08 shares for a consideration of $160.00.

Effective March 20, 1997, Comfort Systems effected a 121.1387 to 1 stock split on outstanding shares of Common Stock as of March 19, 1997.

Effective March 20, 1997, Comfort Systems issued and sold 2,969,912 shares of Restricted Voting Common Stock to Notre in exchange for 2,969,912 shares of Common Stock. This sale was exempt from registration under Section 4(2) of the Securities Act, no public offering being involved.

Simultaneously with the consummation of this Offering, the Company will issue 9,720,927 shares of its Common Stock in connection with the Mergers of the Founding Companies. Each of these transactions was completed without registration under the Securities Act in reliance upon the exemption provided by Section 4(2) of the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) EXHIBITS

EXHIBIT NUMBER		DESCRIPTION OF EXHIBITS
1.1	--	Form of Underwriting Agreement
2.1*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Accurate Acquisition Corp., Accurate Air Systems, Inc. and the Stockholder named therein
2.2*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Atlas Air Acquisition I Corp., Atlas Comfort Services USA, Inc. and the Stockholders named therein

2.3*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Contract Acquisition Corp., Contract Service, Inc. and the Stockholders named therein
2.4*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Eastern Acquisition Corp., Eastern II Acquisition Corp., Eastern Heating & Cooling, Inc., Eastern Refrigeration Co., Inc. and the Stockholder named therein
2.5*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Freeway Acquisition Corp., Freeway Heating & Air Conditioning, Inc. and the Stockholders named therein
2.6*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Quality Acquisition Corp., Quality Air Heating & Cooling, Inc. and the Stockholders named therein
2.7*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., S. M. Lawrence Acquisition Corp., S. M. Lawrence II Acquisition Corp., S. M. Lawrence Company, Inc., Lawrence Service, Inc. and the Stockholders named therein
2.8*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Seasonair, Inc. and the Stockholders named therein
2.9*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Standard Acquisition Corp., Standard Heating & Air Conditioning Company and the Stockholders named therein
2.10*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Tech I Acquisition Corp., Tech II Acquisition Corp., Tech Heating and Air Conditioning, Inc., Tech Mechanical, Inc. and the Stockholder named therein
2.11*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Tri-City Acquisition Corp., Tri-City Mechanical, Inc. and the Stockholders named therein
2.12*	--	Agreement and Plan of Organization, dated as of March 18, 1997, by and among Comfort Systems USA, Inc., Western Building Acquisition Corp., Western Building Services, Inc. and the Stockholders named therein
3.1*	--	Amended and Restated Certificate of Incorporation of Comfort Systems USA, Inc.
3.2*	--	Bylaws of Comfort Systems USA, Inc., as amended
4.1	--	Form of certificate evidencing ownership of Common Stock of Comfort Systems USA, Inc.
5.1	--	Opinion of Bracewell & Patterson, L.L.P.
10.1*	--	Comfort Systems USA, Inc. 1997 Long-Term Incentive Plan
10.2*	--	Comfort Systems USA, Inc. 1997 Non-Employee Directors' Stock Plan
10.3	--	Form of Employment Agreement between Comfort Systems USA, Inc. and Fred M. Ferreira.
10.4	--	Form of Employment Agreement between Comfort Systems USA, Inc. and J. Gordon Beittenmiller.
10.5	--	Form of Employment Agreement between Comfort Systems USA, Inc. and William George, III.
10.6	--	Form of Employment Agreement between Comfort Systems USA, Inc. and Reagan S. Busbee.
10.7	--	Form of Employment Agreement between Comfort Systems USA, Inc., Accurate Air Systems, Inc. and Thomas J. Beaty.
10.8	--	Form of Employment Agreement between Comfort Systems USA, Inc., Atlas Comfort Services USA, Inc. and Brian S. Atlas.

10.9	--	Form of Employment Agreement between Comfort Systems USA, Inc., Contract Service, Inc. and John C. Phillips.
10.10	--	Form of Employment Agreement between Comfort Systems USA, Inc., Eastern Heating & Cooling, Inc. and Alfred J. Giardenelli, Jr.
10.11	--	Form of Employment Agreement between Comfort Systems USA, Inc., Freeway Heating & Air Conditioning, Inc. and Robert Arbuckle.
10.12	--	Form of Employment Agreement between Comfort Systems USA, Inc., Quality Air Heating & Cooling, Inc. and Robert J. Powers.
10.13	--	Form of Employment Agreement between Comfort Systems USA, Inc., S. M. Lawrence Company, Inc. and Samuel M. Lawrence III.
10.14	--	Form of Employment Agreement between Comfort Systems USA, Inc., Seasonair, Inc. and James C. Hardin, Sr.
10.15	--	Form of Employment Agreement between Comfort Systems USA, Inc., Standard Heating & Air Conditioning Company and Thomas B. Kime.
10.16	--	Form of Employment Agreement between Comfort Systems USA, Inc., Tech Heating and Air Conditioning, Inc. and Robert R. Cook.
10.17	--	Form of Employment Agreement between Comfort Systems USA, Inc., Tri-City Mechanical, Inc. and Michael Nothum, Jr.
10.18	--	Form of Employment Agreement between Comfort Systems USA, Inc., Western Building Services, Inc. and Charles W. Klapperich.
21.1*	--	List of subsidiaries of Comfort Systems USA, Inc.
23.1*	--	Consent of Arthur Andersen LLP
23.2	--	Consent of Bracewell & Patterson, L.L.P. (contained in Exhibit 5.1).
23.3*	--	Consent of Fred M. Ferreira to be named as a director.
23.4*	--	Consent of J. Gordon Beittenmiller to be named as a director.
23.5*	--	Consent of Brian S. Atlas to be named as a director.
23.6*	--	Consent of Thomas J. Beaty to be named as a director.
23.7*	--	Consent of Robert R. Cook to be named as a director.
23.8*	--	Consent of Alfred J. Giardenelli, Jr. to be named as a director.
23.9*	--	Consent of Charles W. Klapperich to be named as a director.
23.10*	--	Consent of Samuel M. Lawrence III to be named as a director.
23.11*	--	Consent of Michael Nothum, Jr. to be named as a director.
23.12*	--	Consent of John C. Phillips to be named as a director.
23.13*	--	Consent of Robert J. Powers to be named as a director.
23.14*	--	Consent of Steven S. Harter to be named as a director.
23.15*	--	Consent of Lawrence Martin to be named as a director.
23.16*	--	Consent of John Mercadante, Jr. to be named as a director.
24.1*	--	Power of Attorney (included herein on Signature Page)
27.1*	--	Financial Data Schedule

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* Filed herewith.

(b) FINANCIAL STATEMENT SCHEDULES

All schedules for which provision is made in the applicable accounting regulation of the SEC are not required under the related instructions, are inapplicable, or the information is included in the consolidated financial statements, and therefore have been omitted.

ITEM 17. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the provisions described in Item 14, or otherwise, the Company has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(c) The undersigned registrant hereby undertakes that: (i) for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; (ii) for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, COMFORT SYSTEMS USA, INC. HAS DULY CAUSED THIS REGISTRATION STATEMENT OR AMENDMENT THERETO TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON MARCH 26, 1997.

COMFORT SYSTEMS USA, INC.
By /s/ FRED M. FERREIRA
FRED M. FERREIRA
CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints each of Fred M. Ferreira and J. Gordon Beittenmiller with full power to act without the other, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities (until revoked in writing) to sign any and all amendments (including post-effective amendments) to this Registration Statement, to file the same, together with all exhibits thereto and other documents in connection therewith, with the SEC, to sign any and all applications, registration statements, notices and other documents necessary or advisable to comply with the applicable state securities laws, and to file the same, together with all other documents in connection therewith, with the appropriate state securities authorities, granting unto said attorneys-in-fact and agents or any of them or their or his substitutes or substitute, full power and authority to perform and do each and every act and thing necessary and advisable as fully to all intents and purposes as he might or could perform and do in person, thereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT OR AMENDMENT THERETO HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE INDICATED CAPACITIES ON MARCH 26, 1997.

SIGNATURE	TITLE
/s/ FRED M. FERREIRA FRED M. FERREIRA	Chairman of the Board, Chief Executive Officer and President
/s/ J. GORDON BEITTENMILLER J. GORDON BEITTENMILLER	Senior Vice President, Chief Financial Officer and Director
/s/ STEVEN S. HARTER STEVEN S. HARTER	Director

EXHIBIT 2.1

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

ACCURATE ACQUISITION CORP.
(a subsidiary of Comfort Systems USA, Inc.)

ACCURATE AIR SYSTEMS, INC.

and

the STOCKHOLDER named herein

TABLE OF CONTENTS

ANNEXES

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), ACCURATE ACQUISITION CORP., a Delaware corporation ("NEWCO"), ACCURATE AIR SYSTEMS, INC., a Texas corporation (the "COMPANY"), and THOMAS J. BEATY (the "STOCKHOLDER"). The STOCKHOLDER is the only stockholder of the COMPANY.

WHEREAS, NEWCO is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on March 4, 1997, solely for the purpose of completing the transactions set forth herein, and is a wholly-owned subsidiary of CSI, a corporation organized and existing under the laws of the State of Delaware;

WHEREAS, the respective Boards of Directors of NEWCO and the COMPANY (which together are hereinafter collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that NEWCO merge with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the States of Delaware and Texas;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDER and the Boards of Directors and the stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of CSI that are

parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDER and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDER and the stockholders of each of the other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the Board of Directors of the COMPANY has approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean NEWCO and each of the other Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Articles of Merger" shall mean those Articles or Certificates of Merger with respect to the Merger substantially in the forms attached as Annex I hereto or with such other changes therein as may be required by applicable state laws.

"Balance Sheet Date" shall mean December 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" has the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock" has the meaning set forth in Section 2.1.

"Constituent Corporations" has the meaning set forth in the second recital of this Agreement.

"Effective Time of the Merger" shall mean the time as of which the Merger becomes effective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation (formerly Atlas Interest, Inc.),

Contract Service, Inc., a Utah corporation,

Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation,

Quality Air Heating & Cooling, Inc., a Michigan corporation,

Seasonair, Inc., a Maryland corporation,

Standard Heating & Air Conditioning Company, Inc., an Alabama corporation,

S.M. Lawrence Company, Inc., a Tennessee corporation, and Lawrence Service, Inc., a Tennessee corporation,

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and Tech Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and

Western Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement.

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as referenced in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Merger" means the merger of NEWCO with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the State of Delaware and other applicable state laws.

"NEWCO" has the meaning set forth in the first paragraph of this Agreement.

"NEWCO STOCK" means the common stock, par value $.01 per share, of NEWCO.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDER" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" shall mean the COMPANY as the surviving party in the Merger.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE MERGER

1.1 DELIVERY AND FILING OF ARTICLES OF MERGER. The Constituent Corporations will cause the Articles of Merger to be signed, verified and filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of Texas and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE MERGER. At the Effective Time of the Merger, NEWCO shall be merged with and into the COMPANY in accordance with the Articles of Merger, the separate existence of NEWCO shall cease, the COMPANY shall be the surviving party in the Merger and the COMPANY is sometimes hereinafter referred to as the Surviving Corporation. The Merger will be effected in a single transaction.

1.3 CERTIFICATE OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF SURVIVING CORPORATION. At the Effective Time of the Merger:

(i) the Certificate of Incorporation of the COMPANY then in effect shall be the Certificate of Incorporation of the Surviving Corporation until changed as provided by law;

(ii) the By-laws of NEWCO then in effect shall become the By-laws of the Surviving Corporation; and subsequent to the Effective Time of the Merger, such By-laws shall be the By-laws of the Surviving Corporation until they shall thereafter be duly amended;

(iii) the Board of Directors of the Surviving Corporation shall consist of the persons who are on the Board of Directors of the COMPANY immediately prior to the Effective Time of the Merger, provided that Gordie Beittenmiller shall be elected as a director of the Surviving Corporation effective as of the Effective Time of the Merger; the Board of Directors of the Surviving Corporation shall hold office subject to the provisions of the laws of the State of Texas and of the Certificate of Incorporation and By-laws of the Surviving Corporation; and

(iv) the officers of the COMPANY immediately prior to the Effective Time of the Merger shall continue as the officers of the Surviving Corporation in the same capacity or capacities, and effective upon the Effective Time of the Merger Gordie Beittenmiller shall be appointed as a vice president of the Surviving Corporation and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of the Surviving Corporation, each of such officers to serve, subject to the provisions of the Certificate of Incorporation and By-laws of the Surviving Corporation, until his or her successor is duly elected and qualified.

1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY, CSI AND NEWCO. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the COMPANY, CSI and NEWCO as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the COMPANY is as set forth on Schedule 5.3 hereto;

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50,000,000 shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5,000,000

shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement; and

(iii) as of the date of this Agreement, the authorized capital stock of NEWCO consists of 1,000 shares of NEWCO Stock, of which one hundred (100) shares are issued and outstanding.

1.5 EFFECT OF MERGER. At the Effective Time of the Merger, the effect of the Merger shall be as provided in the applicable provisions of the General Corporation Law of the State of Delaware (the "Delaware GCL") and the law of the State of Texas. Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of the COMPANY shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of NEWCO shall be merged with and into the COMPANY, and the COMPANY, as the Surviving Corporation, shall be fully vested therewith. At the Effective Time of the Merger, the separate existence of NEWCO shall cease and, in accordance with the terms of this Agreement, the Surviving Corporation shall possess all the rights, privileges, immunities and franchises, of a public, as well as of a private, nature, and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all taxes, including those due and owing and those accrued, and all other choses in action, and all and every other interest of or belonging to or due to the COMPANY and NEWCO shall be taken and deemed to be transferred to, and vested in, the Surviving Corporation without further act or deed; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the COMPANY and NEWCO; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of the state of incorporation vested in the COMPANY and NEWCO, shall not revert or be in any way impaired by reason of the Merger. Except as otherwise provided herein, the Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the COMPANY and NEWCO and any claim existing, or action or proceeding pending, by or against the COMPANY or

NEWCO may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in their place. Neither the rights of creditors nor any liens upon the property of the COMPANY or NEWCO shall be impaired by the Merger, and all debts, liabilities and duties of the COMPANY and NEWCO shall attach to the Surviving Corporation, and may be enforced against such Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by such Surviving Corporation.

2. CONVERSION OF STOCK

2.1 MANNER OF CONVERSION. The manner of converting the shares of (i) outstanding capital stock of the COMPANY ("COMPANY Stock") and (ii) NEWCO Stock, issued and outstanding immediately prior to the Effective Time of the Merger, respectively, into shares of (x) CSI Stock and (y) common stock of the Surviving Corporation, respectively, shall be as follows:

As of the Effective Time of the Merger:

(i) all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, automatically shall be deemed to represent (1) the right to receive the number of shares of CSI Stock set forth on Annex III hereto with respect to such holder and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to such holder;

(ii) all shares of COMPANY Stock that are held by the COMPANY as treasury stock shall be canceled and retired and no shares of CSI Stock or other consideration shall be delivered or paid in exchange therefor; and

(iii) each share of NEWCO Stock issued and outstanding immediately prior to the Effective Time of the Merger, shall, by virtue of the Merger and without any action on the part of CSI, automatically be converted into one fully paid and non-assessable share of common stock of the Surviving Corporation which shall constitute all of the issued and

outstanding shares of common stock of the Surviving Corporation immediately after the Effective Time of the Merger.

All CSI Stock received by the STOCKHOLDER pursuant to this Agreement shall, except for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDER shall be fully exercisable by the STOCKHOLDER and the STOCKHOLDER shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Merger, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF MERGER CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDER, who is the holder of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the respective number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDER shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDER, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the STOCKHOLDER'S expense, affixed and canceled. The STOCKHOLDER agrees promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Merger (including, if permitted by applicable state law, the filing with the appropriate state authorities of the Articles of Merger which shall become effective at the Effective Time of the Merger) and (ii) effect the conversion and delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Merger or the conversion and delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, CSI hereby covenants and agrees to do all things required by Delaware law and all things which counsel for the COMPANY advise CSI are required by applicable laws of the State of Texas in order to rescind the merger effected by the filing of the Articles of Merger as described in this Section. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Articles of Merger shall be or shall have been filed with the appropriate state authorities so that they shall be or, as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, shall become effective and the Merger shall thereby be effected, (y) all transactions contemplated by this Agreement, including the conversion and delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDER shall be entitled to receive pursuant to the Merger referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12 hereof, during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect of the IPO is terminated pursuant to the terms

of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDER

(A) REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDER.

Each of the COMPANY and the STOCKHOLDER jointly and severally represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to the COMPANY and all of its subsidiaries, if any.

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material

adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of the COMPANY (the "Charter Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDER which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement and the Merger, subject to any required approval of the shareholders and the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the COMPANY is as set forth in Section 1.4(i). All of the issued and outstanding shares of the capital stock of the COMPANY are owned by the STOCKHOLDER in the amount set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the COMPANY have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the STOCKHOLDER and further, such shares were offered, issued, sold and delivered by the COMPANY in compliance with all applicable state and Federal laws concerning the issuance of

securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the COMPANY nor the relative ownership of shares among any of its respective stockholders has been altered or changed in contemplation of the Merger and/or the CSI Plan of Organization. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Merger or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except as set forth on Schedule 5.6, the COMPANY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which

any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's audited Balance Sheets as of December 31, 1996 and 1995 and June 30, 1995 and Statements of Operations, Shareholders' Equity and Cash Flows for each of the years ended June 30, 1994 and 1995, the six months ended December 31, 1995 and the year ended December 31, 1996 (December 31, 1996 being hereinafter referred to as the "Balance Sheet Date"). Such Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets present fairly in all material aspects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Operations, Shareholders' Equity and Cash Flows present fairly in all material aspects the results of operations for the periods indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether

accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the case of those contingent liabilities related to pending or threatened litigation, or other liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following:

(a) copies of all relevant documentation relating thereto;

(b) amounts claimed and any other action or relief sought; and

(c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDER. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an

accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses, franchises, permits and other governmental authorizations, including permits, titles (including motor vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13, and except where any failure to comply or action would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law);

(ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or disposed of Hazardous Wastes and Hazardous Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY, CSI or NEWCO for any clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; and (v) to the knowledge of the COMPANY, the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other personal property owned by the COMPANY with an individual value in excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by STOCKHOLDER, relatives of STOCKHOLDER, or Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY

pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section 5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof and all other real property, if any, used by the COMPANY in the

conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date. True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by STOCKHOLDER or affiliates of the COMPANY or STOCKHOLDER is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the COMPANY, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, there have been no increases in the compensation payable or any special

bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its employees nor has the COMPANY experienced any labor interruptions over the past three years. The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDER have delivered to CSI an accurate schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set

forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither STOCKHOLDER, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDER further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in substantial compliance with the requirements, standards, criteria and conditions set forth in

applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, vari ances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules 5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The STOCKHOLDER made a valid election under the provisions of Subchapter S of the Code and the COMPANY has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The COMPANY has a taxable year ended December 31 and has not made an election to retain a fiscal year other than December 31 under Section 444 of the Code. The COMPANY's methods of accounting have not changed in the past five years. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY, CSI or NEWCO of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely providing services to any other customer or potential customer of the COMPANY, CSI, NEWCO or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDER, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDER and their affiliates;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDER or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the COMPANY is a party;

(xiii) any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business.

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the COMPANY has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto. Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the COMPANY and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which the STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for

government office nor has it otherwise taken any action which would cause the COMPANY to be in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which the STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, together with the other information furnished to CSI by the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by CSI. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDER become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDER in this Agreement, in any material respect, the COMPANY and the STOCKHOLDER shall immediately give notice of such fact or circumstance to CSI. However, subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDER of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDER at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDER acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any

Underwriter shall have any liability to the COMPANY, the STOCKHOLDER or any other person affiliated or associated with the COMPANY for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDER to enter into this Agreement, or to vote in favor of or consent to the proposed Merger, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDER

The STOCKHOLDER represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the representations and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDER owns beneficially and of record all of the shares of the COMPANY stock identified on Annex IV as being owned by such STOCKHOLDER, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI

Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. The STOCKHOLDER is not under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI AND NEWCO

CSI and NEWCO jointly and severally represent and warrant that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, the STOCKHOLDER actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

6.1 DUE ORGANIZATION. CSI and NEWCO are each corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of

Incorporation and By-laws, each as amended, of CSI and NEWCO (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The respective representatives of CSI and NEWCO executing this Agreement have the authority to enter into and bind CSI and NEWCO to the terms of this Agreement and (ii) CSI and NEWCO have the full legal right, power and authority to enter into this Agreement and the Merger.

6.3 CAPITAL STOCK OF CSI AND NEWCO. The authorized capital stock of CSI and NEWCO is as set forth in Sections 1.4(ii) and (iii), respectively. All of the issued and outstanding shares of the capital stock of NEWCO are owned by CSI and all of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI and NEWCO have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by CSI and the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI and NEWCO in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI or NEWCO.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates CSI or NEWCO to issue any of their respective authorized but unissued capital stock; and (ii) neither CSI nor NEWCO has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list,

accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. NEWCO has no subsidiaries. CSI has no subsidiaries except for NEWCO and each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, neither CSI nor NEWCO presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and neither CSI nor NEWCO, directly or indirectly, is a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date, and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI and NEWCO have no material liabilities, contingent or otherwise, except as set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, neither CSI nor NEWCO is in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or

instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI or NEWCO, threatened against or affecting, CSI or NEWCO, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI and NEWCO have conducted and are conducting their respective businesses in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and are not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. Neither CSI nor NEWCO is in violation of any CSI Charter Document. None of CSI, NEWCO, or, to the knowledge of CSI and NEWCO, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI or NEWCO is a party, or by which CSI or NEWCO, or any of their respective properties, are bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI and NEWCO under the CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDER pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDER pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. Neither CSI nor NEWCO has entered or will enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. Neither CSI nor NEWCO has conducted any material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Neither CSI nor NEWCO owns or has at any time owned any real property or any material personal property or is a party to any other agreement, except as listed on Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business; (xii) any other distribution of property or assets by CSI other than in the ordinary course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain

an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of the COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of the COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. The COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, NEWCO, the STOCKHOLDER and the COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of the COMPANY access to all of CSI's and NEWCO's sites, properties, books and records and will furnish the COMPANY with such additional

financial and operating data and other information as to the business and properties of CSI and NEWCO as the COMPANY may from time to time reasonably request. CSI and NEWCO will cooperate with the COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments except as permitted by Section 10.6, without the

knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to the COMPANY as the instruments being replaced; and

(viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Funding and Consummation Date, the COMPANY will not, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted by Section 10.6 declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock (provided that the COMPANY may declare and pay dividends pursuant to Section 10.6 hereof);

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or

being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of the COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the STOCKHOLDER, the COMPANY, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the COMPANY or a merger, consolidation or business combination of the COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, the COMPANY shall satisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDER and the COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between the COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDER and the COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of the COMPANY or the STOCKHOLDER contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of the STOCKHOLDER or the COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI and NEWCO shall give prompt notice to the COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of CSI or NEWCO contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI or NEWCO to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.7 shall not be deemed

to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANY consent to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by CSI or NEWCO that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI and a majority of the

Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent, the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that the COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI or NEWCO seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The COMPANY and STOCKHOLDER shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning the COMPANY and the STOCKHOLDER required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The COMPANY and the STOCKHOLDER agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be delivered under the Securities Act, any information contained in the prospectus concerning the COMPANY or the STOCKHOLDER becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates solely to the COMPANY or the STOCKHOLDER, the COMPANY represents and warrants as to

such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. The COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited consolidated balance sheets of the COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of the COMPANY or the results of its operations from the financial statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein.

If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDER and the COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI and NEWCO shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDER AND COMPANY

The obligations of STOCKHOLDER and the COMPANY with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDER and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date, if any of such conditions has not been satisfied, the STOCKHOLDER shall have the right to terminate this Agreement or, in the alternative, waive any condition not so satisfied. Any act or action of the STOCKHOLDER in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any conditions, not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI and NEWCO contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI and NEWCO contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI and NEWCO on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDER.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be reasonably satisfactory to the COMPANY and its counsel. The STOCKHOLDER and the COMPANY shall be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDER shall have failed to inform CSI in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of the COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDER is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI and NEWCO each shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which CSI or NEWCO is authorized to do business, showing that each of CSI and NEWCO is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI and NEWCO, respectively, for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI or NEWCO which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI and of NEWCO, certifying the truth and correctness of attached copies of the CSI's and NEWCO's respective Certificates of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the boards of directors and, if required, the stockholders of CSI and NEWCO

approving CSI's and NEWCO's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDER shall have received an opinion of Arthur Andersen LLP or another tax advisor reasonably acceptable to the STOCKHOLDER that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code, and that the STOCKHOLDER will not recognize gain to the extent the STOCKHOLDER exchanges stock of the COMPANY for CSI Stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI AND NEWCO

The obligations of CSI and NEWCO with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI and NEWCO with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDER and the COMPANY contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had

been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDER and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDER shall have delivered to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of the COMPANY, certifying the truth and correctness of attached copies of the COMPANY's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the STOCKHOLDER approving the COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the COMPANY which would constitute a Material Adverse Effect, and the COMPANY shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the COMPANY to conduct its business.

9.5 STOCKHOLDER'S RELEASE. The STOCKHOLDER shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the STOCKHOLDER against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDER, except for (x) items specifically identified on Schedules 5.10 and 5.15 as

being claims of or obligations to the STOCKHOLDER, (y) continuing obligations to STOCKHOLDER relating to his employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the COMPANY and the STOCKHOLDER shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDER, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the COMPANY's state of incorporation and, unless waived by CSI, in each state in which the COMPANY is authorized to do business, showing the COMPANY is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. The STOCKHOLDER shall have delivered to CSI a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

9.15 REAL PROPERTY. The COMPANY shall have sold all real property owned by the COMPANY and shall have entered into a lease or leases of such property on terms no less favorable to the COMPANY than those available from unaffiliated third parties and reasonably acceptable to CSI.

10. COVENANTS OF CSI AND THE STOCKHOLDER AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDER released from any and all guarantees on any indebtedness that he personally guaranteed and from any and all pledges of assets that he pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such guaranteed indebtedness on or prior to 120 days subsequent to the Funding and Consummation Date, CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired, CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been

released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDER.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDER shall file or cause to be filed all separate federal income Tax Returns (and any State and local Tax Returns filed on the basis similar to that of S corporations under federal income Tax rules) of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. The STOCKHOLDER shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund,

determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, NEWCO, CSI and the STOCKHOLDER shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code. 10.4 DIRECTORS. The persons named in the draft of the Registration Statement shall be

appointed as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On the Funding and Consummation Date, the employees of the COMPANY will be the employees of

the Surviving Corporation (provided that this provision is for purposes of clarifying that the Merger, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of the Surviving Corporation or CSI to assess workforce needs and make appropriate adjustments as necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. If the COMPANY is an S corporation, the COMPANY may pay to each STOCKHOLDER as a dividend the full amount of his or her "accumulated adjustments account" (as defined in Section 1368(e) of the Code) as of the Balance Sheet Date, and may also pay to the STOCKHOLDER as a dividend the full amount of the COMPANY's earnings taxable to such STOCKHOLDER for the period after the Balance Sheet Date to the Funding and Consummation Date. If the COMPANY is a C corporation, the COMPANY may pay to the STOCKHOLDER as a dividend the full amount of the COMPANY's earnings for the period after the Balance Sheet Date to the Funding and Consummation Date. The COMPANY may borrow funds to the extent necessary to make the payments contemplated by this Section 10.6 and to the extent necessary to ensure that the COMPANY has cash on hand to adequately fund operations on the Funding and Consummation Date.

11. INDEMNIFICATION

The STOCKHOLDER, CSI and NEWCO each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDER. The STOCKHOLDER covenants and agrees that he will indemnify, defend, protect and hold harmless CSI, NEWCO, the COMPANY and the Surviving Corporation at all times, from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI, NEWCO, the COMPANY

or the Surviving Corporation as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDER or the COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDER or the COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to the COMPANY or the STOCKHOLDER, and provided to CSI or its counsel by the COMPANY or the STOCKHOLDER (but in the case of the STOCKHOLDER, only if such statement was provided in writing) contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the COMPANY or the STOCKHOLDER required to be stated therein or necessary to make the statements therein not misleading, provided, however, that such indemnity shall not inure to the benefit of CSI, NEWCO, the COMPANY or the Surviving Corporation to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDER provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDER at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the STOCKHOLDER as a result of or arising from (i) any breach by CSI or NEWCO of their representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI or NEWCO under this Agreement, (iii) any liabilities which the STOCKHOLDER may incur due to CSI's or NEWCO's failure to be responsible

for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI or NEWCO has claims against the STOCKHOLDER by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to CSI, NEWCO or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or NEWCO or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or

control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses

incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. CSI, NEWCO, the Surviving Corporation and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the STOCKHOLDER until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDER shall exceed the greater of (a) 1.0% of the sum of the cash paid to STOCKHOLDER plus the value of the CSI Stock delivered to STOCKHOLDER (calculated as provided in this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDER shall not assert any claim for indemnification hereunder against CSI or NEWCO until such time as, and solely to the extent that, the aggregate of all claims which STOCKHOLDER may have against CSI or NEWCO shall exceed $50,000.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Merger. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price as set forth in the Registration Statement. It is hereby understood and agreed that a STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Merger, valued as described immediately above.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the COMPANY;

(ii) by the STOCKHOLDER or the COMPANY (acting through its board of directors), on the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDER or COMPANY, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the STOCKHOLDER, or the COMPANY, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable,

or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or

(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The STOCKHOLDER will not, for a period of five (5) years following the Funding and Consummation Date, for any reason whatsoever, directly or indirectly, for himself or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any heating, ventilating or air conditioning services business in direct competition with CSI or any of the subsidiaries thereof, within 100 miles of where the COMPANY or any of its subsidiaries conducted business prior to the effectiveness of the Merger (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of CSI (including the subsidiaries thereof) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of CSI (including the subsidiaries thereof), provided that the STOCKHOLDER shall be permitted to call upon and hire any member of his immediate family;

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Funding and Consummation Date, a customer of CSI (including the subsidiaries thereof), of the COMPANY or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with CSI within the Territory;

(iv) call upon any prospective acquisition candidate, on the STOCKHOLDER'S own behalf or on behalf of any competitor in the heating, ventilation or air conditioning services business, which candidate, to the actual knowledge of the STOCKHOLDER after due inquiry, was called upon by CSI (including the subsidiaries thereof) or for which, to the actual knowledge of such STOCKHOLDER after due inquiry, CSI (or any subsidiary thereof) made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of the COMPANY to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the COMPANY has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit the STOCKHOLDER from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange or over-the-counter.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to CSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to CSI for which it would have no other adequate remedy, the STOCKHOLDER agrees that the foregoing covenant may be enforced by CSI in the event of breach by the STOCKHOLDER, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the STOCKHOLDER in light of the activities and

business of CSI (including the subsidiaries thereof) on the date of the execution of this Agreement and the current plans of CSI.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of the STOCKHOLDER against CSI (including the subsidiaries thereof), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by CSI of such covenants. It is specifically agreed that the period of five (5) years stated at the beginning of this Section 13, during which the agreements and covenants of the STOCKHOLDER made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which the STOCKHOLDER is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The COMPANY and the STOCKHOLDER hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDER. The STOCKHOLDER recognizes and acknowledges that he had in the past, currently has, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational

policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. The STOCKHOLDER agrees that he will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDER as is required in the course of performing his duties for CSI or the Surviving Corporation and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the STOCKHOLDER, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDER shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by the STOCKHOLDER of the provisions of this Section, CSI shall be entitled to an injunction restraining the STOCKHOLDER from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, STOCKHOLDER shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI AND NEWCO. CSI and NEWCO recognize and acknowledge that they had in the past and currently have access to certain confidential information of the COMPANY, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI and NEWCO agree that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential

information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI or NEWCO, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI and NEWCO shall, if possible, give prior written notice thereof to the COMPANY and the STOCKHOLDER and provide the COMPANY and the STOCKHOLDER with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI or NEWCO of the provisions of this Section, the COMPANY and the STOCKHOLDER shall be entitled to an injunction restraining CSI and NEWCO from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDER from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDER or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, the STOCKHOLDER shall not sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDER in the Merger. The certificates evidencing the CSI Stock delivered to the STOCKHOLDER pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate: THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDER acknowledges that the shares of CSI Stock to be delivered to the STOCKHOLDER pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and may not be resold without compliance with the Act. The CSI Stock to be acquired by the STOCKHOLDER pursuant

to this Agreement is being acquired solely for his own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The STOCKHOLDER covenants, warrants and represents that none of the shares of CSI Stock issued to the STOCKHOLDER will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The STOCKHOLDER is able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the proposed investment in the CSI Stock. The STOCKHOLDER has had an adequate opportunity to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business of CSI, the business, operations and financial condition of the Founding Companies other than the COMPANY, and any plans for additional acquisitions and the like. The STOCKHOLDER has asked any and all questions in the nature described in the preceding sentence and all questions have been answered to his satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give the STOCKHOLDER prompt written notice of its intent to do so. Upon the written request of the STOCKHOLDER given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to the STOCKHOLDER pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which the STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than CSI is greater than the number of such shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each such offering made by CSI after the IPO, such reduction shall be made first by reducing the number of shares to be sold by persons other than CSI, the STOCKHOLDER and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDER and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the shares of CSI Stock issued to the STOCKHOLDER pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from the STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective

date of such registration unless CSI is no longer proceeding diligently to effect such registration; provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by the STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to the STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The COMPANY, STOCKHOLDER, CSI and NEWCO shall each deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of the COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing

information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDER.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDER, the COMPANY, NEWCO and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDER, the COMPANY, NEWCO and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement, including the fees and expenses of Arthur Andersen LLP, Bracewell & Patterson, L.L.P., and any other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. The STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Merger, other than Transfer Taxes, if any, imposed by the State of Delaware. The STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, the STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of the STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI, or NEWCO, addressed to them at:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDER, addressed to him at his address set forth on Annex IV, with copies to:

Christopher C. Collins
Andrews & Kurth, L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(c) If to the COMPANY, addressed to it at:

Accurate Air Systems, Inc.
8505 Rannie Road
Houston, TX 77080
Attn: Thomas J. Beaty

and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, NEWCO, the COMPANY and the STOCKHOLDER. Any amendment or waiver effected in

accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Merger and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By: /s/ FRED FERREIRA

Name: Fred Ferreira
Title: Chief Executive Officer

ACCURATE ACQUISITION CORP.

By: /s/ GORDIE BEITTENMILLER

Name: Gordie Beittenmiller
Title: President

ACCURATE AIR SYSTEMS, INC.

By: /s/ THOMAS J. BEATY

Name: Thomas J. Beaty
Title: President

STOCKHOLDER:

/s/ THOMAS J. BEATY
THOMAS J. BEATY

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
ACCURATE ACQUISITION CORP.
ACCURATE AIR SYSTEMS, INC.

AND

THE STOCKHOLDER NAMED THEREIN

CONSIDERATION TO BE PAID TO STOCKHOLDER

Aggregate consideration to be paid to STOCKHOLDER:

$10,484,253 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 564,537 shares of CSI Stock and $3,145,272 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

Consideration to be paid to each STOCKHOLDER:

Stockholder	Shares of Common Stock of Csi	Cash ($)
Thomas J. Beaty	564,537	$3,145,272

MINIMUM VALUE: $6,451,848 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
ACCURATE ACQUISITION CORP.
ACCURATE AIR SYSTEMS, INC.

AND

THE STOCKHOLDER NAMED THEREIN

STOCKHOLDER AND STOCK OWNERSHIP OF THE COMPANY

The following is a list of the STOCKHOLDER, their addresses and the number of shares of the COMPANY Stock held by each thereof:

Stockholder	Addresses	No. Shares Held
Thomas J. Beaty	_____	1,000

EXHIBIT 2.2

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

ATLAS AIR ACQUISITION I CORP.
(a subsidiary of Comfort Systems USA, Inc.)

ATLAS COMFORT SERVICES USA, INC.

(formerly Atlas Interest Inc.)

and

the STOCKHOLDERS named herein

TABLE OF CONTENTS

ANNEXES

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), ATLAS AIR ACQUISITION I CORP., a Delaware corporation ("NEWCO"), ATLAS COMFORT SERVICES USA, INC., a Texas corporation formerly named Atlas Interest Inc. (the "COMPANY"), and BRIAN S. ATLAS and MICHAEL D. ATLAS (the "STOCKHOLDERS"). The STOCKHOLDERS are all the stockholders of the COMPANY.

WHEREAS, NEWCO is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on March 4, 1997, solely for the purpose of completing the transactions set forth herein, and is a wholly-owned subsidiary of CSI, a corporation organized and existing under the laws of the State of Delaware;

WHEREAS, the respective Boards of Directors of NEWCO and the COMPANY (which together are hereinafter collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that NEWCO merge with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the States of Delaware and Texas;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDERS and the Boards of Directors and the stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of

CSI that are parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDERS and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDERS and the stockholders of each of the other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the Board of Directors of the COMPANY has approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean NEWCO and each of the other Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Articles of Merger" shall mean those Articles or Certificates of Merger with respect to the Merger substantially in the forms attached as Annex I hereto or with such other changes therein as may be required by applicable state laws.

"Balance Sheet Date" shall mean December 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" has the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock" has the meaning set forth in Section 2.1.

"Constituent Corporations" has the meaning set forth in the second recital of this Agreement.

"Effective Time of the Merger" shall mean the time as of which the Merger becomes effective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation (formerly Atlas Interest, Inc.),

Contract Service, Inc., a Utah corporation,

Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation,

Quality Air Heating & Cooling, Inc., a Michigan corporation,

Seasonair, Inc., a Maryland corporation,

Standard Heating & Air Conditioning Company, Inc., an Alabama corporation,

S.M. Lawrence Company, Inc., a Tennessee corporation, and Lawrence Service, Inc., a Tennessee corporation,

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and Tech Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and

Western Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement.

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as referenced in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Merger" means the merger of NEWCO with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the State of Delaware and other applicable state laws.

"NEWCO" has the meaning set forth in the first paragraph of this Agreement.

"NEWCO STOCK" means the common stock, par value $.01 per share, of NEWCO.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDERS" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" shall mean the COMPANY as the surviving party in the Merger.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE MERGER

1.1 DELIVERY AND FILING OF ARTICLES OF MERGER. The Constituent Corporations will cause the Articles of Merger to be signed, verified and filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of Texas and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE MERGER. At the Effective Time of the Merger, NEWCO shall be merged with and into the COMPANY in accordance with the Articles of Merger, the separate existence of NEWCO shall cease, the COMPANY shall be the surviving party in the Merger and the

COMPANY is sometimes hereinafter referred to as the Surviving Corporation. The Merger will be effected in a single transaction.

1.3 CERTIFICATE OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF SURVIVING CORPORATION. At the Effective Time of the Merger:

(i) the Certificate of Incorporation of the COMPANY then in effect shall be the Certificate of Incorporation of the Surviving Corporation until changed as provided by law;

(ii) the By-laws of NEWCO then in effect shall become the By-laws of the Surviving Corporation; and subsequent to the Effective Time of the Merger, such By-laws shall be the By-laws of the Surviving Corporation until they shall thereafter be duly amended;

(iii) the Board of Directors of the Surviving Corporation shall consist of the persons who are on the Board of Directors of the COMPANY immediately prior to the Effective Time of the Merger, provided that Gordie Beittenmiller shall be elected as a director of the Surviving Corporation effective as of the Effective Time of the Merger; the Board of Directors of the Surviving Corporation shall hold office subject to the provisions of the laws of the State of Texas and of the Certificate of Incorporation and By-laws of the Surviving Corporation; and

(iv) the officers of the COMPANY immediately prior to the Effective Time of the Merger shall continue as the officers of the Surviving Corporation in the same capacity or capacities, and effective upon the Effective Time of the Merger Gordie Beittenmiller shall be appointed as a vice president of the Surviving Corporation and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of the Surviving Corporation, each of such officers to serve, subject to the provisions of the Certificate of Incorporation and By-laws of the Surviving Corporation, until his or her successor is duly elected and qualified.

1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY, CSI AND NEWCO. The respective designations and numbers of outstanding shares and voting rights of

each class of outstanding capital stock of the COMPANY, CSI and NEWCO as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the COMPANY is as set forth on Schedule 5.3 hereto;

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50,000,000 shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5,000,000 shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding, and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement; and

(iii) as of the date of this Agreement, the authorized capital stock of NEWCO consists of 1,000 shares of NEWCO Stock, of which one hundred (100) shares are issued and outstanding.

1.5 EFFECT OF MERGER. At the Effective Time of the Merger, the effect of the Merger shall be as provided in the applicable provisions of the General Corporation Law of the State of Delaware (the "Delaware GCL") and the law of the State of Texas. Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of the COMPANY shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of NEWCO shall be merged with and into the COMPANY, and the COMPANY, as the Surviving Corporation, shall be fully vested therewith. At the Effective Time of the Merger, the separate existence of NEWCO shall cease and, in accordance with the terms of this Agreement, the Surviving Corporation shall possess all the rights, privileges, immunities and franchises, of a public, as well as of a private, nature, and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all taxes, including those due and owing and those accrued, and all other choses in action, and all and every other interest of or belonging to or due to the COMPANY and NEWCO shall be taken and deemed to be transferred

to, and vested in, the Surviving Corporation without further act or deed; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the COMPANY and NEWCO; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of the state of incorporation vested in the COMPANY and NEWCO, shall not revert or be in any way impaired by reason of the Merger. Except as otherwise provided herein, the Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the COMPANY and NEWCO and any claim existing, or action or proceeding pending, by or against the COMPANY or NEWCO may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in their place. Neither the rights of creditors nor any liens upon the property of the COMPANY or NEWCO shall be impaired by the Merger, and all debts, liabilities and duties of the COMPANY and NEWCO shall attach to the Surviving Corporation, and may be enforced against such Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by such Surviving Corporation.

2. CONVERSION OF STOCK

2.1 MANNER OF CONVERSION. The manner of converting the shares of (i) outstanding capital stock of the COMPANY ("COMPANY Stock") and (ii) NEWCO Stock, issued and outstanding immediately prior to the Effective Time of the Merger, respectively, into shares of (x) CSI Stock and (y) common stock of the Surviving Corporation, respectively, shall be as follows:

As of the Effective Time of the Merger:

(i) all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, automatically shall be deemed to represent (1) the right to receive the number of shares of CSI Stock set forth on Annex III hereto with respect to such

holder and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to such holder;

(ii) all shares of COMPANY Stock that are held by the COMPANY as treasury stock shall be canceled and retired and no shares of CSI Stock or other consideration shall be delivered or paid in exchange therefor; and

(iii) each share of NEWCO Stock issued and outstanding immediately prior to the Effective Time of the Merger, shall, by virtue of the Merger and without any action on the part of CSI, automatically be converted into one fully paid and non-assessable share of common stock of the Surviving Corporation which shall constitute all of the issued and outstanding shares of common stock of the Surviving Corporation immediately after the Effective Time of the Merger.

All CSI Stock received by the STOCKHOLDERS pursuant to this Agreement shall, except for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDERS shall be fully exercisable by the STOCKHOLDERS and the STOCKHOLDERS shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Merger, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF MERGER CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDERS, who are the holders of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the respective number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDERS shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDERS, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the STOCKHOLDERS' expense, affixed and canceled. The STOCKHOLDERS agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Merger (including, if permitted by applicable state law, the filing with the appropriate state authorities of the Articles of Merger which shall become effective at the Effective Time of the Merger) and (ii) effect the conversion and delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Merger or the conversion and delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, CSI hereby covenants and agrees to do all things required by Delaware law and all things which counsel for the COMPANY advise CSI are required by applicable laws of the State of Texas in order to rescind the merger effected by the filing of the Articles of Merger as described in this Section. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Articles of Merger shall be or shall have been filed with the appropriate state authorities so that they shall be or, as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, shall become effective and the Merger shall thereby be effected, (y) all transactions contemplated

by this Agreement, including the conversion and delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDERS shall be entitled to receive pursuant to the Merger referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12 hereof, during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS

(A) REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS.

Each of the COMPANY and the STOCKHOLDERS jointly and severally represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the

expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to the COMPANY and all of its subsidiaries, including without limitation Atlas Air Conditioning Company, a Texas corporation (the "SUBSIDIARY").

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of the COMPANY (the "Charter Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDERS which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement and the

Merger, subject to any required approval of the shareholders and the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY.

(a) The authorized capital stock of Atlas Comfort Services USA, Inc. (the "PARENT") is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the PARENT are owned by the STOCKHOLDERS in the amounts set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the PARENT have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the STOCKHOLDERS and further, such shares were offered, issued, sold and delivered by the PARENT in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

(b) The authorized capital stock of (the SUBSIDIARY) is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the SUBSIDIARY owned by the PARENT and are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the SUBSIDIARY have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the PARENT and further, such shares were offered, issued, sold and delivered by the SUBSIDIARY in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any person.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of

any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the COMPANY nor the relative ownership of shares among any of its respective stockholders has been altered or changed in contemplation of the Merger and/or the CSI Plan of Organization. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Merger or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except for the SUBSIDIARY or as set forth on Schedule 5.6, the PARENT has no subsidiaries, and the SUBSIDIARY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's audited consolidated Balance Sheets as of December 31, 1996, June 30, 1996 and June 30, 1995 and Statements of Operations, Shareholders' Equity and Cash Flows for each of the three years in the period ended June 30, 1996 and the six-month period ended December 31, 1996 (December 31, 1996 being hereinafter referred to as the "Balance Sheet Date"). Such Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets present fairly in all material aspects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Operations, Shareholders Equity and Cash Flows present fairly in all material aspects the results of operations for the periods indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the

case of those contingent liabilities related to pending or threatened litigation, or other liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following:

(a) copies of all relevant documentation relating thereto;

(b) amounts claimed and any other action or relief sought; and

(c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDERS. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses,

franchises, permits and other governmental authorizations, including permits, titles (including motor vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13, and except where any failure to comply or action would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law);

(ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or disposed of Hazardous Wastes and Hazardous Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY, CSI or NEWCO for any clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; and (v) to the knowledge of the COMPANY, the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other personal property owned by the COMPANY with a value an individual excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by STOCKHOLDERS, relatives of STOCKHOLDERS, or Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property

used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section 5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition

of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof and all other real property, if any, used by the COMPANY in the conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date.

True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by STOCKHOLDERS or affiliates of the COMPANY or STOCKHOLDERS is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all

officers, directors and key employees of the COMPANY, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its employees nor has the COMPANY experienced any labor interruptions over the past three years. The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDERS have delivered to CSI an accurate schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred

compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits

or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither STOCKHOLDERS, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDERS further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules 5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for

the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The COMPANY has a taxable year ended June 30. The COMPANY's methods of accounting have not changed in the past five years other than as approved by the Internal Revenue Service with respect to accounting for long-term construction contracts. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY, CSI or NEWCO of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely

providing services to any other customer or potential customer of the COMPANY, CSI, NEWCO or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDERS, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDERS and their affiliates;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDERS or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the COMPANY is a party;

(xiii)any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business.

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the COMPANY has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the COMPANY and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for government office nor has it otherwise taken any action which would cause the COMPANY to be in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) No statement made herein is or would be rendered untrue in any material respect by, any other document to which the COMPANY is a party, or to which its properties are subject, or by any other fact or circumstance regarding the COMPANY (which fact or circumstance was, or should reasonably, after due inquiry, have been known to the COMPANY) that is not disclosed pursuant hereto. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDERS become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDERS in this Agreement in any material respect, the COMPANY and the STOCKHOLDERS shall immediately give notice of such fact or circumstance to CSI.

However, subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDERS of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDERS at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDERS acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the COMPANY, the STOCKHOLDERS or any other person affiliated or associated with the COMPANY for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDERS to enter into this Agreement, or to vote in favor of or consent to the proposed Merger, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS

Each STOCKHOLDER severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the

representations and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDER owns beneficially and of record all of the shares of the COMPANY stock identified on Annex IV as being owned by such STOCKHOLDER, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. No STOCKHOLDER is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI AND NEWCO

CSI and NEWCO jointly and severally represent and warrant that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on

a timely basis, and solely to the extent that in connection with the IPO, any of the STOCKHOLDERS actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

6.1 DUE ORGANIZATION. CSI and NEWCO are each corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of CSI and NEWCO (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The respective representatives of CSI and NEWCO executing this Agreement have the authority to enter into and bind CSI and NEWCO to the terms of this Agreement and (ii) CSI and NEWCO have the full legal right, power and authority to enter into this Agreement and the Merger.

6.3 CAPITAL STOCK OF CSI AND NEWCO. The authorized capital stock of CSI and NEWCO is as set forth in Sections 1.4(ii) and (iii), respectively. All of the issued and outstanding shares of the capital stock of NEWCO are owned by CSI and all of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI and NEWCO have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by CSI and the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI and NEWCO in compliance with all

applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI or NEWCO.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates CSI or NEWCO to issue any of their respective authorized but unissued capital stock; and (ii) neither CSI nor NEWCO has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list, accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. NEWCO has no subsidiaries. CSI has no subsidiaries except for NEWCO and each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, neither CSI nor NEWCO presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and neither CSI nor NEWCO, directly or indirectly, is a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such

Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date, and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI and NEWCO have no material liabilities, contingent or otherwise, except as set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, neither CSI nor NEWCO is in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI or NEWCO, threatened against or affecting, CSI or NEWCO, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI and NEWCO have conducted and are conducting their respective businesses in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and are not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. Neither CSI nor NEWCO is in violation of any CSI Charter Document. None of CSI, NEWCO, or, to the knowledge of CSI and NEWCO, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI or NEWCO is a party, or by which CSI or NEWCO, or any of their respective properties, are bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI and NEWCO under the

CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDERS pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. Neither CSI nor NEWCO has entered or will enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. Neither CSI nor NEWCO has conducted any material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Neither CSI nor NEWCO owns or has at any time owned any real property or any material personal property or is a party to any other agreement, except as listed on Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business;

(xii) any other distribution of property or assets by CSI other than in the ordinary course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of the COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of the COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. The COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, NEWCO, the STOCKHOLDERS and the COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding

Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of the COMPANY access to all of CSI's and NEWCO's sites, properties, books and records and will furnish the COMPANY with such additional financial and operating data and other information as to the business and properties of CSI and NEWCO as the COMPANY may from time to time reasonably request. CSI and NEWCO will cooperate with the COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments except as permitted by Section 10.6, without the knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to the COMPANY as the instruments being replaced; and

(viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Funding and Consummation Date, the COMPANY will not, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted by Section 10.6, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock (provided that the COMPANY may declare and pay dividends pursuant to Section 10.6 hereof);

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of the COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the STOCKHOLDERS, the COMPANY, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the COMPANY or a merger, consolidation or business combination of the COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, the COMPANY shall satisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDERS and the COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between the COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDERS and the COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of the COMPANY or the STOCKHOLDERS contained herein to be untrue or inaccurate in any material respect at or

prior to the Closing and (ii) any material failure of any STOCKHOLDER or the COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI and NEWCO shall give prompt notice to the COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of CSI or NEWCO contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI or NEWCO to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.7 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANY consent to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by CSI or NEWCO that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of

the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI and a majority of the Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent, the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that the COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI or NEWCO seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The COMPANY and STOCKHOLDERS shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning the COMPANY and the STOCKHOLDERS required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and

the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The COMPANY and the STOCKHOLDERS agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be delivered under the Securities Act, any information contained in the prospectus concerning the COMPANY or the STOCKHOLDERS becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates solely to the COMPANY or the STOCKHOLDERS, the COMPANY represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. The COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited consolidated balance sheets of the COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of the COMPANY or the results of its operations from the financial statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDERS and the COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI and NEWCO shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the

satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date, if any such conditions has not been satisfied, the Stockholders (acting in unison) shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI and NEWCO contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI and NEWCO contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI and NEWCO on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDERS.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be reasonably satisfactory to the COMPANY and its counsel. The STOCKHOLDERS and the COMPANY shall be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDERS shall have failed to inform CSI in writing

prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of the COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDERS is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI and NEWCO each shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which CSI or NEWCO is authorized to do business, showing that each of CSI and NEWCO is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI and NEWCO, respectively, for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI or NEWCO which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI and of NEWCO, certifying the truth and correctness of attached copies of the CSI's and NEWCO's respective Certificates of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the boards of directors and, if required, the stockholders of CSI and NEWCO approving CSI's and NEWCO's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDERS shall have received an opinion of Arthur Andersen LLP or another tax advisor reasonably acceptable to the STOCKHOLDERS that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code and that the STOCKHOLDERS will not recognize gain to the extent the STOCKHOLDERS exchange stock of the COMPANY for CSI stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI AND NEWCO

The obligations of CSI and NEWCO with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI and NEWCO with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and

Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDERS and the COMPANY contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDERS and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDERS shall have delivered to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of the COMPANY, certifying the truth and correctness of attached copies of the COMPANY's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the STOCKHOLDERS approving the COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the COMPANY which would constitute a Material Adverse Effect, and the COMPANY shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the COMPANY to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The STOCKHOLDERS shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the STOCKHOLDERS against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDERS, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the STOCKHOLDERS, (y) continuing obligations to STOCKHOLDERS relating to their employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the COMPANY and the STOCKHOLDERS shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDERS, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken

any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the COMPANY's state of incorporation and, unless waived by CSI, in each state in which the COMPANY is authorized to do business, showing the COMPANY is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each STOCKHOLDER shall have delivered to CSI a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

10. COVENANTS OF CSI AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDERS released from any and all guarantees on any indebtedness that they personally guaranteed and from any and all pledges of assets that they pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such guaranteed indebtedness on or prior to 120 days subsequent to the Funding and Consummation Date,

CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired, CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDERS.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDERS shall file or cause to be filed all separate federal income Tax Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Each STOCKHOLDER shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, NEWCO, CSI and each STOCKHOLDER shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the draft of the Registration Statement shall be appointed as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is

applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On the Funding and Consummation Date, the employees of the COMPANY will be the employees of the Surviving Corporation (provided that this provision is for purposes of clarifying that the Merger, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of the Surviving Corporation or CSI to assess workforce needs and make appropriate adjustments as necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. [Intentionally omitted.]

11. INDEMNIFICATION

The STOCKHOLDERS, CSI and NEWCO each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The STOCKHOLDERS covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless CSI, NEWCO, the COMPANY and the Surviving Corporation at all times, from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI, NEWCO, the COMPANY or the Surviving Corporation as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDERS or the COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDERS or the COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material

fact relating to the COMPANY or the STOCKHOLDERS, and provided to CSI or its counsel by the COMPANY or the STOCKHOLDERS (but in the case of the STOCKHOLDERS, only if such statement was provided in writing) contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the COMPANY or the STOCKHOLDERS required to be stated therein or necessary to make the statements therein not misleading, provided, however, that such indemnity shall not inure to the benefit of CSI, NEWCO, the COMPANY or the Surviving Corporation to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDERS provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no STOCKHOLDER shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent attributable to a breach of any representation, warranty or agreement made herein individually by any other STOCKHOLDER.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDERS at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the STOCKHOLDERS as a result of or arising from (i) any breach by CSI or NEWCO of their representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI or NEWCO under this Agreement, (iii) any liabilities which the STOCKHOLDERS may incur due to CSI's or NEWCO's failure to be responsible for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI or NEWCO has claims against the STOCKHOLDERS by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law

or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to CSI, NEWCO or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or NEWCO or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party,

Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All

settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. CSI, NEWCO, the Surviving Corporation and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the STOCKHOLDERS until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDERS shall exceed the greater of (a) 1.0% of the sum of the cash paid to STOCKHOLDERS plus the value of the CSI Stock delivered to STOCKHOLDERS (calculated as provided in this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDERS shall not assert any claim for indemnification hereunder against CSI or NEWCO until such time as, and solely to the extent that, the aggregate of all claims which STOCKHOLDERS may have against CSI or NEWCO shall exceed $50,000.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Merger. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price

as set forth in the Registration Statement. It is hereby understood and agreed that a STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Merger, valued as described immediately above.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION.This Agreement may be terminated at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the COMPANY;

(ii) by the STOCKHOLDERS or the COMPANY (acting through its board of directors), on the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDERS or COMPANY, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the STOCKHOLDERS or the COMPANY, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable, or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or

(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The STOCKHOLDERS will not, for a period of five (5) years following the Funding and Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any heating, ventilating or air conditioning services business in direct competition with CSI or any of the subsidiaries thereof, within 100 miles of where the COMPANY or any of its subsidiaries conducted business prior to the effectiveness of the Merger (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of CSI (including the subsidiaries thereof) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of CSI (including the subsidiaries thereof), provided that each STOCKHOLDER shall be permitted to call upon and hire any member of his or her immediate family;

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Funding and Consummation Date, a customer of CSI (including the subsidiaries thereof), of the COMPANY or of any of the Other Founding Companies within the Territory for the

purpose of soliciting or selling products or services in direct competition with CSI within the Territory;

(iv) call upon any prospective acquisition candidate, on any STOCKHOLDER's own behalf or on behalf of any competitor in the heating, ventilation or air conditioning services business, which candidate, to the actual knowledge of such STOCKHOLDER after due inquiry, was called upon by CSI (including the subsidiaries thereof) or for which, to the actual knowledge of such STOCKHOLDER after due inquiry, CSI (or any subsidiary thereof) made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of the COMPANY to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the COMPANY has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit any STOCKHOLDER from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange or over-the-counter.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to CSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to CSI for which it would have no other adequate remedy, each STOCKHOLDER agrees that the foregoing covenant may be enforced by CSI in the event of breach by such STOCKHOLDER, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the STOCKHOLDERS in light of the activities and business of CSI (including the subsidiaries thereof) on the date of the execution of this Agreement and the current plans of CSI.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of any STOCKHOLDER against CSI (including the subsidiaries thereof), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by CSI of such covenants. It is specifically agreed that the period of five (5) years stated at the beginning of this Section 13, during which the agreements and covenants of each STOCKHOLDER made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such STOCKHOLDER is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The COMPANY and the STOCKHOLDERS hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The STOCKHOLDERS recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. The

STOCKHOLDERS agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDERS as is required in the course of performing their duties for CSI or the Surviving Corporation and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the STOCKHOLDERS, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDERS shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the STOCKHOLDERS of the provisions of this Section, CSI shall be entitled to an injunction restraining such STOCKHOLDERS from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, STOCKHOLDERS shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI AND NEWCO. CSI and NEWCO recognize and acknowledge that they had in the past and currently have access to certain confidential information of the COMPANY, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI and NEWCO agree that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other

advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI or NEWCO, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI and NEWCO shall, if possible, give prior written notice thereof to the COMPANY and the STOCKHOLDERS and provide the COMPANY and the STOCKHOLDERS with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI or NEWCO of the provisions of this Section, the COMPANY and the STOCKHOLDERS shall be entitled to an injunction restraining CSI and NEWCO from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDERS from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDERS or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, none of the STOCKHOLDERS shall sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDERS in the Merger. The certificates evidencing the CSI Stock delivered to the STOCKHOLDERS pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate: THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDERS acknowledge that the shares of CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the Act. The CSI Stock to be acquired by such STOCKHOLDERS

pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The STOCKHOLDERS covenant, warrant and represent that none of the shares of CSI Stock issued to such STOCKHOLDERS will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement: THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The STOCKHOLDERS are able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the proposed investment in the CSI Stock. The STOCKHOLDERS party hereto have had an adequate opportunity to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business of CSI, the business, operations and financial condition of the Founding Companies other than the COMPANY, and any plans for additional acquisitions and the like. The STOCKHOLDERS have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give each of the STOCKHOLDERS prompt written notice of its intent to do so. Upon the written request of any of the STOCKHOLDERS given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which any such STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than CSI is greater than the number of such shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each such offering made by CSI after the IPO, such reduction shall be made first by reducing the number of shares to be sold by persons other than CSI, the STOCKHOLDERS and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDERS and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a

further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the shares of CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from any STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of

any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective date of such registration unless CSI is no longer proceeding diligently to effect such registration; provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by any STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to such STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The COMPANY, STOCKHOLDERS, CSI and NEWCO shall each deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of the COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing

information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDERS.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDERS, the COMPANY, NEWCO and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDERS, the COMPANY, NEWCO and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Bracewell & Patterson, L.L.P., and any other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. Each STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Merger, other than Transfer Taxes, if any, imposed by the State of Delaware. Each STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of such STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI, or NEWCO, addressed to them at:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDERS, addressed to them at their addresses set forth on Annex IV, with copies to:

Christopher S. Collins
Andrews & Kurth, L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(c) If to the COMPANY, addressed to it at:

Atlas Comfort Services USA, Inc., formerly
Atlas Interest, Inc.
Atlas Air Conditioning Company
4125 Southerland

Houston, TX 77092-4416
Attn: Brian S. Atlas
Michael D. Atlas

and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, NEWCO, the COMPANY and STOCKHOLDERS who hold or who will hold at least 50% of the CSI Stock issued or to be issued upon consummation of the Merger. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Merger and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:/S/ FRED FERREIRA
Name: Fred Ferreira
Title: Chief Executive Officer

ATLAS AIR ACQUISITION I CORP.

By:/S/ GORDIE BEITTENMILLER
Name: Gordie Beittenmiller
Title: President

ATLAS COMFORT SERVICES USA, INC.

By:/S/ MICHAEL D. ATLAS
Name: Michael D. Atlas
Title: President

STOCKHOLDERS:

/S/ BRIAN S. ATLAS
Brian S. Atlas

/S/ MICHAEL D. ATLAS
Michael D. Atlas

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
ATLAS AIR ACQUISITION I CORP.

ATLAS COMFORT SERVICES USA, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

CONSIDERATION TO BE PAID TO STOCKHOLDERS

Aggregate consideration to be paid to STOCKHOLDERS:

$25,480,000 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 1,432,000 shares of CSI Stock and $6,864,000 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

Consideration to be paid to each STOCKHOLDER:

Stockholder	Shares of Common Stock of Csi	Cash ($)
Brian S. Atlas	716,000	$ 3,432,000
Michael D. Atlas	716,000	3,432,000
TOTALS:	1,432,000	$ 6,864,000

MINIMUM VALUE: $15,680,000 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
ATLAS AIR ACQUISITION I CORP.

ATLAS COMFORT SERVICES USA, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

STOCKHOLDERS AND STOCK OWNERSHIP OF THE COMPANY

The following is a list of the STOCKHOLDERS, their addresses and the number of shares of the COMPANY Stock held by each thereof:

STOCKHOLDER	ADDRESSES	NO. SHARES HELD
Brian S. Atlas	_____	1,500
Michael D. Atlas	_____	1,500
	Total Outstanding	3,000

EXHIBIT 2.3

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

CONTRACT ACQUISITION CORP.
(a subsidiary of Comfort Systems USA, Inc.)

CONTRACT SERVICE, INC.

and

the STOCKHOLDERS named herein

TABLE OF CONTENTS

ANNEXES

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), CONTRACT ACQUISITION CORP., a Delaware corporation ("NEWCO"), CONTRACT SERVICE, INC., a Utah corporation (the "COMPANY"), JOHN PHILLIPS and JAMES MAHLER (the "STOCKHOLDERS"). The STOCKHOLDERS are all the stockholders of the COMPANY.

WHEREAS, NEWCO is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on March 4, 1997, solely for the purpose of completing the transactions set forth herein, and is a wholly-owned subsidiary of CSI, a corporation organized and existing under the laws of the State of Delaware;

WHEREAS, the respective Boards of Directors of NEWCO and the COMPANY (which together are hereinafter collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that NEWCO merge with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the States of Delaware and Utah;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDERS and the Boards of Directors and the stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of

CSI that are parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDERS and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDERS and the stockholders of each of the other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the Board of Directors of the COMPANY has approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement: "1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean NEWCO and each of the other Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Articles of Merger" shall mean those Articles or Certificates of Merger with respect to the Merger substantially in the forms attached as Annex I hereto or with such other changes therein as may be required by applicable state laws.

"Balance Sheet Date" shall mean December 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" has the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock" has the meaning set forth in Section 2.1.

"Constituent Corporations" has the meaning set forth in the second recital of this Agreement.

"Effective Time of the Merger" shall mean the time as of which the Merger becomes effective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation (formerly Atlas Interest, Inc.), Contract Service, Inc., a Utah corporation, Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration

Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation, Quality Air Heating & Cooling, Inc., a Michigan corporation, Seasonair, Inc., a Maryland corporation, Standard Heating & Air Conditioning Company, Inc., an Alabama corporation, S.M. Lawrence Company, Inc., a Tennessee corporation, and Lawrence

Service, Inc., a Tennessee corporation,

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and Tech Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and Western

Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement.

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as reference in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Merger" means the merger of NEWCO with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the State of Delaware and other applicable state laws.

"NEWCO" has the meaning set forth in the first paragraph of this Agreement.

"NEWCO STOCK" means the common stock, par value $.01 per share, of NEWCO.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDERS" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" shall mean the COMPANY as the surviving party in the Merger.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement. NOW, THEREFORE, in consideration of the premises and of the mutual agreements,

representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE MERGER

1.1 DELIVERY AND FILING OF ARTICLES OF MERGER. The Constituent Corporations will cause the Articles of Merger to be signed, verified and filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of Utah and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE MERGER. At the Effective Time of the Merger, NEWCO shall be merged with and into the COMPANY in accordance with the Articles of Merger, the separate existence of NEWCO shall cease, the COMPANY shall be the surviving party in the Merger and the

COMPANY is sometimes hereinafter referred to as the Surviving Corporation. The Merger will be effected in a single transaction.

1.3 CERTIFICATE OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF SURVIVING CORPORATION. At the Effective Time of the Merger:

(i) the Certificate of Incorporation of the COMPANY then in effect shall be the Certificate of Incorporation of the Surviving Corporation until changed as provided by law;

(ii) the By-laws of NEWCO then in effect shall become the By-laws of the Surviving Corporation; and subsequent to the Effective Time of the Merger, such By-laws shall be the By-laws of the Surviving Corporation until they shall thereafter be duly amended;

(iii) the Board of Directors of the Surviving Corporation shall consist of the persons who are on the Board of Directors of the COMPANY immediately prior to the Effective Time of the Merger, provided that Gordie Beittenmiller shall be elected as a director of the Surviving Corporation effective as of the Effective Time of the Merger; the Board of Directors of the Surviving Corporation shall hold office subject to the provisions of the laws of the State of Utah and of the Certificate of Incorporation and By-laws of the Surviving Corporation; and

(iv) the officers of the COMPANY immediately prior to the Effective Time of the Merger shall continue as the officers of the Surviving Corporation in the same capacity or capacities, and effective upon the Effective Time of the Merger Gordie Beittenmiller shall be appointed as a vice president of the Surviving Corporation and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of the Surviving Corporation, each of such officers to serve, subject to the provisions of the Certificate of Incorporation and By-laws of the Surviving Corporation, until his or her successor is duly elected and qualified. 1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY, CSI

AND NEWCO. The respective designations and numbers of outstanding shares and voting rights of

each class of outstanding capital stock of the COMPANY, CSI and NEWCO as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the COMPANY is as set forth on Schedule 5.3 hereto;

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50,000,000 shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5,000,000 shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding, and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement; and

(iii) as of the date of this Agreement, the authorized capital stock of NEWCO consists of 1,000 shares of NEWCO Stock, of which one hundred (100) shares are issued and outstanding.

1.5 EFFECT OF MERGER. At the Effective Time of the Merger, the effect of the Merger shall be as provided in the applicable provisions of the General Corporation Law of the State of Delaware (the "Delaware GCL") and the law of the State of Utah. Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of the COMPANY shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of NEWCO shall be merged with and into the COMPANY, and the COMPANY, as the Surviving Corporation, shall be fully vested therewith. At the Effective Time of the Merger, the separate existence of NEWCO shall cease and, in accordance with the terms of this Agreement, the Surviving Corporation shall possess all the rights, privileges, immunities and franchises, of a public, as well as of a private, nature, and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all taxes, including those due and owing and those accrued, and all other choses in action, and all and every other interest of or belonging to or due to the COMPANY and NEWCO shall be taken and deemed to be transferred

to, and vested in, the Surviving Corporation without further act or deed; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the COMPANY and NEWCO; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of the state of incorporation vested in the COMPANY and NEWCO, shall not revert or be in any way impaired by reason of the Merger. Except as otherwise provided herein, the Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the COMPANY and NEWCO and any claim existing, or action or proceeding pending, by or against the COMPANY or NEWCO may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in their place. Neither the rights of creditors nor any liens upon the property of the COMPANY or NEWCO shall be impaired by the Merger, and all debts, liabilities and duties of the COMPANY and NEWCO shall attach to the Surviving Corporation, and may be enforced against such Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by such Surviving Corporation.

2. CONVERSION OF STOCK

2.1 MANNER OF CONVERSION. The manner of converting the shares of (i) outstanding capital stock of the COMPANY ("COMPANY Stock") and (ii) NEWCO Stock, issued and outstanding immediately prior to the Effective Time of the Merger, respectively, into shares of (x) CSI Stock and (y) common stock of the Surviving Corporation, respectively, shall be as follows:

As of the Effective Time of the Merger:

(i) all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, automatically shall be deemed to represent (1) the right to receive the number of shares of CSI Stock set forth on Annex III hereto with respect to such

holder and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to such holder;

(ii) all shares of COMPANY Stock that are held by the COMPANY as treasury stock shall be canceled and retired and no shares of CSI Stock or other consideration shall be delivered or paid in exchange therefor; and

(iii) each share of NEWCO Stock issued and outstanding immediately prior to the Effective Time of the Merger, shall, by virtue of the Merger and without any action on the part of CSI, automatically be converted into one fully paid and non-assessable share of common stock of the Surviving Corporation which shall constitute all of the issued and outstanding shares of common stock of the Surviving Corporation immediately after the Effective Time of the Merger. All CSI Stock received by the STOCKHOLDERS pursuant to this Agreement shall, except

for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDERS shall be fully exercisable by the STOCKHOLDERS and the STOCKHOLDERS shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Merger, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF MERGER CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDERS, who are the holders of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the respective number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDERS shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDERS, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the STOCKHOLDERS' expense, affixed and canceled. The STOCKHOLDERS agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Merger (including, if permitted by applicable state law, the filing with the appropriate state authorities of the Articles of Merger which shall become effective at the Effective Time of the Merger) and (ii) effect the conversion and delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Merger or the conversion and delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, CSI hereby covenants and agrees to do all things required by Delaware law and all things which counsel for the COMPANY advise CSI are required by applicable laws of the State of Utah in order to rescind the merger effected by the filing of the Articles of Merger as described in this Section. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Articles of Merger shall be or shall have been filed with the appropriate state authorities so that they shall be or, as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, shall become effective and the Merger shall thereby be effected, (y) all transactions contemplated

by this Agreement, including the conversion and delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDERS shall be entitled to receive pursuant to the Merger referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12 hereof, during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS

(A) REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS.

Each of the COMPANY and the STOCKHOLDERS jointly and severally represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the

expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to the COMPANY and all of its subsidiaries, if any.

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of the COMPANY (the "Charter Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDERS which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement and the Merger, subject to any required approval of the shareholders and the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the COMPANY is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the COMPANY are owned by the STOCKHOLDERS in the amounts set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the COMPANY have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the STOCKHOLDERS and further, such shares were offered, issued, sold and delivered by the COMPANY in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the COMPANY nor the relative ownership of shares among any of its respective stockholders has been altered or changed in contemplation of the Merger and/or the CSI Plan of Organization. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Merger or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except as set forth on Schedule 5.6, the COMPANY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's audited Balance Sheets as of December 31, 1996 and 1995 and Statements of Operations, Shareholders' Equity and Cash Flows for the three years in the period ended December 31, 1996 (December 31, 1996 being hereinafter referred to as the "Balance Sheet Date"). Such Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets as of December 31, 1996 and 1995 present

fairly in all material respects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Operations, Shareholders' Equity and Cash Flows present fairly in all material respects the results of operations for the periods indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the case of those contingent liabilities related to pending or threatened litigation, or other liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following:

(a) copies of all relevant documentation relating thereto;

(b) amounts claimed and any other action or relief sought; and

(c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDERS. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses, franchises, permits and other governmental authorizations, including permits, titles (including motor vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any

of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13, and except where any failure to comply would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law); (ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or disposed of Hazardous Wastes and Hazardous Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY, CSI or NEWCO for any

clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; and (v) to the knowledge of the COMPANY the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other personal property owned by the COMPANY with an individual value in excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by STOCKHOLDERS, relatives of STOCKHOLDERS, or Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section 5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of

the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof, and all other real property, if any, used by the COMPANY in the conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date.

True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by STOCKHOLDERS or affiliates of the COMPANY or STOCKHOLDERS are included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute

valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the COMPANY, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the

COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its employees nor has the COMPANY experienced any labor interruptions over the past three years.

The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDERS have delivered to CSI an accurate

schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither STOCKHOLDERS, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDERS further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY. 5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21

or 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, vari ances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules 5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The STOCKHOLDERS made a valid election under the provisions of Subchapter S of the Code and the COMPANY has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The COMPANY has a taxable year ended December 31 and has not made an election to retain a fiscal year other than December 31 under Section 444 of the Code. The COMPANY's methods of accounting have not changed in the past five years. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its

properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY, CSI or NEWCO of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely providing services to any other customer or potential customer of the COMPANY, CSI, NEWCO or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDERS, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDERS and their affiliates;

(viii)any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDERS or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the COMPANY is a party;

(xiii) any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business.

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the COMPANY has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto. Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the COMPANY and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for government office nor has it otherwise taken any action which would cause the COMPANY to be

in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, together with the other information furnished to CSI by the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by CSI. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDERS become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDERS in this Agreement, in any material respect, the COMPANY and the STOCKHOLDERS shall immediately give notice of such fact or circumstance to CSI. However, subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDERS of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDERS at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDERS acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the COMPANY, the STOCKHOLDERS or any other person

affiliated or associated with the COMPANY for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDERS to enter into this Agreement, or to vote in favor of or consent to the proposed Merger, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS

Each STOCKHOLDER severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the representations and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDER owns beneficially and of record all of the shares of the COMPANY stock identified on Annex IV as being owned by such STOCKHOLDER, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. No STOCKHOLDER is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI AND NEWCO

CSI and NEWCO jointly and severally represent and warrant that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the STOCKHOLDERS actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

6.1 DUE ORGANIZATION. CSI and NEWCO are each corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of

Incorporation and By-laws, each as amended, of CSI and NEWCO (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The respective representatives of CSI and NEWCO executing this Agreement have the authority to enter into and bind CSI and NEWCO to the terms of this Agreement and (ii) CSI and NEWCO have the full legal right, power and authority to enter into this Agreement and the Merger.

6.3 CAPITAL STOCK OF CSI AND NEWCO. The authorized capital stock of CSI and NEWCO is as set forth in Sections 1.4(ii) and (iii), respectively. All of the issued and outstanding shares of the capital stock of NEWCO are owned by CSI and all of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI and NEWCO have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by CSI and the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI and NEWCO in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI or NEWCO.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates CSI or NEWCO to issue any of their respective authorized but unissued capital stock; and (ii) neither CSI nor NEWCO has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list,

accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. NEWCO has no subsidiaries. CSI has no subsidiaries except for NEWCO and each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, neither CSI nor NEWCO presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and neither CSI nor NEWCO, directly or indirectly, is a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date, and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI and NEWCO have no material liabilities, contingent or otherwise, except as set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, neither CSI nor NEWCO is in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or

instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI or NEWCO, threatened against or affecting, CSI or NEWCO, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI and NEWCO have conducted and are conducting their respective businesses in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and are not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. Neither CSI nor NEWCO is in violation of any CSI Charter Document. None of CSI, NEWCO, or, to the knowledge of CSI and NEWCO, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI or NEWCO is a party, or by which CSI or NEWCO, or any of their respective properties, are bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI and NEWCO under the CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDERS pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. Neither CSI nor NEWCO has entered or will enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. Neither CSI nor NEWCO has conducted any material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Neither CSI nor NEWCO owns or has at any time owned any real property or any material personal property or is a party to any other agreement, except as listed on Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii)any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business; (xii) any other distribution of property or assets by CSI other than in the ordinary course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain

an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of the COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of the COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. The COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, NEWCO, the STOCKHOLDERS and the COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of the COMPANY access to all of CSI's and NEWCO's sites, properties, books and records and will furnish the COMPANY with such additional

financial and operating data and other information as to the business and properties of CSI and NEWCO as the COMPANY may from time to time reasonably request. CSI and NEWCO will cooperate with the COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments except as permitted by Section 10.6, without the

knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to the COMPANY as the instruments being replaced; and

(viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices. 7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof

and the Funding and Consummation Date, the COMPANY will not, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock (provided that the COMPANY may declare and pay dividends pursuant to Section 10.6 hereof);

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or

being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii)merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of the COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the STOCKHOLDERS, the COMPANY, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the COMPANY or a merger, consolidation or business combination of the COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, the COMPANY shall satisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDERS and the COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between the COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDERS and the COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of the COMPANY or the STOCKHOLDERS contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any STOCKHOLDER or the COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI and NEWCO shall give prompt notice to the COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of CSI or NEWCO contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI or NEWCO to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.7 shall not be deemed

to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANY consent to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by CSI or NEWCO that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI and a majority of the

Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent, the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that the COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI or NEWCO seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The COMPANY and STOCKHOLDERS shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning the COMPANY and the STOCKHOLDERS required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The COMPANY and the STOCKHOLDERS agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be delivered under the Securities Act, any information contained in the prospectus concerning the COMPANY or the STOCKHOLDERS becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates solely to the COMPANY or the STOCKHOLDERS, the COMPANY represents and warrants as to

such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. The COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited consolidated balance sheets of the COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of the COMPANY or the results of its operations from the financial statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein.

If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDERS and the COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI and NEWCO shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date, if any such conditions has not been satisfied, the Stockholders (acting in unison) shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI and NEWCO contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI and NEWCO contained in Section 6 shall be reasonably true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI and NEWCO on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDERS.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be satisfactory to the COMPANY and its counsel. The STOCKHOLDERS and the COMPANY shall be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDERS shall have failed to inform CSI in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of the COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDERS is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI and NEWCO each shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which CSI or NEWCO is authorized to do business, showing that each of CSI and NEWCO is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI and NEWCO, respectively, for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI or NEWCO which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI and of NEWCO, certifying the truth and correctness of attached copies of the CSI's and NEWCO's respective Certificates of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the boards of directors and, if required, the stockholders of CSI and NEWCO

approving CSI's and NEWCO's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDERS shall have received an opinion of Arthur Andersen LLP or another tax advisor reasonably acceptable to the STOCKHOLDERS that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code, and that the STOCKHOLDERS will not recognize gain to the extent the STOCKHOLDERS exchange stock of the COMPANY for CSI stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI AND NEWCO

The obligations of CSI and NEWCO with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI and NEWCO with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDERS and the COMPANY contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had

been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDERS and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDERS shall have delivered to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of the COMPANY, certifying the truth and correctness of attached copies of the COMPANY's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the STOCKHOLDERS approving the COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the COMPANY which would constitute a Material Adverse Effect, and the COMPANY shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the COMPANY to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The STOCKHOLDERS shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the STOCKHOLDERS against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDERS, except for (x) items specifically identified on Schedules 5.10 and 5.15

as being claims of or obligations to the STOCKHOLDERS, (y) continuing obligations to STOCKHOLDERS relating to their employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the COMPANY and the STOCKHOLDERS shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDERS, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the COMPANY's state of incorporation and, unless waived by CSI, in each state in which the COMPANY is authorized to do business, showing the COMPANY is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each STOCKHOLDER shall have delivered to CSI a

certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

10. COVENANTS OF CSI AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDERS released from any and all guarantees on any indebtedness that they personally guaranteed and from any and all pledges of assets that they pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such guaranteed indebtedness on or prior to 120 days subsequent to the Funding and Consummation Date, CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired, CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not

and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDERS.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDERS shall file or cause to be filed all separate federal income Tax Returns (and any State and local Tax Returns filed on the basis similar to that of S corporations under federal income Tax rules) of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Each STOCKHOLDER shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings

or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, NEWCO, CSI and each STOCKHOLDER shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code. 10.4 DIRECTORS. The persons named in the draft of the Registration Statement shall be

appointed as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On the Funding and Consummation Date, the employees of the COMPANY will be the employees of the Surviving Corporation (provided that this provision is for purposes of clarifying that the Merger, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of the Surviving

Corporation or CSI to assess workforce needs and make appropriate adjustments as necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. If the COMPANY is an S corporation, the COMPANY may pay to each STOCKHOLDER as a dividend the full amount of his or her retained earnings as of the Balance Sheet Date, and may also pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings taxable to such STOCKHOLDERS for the period after the Balance Sheet Date to the Funding and Consummation Date. If the COMPANY is a C corporation, the COMPANY may pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings for the period after the Balance Sheet Date to the Funding and Consummation Date. The COMPANY may borrow funds to the extent necessary to make the payments contemplated by this Section 10.6 and to the extent necessary to ensure that the COMPANY has cash on hand to adequately fund operations on the Funding and Consummation Date.

11. INDEMNIFICATION

The STOCKHOLDERS, CSI and NEWCO each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The STOCKHOLDERS

covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless CSI, NEWCO, the COMPANY and the Surviving Corporation at all times, from and after the date

of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI, NEWCO, the COMPANY or the Surviving Corporation as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDERS or the COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDERS or the COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to the COMPANY or the STOCKHOLDERS, and provided to CSI or its counsel by the COMPANY or the STOCKHOLDERS (but in the case of the STOCKHOLDERS, only if such statement was provided in writing) contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the COMPANY or the STOCKHOLDERS required to be stated therein or necessary to make the statements therein not misleading, provided, however, that such indemnity shall not inure to the benefit of CSI, NEWCO, the COMPANY or the Surviving Corporation to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDERS provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no STOCKHOLDER shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent attributable to a breach of any representation, warranty or agreement made herein individually by any other STOCKHOLDER.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDERS at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits,

proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the STOCKHOLDERS as a result of or arising from (i) any breach by CSI or NEWCO of their representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI or NEWCO under this Agreement, (iii) any liabilities which the STOCKHOLDERS may incur due to CSI's or NEWCO's failure to be responsible for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI or NEWCO has claims against the STOCKHOLDERS by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to CSI, NEWCO or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or NEWCO or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying

Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to

such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. CSI, NEWCO, the Surviving Corporation and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the STOCKHOLDERS until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDERS shall exceed the greater of (a) 1.0% of the sum of the cash paid to STOCKHOLDERS plus the value of the CSI Stock delivered to STOCKHOLDERS (calculated as provided in this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDERS shall not assert any claim for indemnification hereunder against CSI or NEWCO until such time as, and solely to the extent that,

the aggregate of all claims which STOCKHOLDERS may have against CSI or NEWCO shall exceed $50,000.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Merger. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price as set forth in the Registration Statement. It is hereby understood and agreed that a STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Merger, valued as described immediately above.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION.This Agreement may be terminated at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the COMPANY;

(ii) by the STOCKHOLDERS or the COMPANY (acting through its board of directors), on the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDERS or COMPANY, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the STOCKHOLDERS or the COMPANY, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable, or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or
(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The STOCKHOLDERS will not, for a period of five (5) years following the Funding and Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any heating, ventilating or air conditioning services business in direct competition with CSI or any of the subsidiaries thereof, within 100 miles of where the COMPANY

or any of its subsidiaries conducted business prior to the effectiveness of the Merger (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of CSI (including the subsidiaries thereof) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of CSI (including the subsidiaries thereof), provided that each STOCKHOLDER shall be permitted to call upon and hire any member of his or her immediate family;

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Funding and Consummation Date, a customer of CSI (including the subsidiaries thereof), of the COMPANY or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with CSI within the Territory;

(iv) call upon any prospective acquisition candidate, on any STOCKHOLDER's own behalf or on behalf of any competitor in the heating, ventilation or air conditioning services business, which candidate, to the actual knowledge of such STOCKHOLDER after due inquiry, was called upon by CSI (including the subsidiaries thereof) or for which, to the actual knowledge of such STOCKHOLDER after due inquiry, CSI (or any subsidiary thereof) made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of the COMPANY to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the COMPANY has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit any STOCKHOLDER from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange or over-the-counter.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to CSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to CSI for which it would have no other adequate remedy, each STOCKHOLDER agrees that the foregoing covenant may be enforced by CSI in the event of breach by such STOCKHOLDER, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the STOCKHOLDERS in light of the activities and business of CSI (including the subsidiaries thereof) on the date of the execution of this Agreement and the current plans of CSI.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of any STOCKHOLDER against CSI (including the subsidiaries thereof), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by CSI of such covenants. It is specifically agreed that the period of five (5) years stated at the beginning of this Section 13, during which the agreements and covenants of each STOCKHOLDER made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such STOCKHOLDER is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The COMPANY and the STOCKHOLDERS hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The STOCKHOLDERS recognize and acknowledge that they

had in the past, currently have, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. The STOCKHOLDERS agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDERS as is required in the course of performing their duties for CSI or the Surviving Corporation and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the STOCKHOLDERS, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDERS shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the STOCKHOLDERS of the provisions of this Section, CSI shall be entitled to an injunction restraining such STOCKHOLDERS from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated,

STOCKHOLDERS shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI AND NEWCO. CSI and NEWCO recognize and acknowledge that they had in the past and currently have access to certain confidential information of the COMPANY, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI and NEWCO agree that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI or NEWCO, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI and NEWCO shall, if possible, give prior written notice thereof to the COMPANY and the STOCKHOLDERS and provide the COMPANY and the STOCKHOLDERS with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI or NEWCO of the provisions of this Section, the COMPANY and the STOCKHOLDERS shall be entitled to an injunction restraining CSI and NEWCO from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDERS from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDERS or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, none of the STOCKHOLDERS shall sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDERS in the Merger. The certificates evidencing the CSI Stock delivered to the STOCKHOLDERS pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate: THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS

CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDERS acknowledge that the shares of CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and may not be resold without compliance with the Act. The CSI Stock to be acquired by such STOCKHOLDERS pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The STOCKHOLDERS covenant, warrant and represent that none of the shares of CSI Stock issued to such STOCKHOLDERS will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement: THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The STOCKHOLDERS are able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the proposed

investment in the CSI Stock. The STOCKHOLDERS party hereto have had an adequate opportunity to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business of CSI, the business, operations and financial condition of the Founding Companies other than the COMPANY, and any plans for additional acquisitions and the like. The STOCKHOLDERS have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give each of the STOCKHOLDERS prompt written notice of its intent to do so. Upon the written request of any of the STOCKHOLDERS given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which any such STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1

that the number of shares to be sold by persons other than CSI is greater than the number of such shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each such offering made by CSI after the IPO, such reduction shall be made first by reducing the number of shares to be sold by persons other than CSI, the STOCKHOLDERS and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDERS and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the shares of CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from any STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will

keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective date of such registration unless CSI is no longer proceeding diligently to effect such registration; provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by any STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to such STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or

regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The COMPANY, STOCKHOLDERS, CSI and NEWCO shall each deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of the COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDERS.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDERS, the COMPANY, NEWCO and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDERS, the COMPANY, NEWCO and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of

any other Schedule required hereby, provided that the COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Bracewell & Patterson, L.L.P., and any other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. Each STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Merger, other than Transfer Taxes, if any, imposed by the State of Delaware. Each STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of such STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI, or NEWCO, addressed to them at:
Comfort Systems USA, Inc.

4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDERS, addressed to them at their addresses set forth on Annex IV, with copies to:

Christopher S. Collins
Andrews & Kurth, L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(c) If to the COMPANY, addressed to it at:
Contract Service, Inc.
3222 S. Washington Street
Salt Lake City, Utah 84165
Attn: John Phillips

and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case

the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, NEWCO, the COMPANY and STOCKHOLDERS who hold or who will hold at least 50% of the CSI Stock issued or to be issued upon consummation of the Merger. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Merger and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:/S/ FRED FERREIRA

Name: Fred Ferreira

Title: Chief Executive Officer

CONTRACT ACQUISITION CORP.

By:/S/ GORDIE BEITTENMILLER

Name: Gordie Beittenmiller

Title: President

CONTRACT SERVICE, INC.

By:/S/ JOHN PHILLIPS

Name: John Phillips
Title: President

STOCKHOLDERS:

/S/ JOHN PHILLIPS

John Phillips

/S/ JAMES MAHLER

James Mahler

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
CONTRACT ACQUISITION CORP.

CONTRACT SERVICE, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

CONSIDERATION TO BE PAID TO STOCKHOLDERS

Aggregate consideration to be paid to STOCKHOLDERS:

$8,231,132 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 493,672 shares of CSI Stock and $1,813,396 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

CONSIDERATION TO BE PAID TO EACH STOCKHOLDER:

STOCKHOLDER	SHARES OF COMMON STOCK OF CSI	CASH ($)
John Phillips	403,305	$1,309,919
James Mahler	90,367	503,477
TOTALS:	493,672	$1,813,396

MINIMUM VALUE: $5,065,312 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
CONTRACT ACQUISITION CORP.

CONTRACT SERVICE, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

STOCKHOLDERS AND STOCK OWNERSHIP OF THE COMPANY

The following is a list of the STOCKHOLDERS, their addresses and the number of shares of the COMPANY Stock held by each thereof:

STOCKHOLDER	ADDRESSES	NO. SHARES HELD
John Phillips	2030 Maple Hollow Way Boutiful, UT 84010	7,122
James Mahler	6248 S. Vinecrest Dr. Salt Lake City, UT 84121	1,824
	Total	8,946

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

EASTERN ACQUISITION CORP.
EASTERN II ACQUISITION CORP.

(each a subsidiary of Comfort Systems USA, Inc.)

EASTERN HEATING & COOLING, INC.
EASTERN REFRIGERATION CO., INC.

and

the STOCKHOLDER named herein

TABLE OF CONTENTS

ANNEXES

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), EASTERN ACQUISITION CORP., a Delaware corporation ("NEWCO I"), EASTERN II ACQUISITION CORP., a Delaware corporation ("NEWCO II") (collectively, "NEWCO", and individually, "each NEWCO"), EASTERN HEATING & COOLING, INC., a New York corporation, EASTERN REFRIGERATION CO., INC., a New York corporation, (collectively the "COMPANY" or the "COMPANIES" and individually "each COMPANY") and ALFRED J. GIARDENELLI, JR. (the "STOCKHOLDER"). The STOCKHOLDER is the only stockholder of each of the COMPANIES.

WHEREAS, each NEWCO is a corporation duly organized and existing under the laws of the State of Delaware, each having been incorporated on March 4, 1997, solely for the purpose of completing the transactions set forth herein, and each is a wholly-owned subsidiary of CSI, a corporation organized and existing under the laws of the State of Delaware;

WHEREAS, the respective Boards of Directors of each NEWCO and each of the COMPANIES (which together are hereinafter collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that each NEWCO merge with and into each COMPANY, respectively, as set forth on Appendix I hereto, pursuant to this Agreement and the applicable provisions of the laws of the States of Delaware and New York;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the other Founding Companies (as defined herein) and their

respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDER and the Boards of Directors and the stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of CSI that are parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDER and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDER and the stockholders of each of the other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the Board of Directors of each COMPANY has approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement: "1933 Act" means the Securities Act of 1933, as amended. "1934 Act" means the Securities Exchange Act of 1934, as amended. "Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean each NEWCO and each of the other Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Articles of Merger" shall mean those Articles or Certificates of Merger with respect to the Merger substantially in the forms attached as Annex I hereto or with such other changes therein as may be required by applicable state laws.

"Balance Sheet Date" shall mean December 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" and "COMPANIES" have the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock"means, collectively, the common stock of each COMPANY.

"Constituent Corporations" has the meaning set forth in the second recital of this Agreement.

"Effective Time of the Merger" shall mean the time as of which the Merger becomes effective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation (formerly Atlas Interest, Inc.),

Contract Service, Inc., a Utah corporation,

Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation,

Quality Air Heating & Cooling, Inc., a Michigan corporation,

Seasonair, Inc., a Maryland corporation,

Standard Heating & Air Conditioning Company, Inc., an Alabama corporation,

S.M. Lawrence Company, Inc., a Tennessee corporation, and
Lawrence Service, Inc., a Tennessee corporation,

Tech Heating and Air Conditioning, Inc., an Ohio corporation,
and Tech Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and

Western Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement.

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as referenced in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Merger" means the merger of each NEWCO with and into each COMPANY, respectively, as set forth on Appendix I hereto, pursuant to this Agreement and the applicable provisions of the laws of the State of Delaware and other applicable state laws.

"NEWCO" has the meaning set forth in the first paragraph of this Agreement.

"NEWCO STOCK" means, collectively, the common stock, par value $.01 per share, of each NEWCO.

"Other Founding Companies" means all of the Founding Companies other than the Companies.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDER" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" and "Surviving Corporations" shall mean, respectively, each COMPANY as the surviving party in its respective Merger, and both COMPANIES as the surviving parties in the Merger.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE MERGER

1.1 DELIVERY AND FILING OF ARTICLES OF MERGER. The Constituent Corporations will cause the Articles of Merger to be signed, verified and filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of New York and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE MERGER. At the Effective Time of the Merger, each NEWCO shall be merged with and into each COMPANY, respectively, as set forth on Appendix I hereto, in accordance with the Articles of Merger, the separate existence of each NEWCO shall cease, the COMPANY into which each such NEWCO merged shall be the surviving party in the Merger and each such COMPANY is sometimes hereinafter referred to as the Surviving Corporation. The Merger will be effected in a single transaction.

1.3 CERTIFICATE OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF EACH SURVIVING CORPORATION. At the Effective Time of the Merger:

(i) the Certificate of Incorporation of each COMPANY then in effect shall be the Certificate of Incorporation of the respective Surviving Corporation until changed as provided by law;

(ii) the By-laws of NEWCO then in effect shall become the By-laws of the respective Surviving Corporation, with such changes as may be required by the laws of the State of New York; and subsequent to the Effective Time of the Merger, such By-laws shall be the By-laws of such Surviving Corporation until they shall thereafter be duly amended;

(iii) the Board of Directors of each COMPANY shall remain the Board of Directors of its respective Surviving Corporation after the Effective Time of the Merger,

provided that Gordie Beittenmiller shall be elected as a director of each Surviving Corporation effective as of each Effective Time of the Merger; the Board of Directors of each Surviving Corporation shall hold office subject to the provisions of the laws of the State of New York and of the Certificate of Incorporation and By-laws of such Surviving Corporation; and

(iv) the officers of each COMPANY immediately prior to the Effective Time of the Merger shall continue as the officers of the respective Surviving Corporation in the same capacity or capacities, and effective upon the Effective Time of the Merger Gordie Beittenmiller shall be appointed as a vice president of each Surviving Corporation and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of each Surviving Corporation, each of such officers to serve, subject to the provisions of the Certificate of Incorporation and By-laws of each Surviving Corporation, until his or her successor is duly elected and qualified.

1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF EACH COMPANY, CSI AND EACH NEWCO. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of each COMPANY, CSI and each NEWCO as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of each COMPANY is as set forth on Schedule 5.3 hereto;

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50,000,000 shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5,000,000 shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement; and

(iii) as of the date of this Agreement, the authorized capital stock of each NEWCO consists of 1,000 shares of common stock, par value $.01 per share, of which one hundred (100) shares are issued and outstanding.

1.5 EFFECT OF MERGER. At the Effective Time of the Merger, the effect of the Merger shall be as provided in the applicable provisions of the General Corporation Law of the State of Delaware (the "Delaware GCL") and the law of the State of New York. Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of each COMPANY shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of each NEWCO shall be merged with and into each COMPANY, respectively, as set forth on Annex I hereto, and each COMPANY, as the respective Surviving Corporation, shall be fully vested therewith. At the Effective Time of the Merger, the separate existence of each NEWCO shall cease and, in accordance with the terms of this Agreement, the respective Surviving Corporation shall possess all the rights, privileges, immunities and franchises, of a public, as well as of a private, nature, and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all taxes, including those due and owing and those accrued, and all other choses in action, and all and every other interest of or belonging to or due to the respective COMPANY and NEWCO shall be taken and deemed to be transferred to, and vested in, the respective Surviving Corporation without further act or deed; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of such Surviving Corporation as they were of the respective COMPANY and NEWCO; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of the state of incorporation vested in the respective COMPANY and NEWCO, shall not revert or be in any way impaired by reason of the Merger. Except as otherwise provided herein, each Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the respective COMPANY and NEWCO and any claim existing, or action or proceeding pending, by or against the respective COMPANY or NEWCO may be

prosecuted as if the Merger had not taken place, or such Surviving Corporation may be substituted in their place. Neither the rights of creditors nor any liens upon the property of any COMPANY or NEWCO shall be impaired by the Merger, and all debts, liabilities and duties of each COMPANY and each NEWCO shall attach to the respective Surviving Corporation, and may be enforced against such Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by such Surviving Corporation.

2. CONVERSION OF STOCK

2.1 MANNER OF CONVERSION. The manner of converting the shares of (i) outstanding COMPANY Stock and (ii) NEWCO Stock, issued and outstanding immediately prior to the Effective Time of the Merger, respectively, into shares of (x) CSI Stock and (y) common stock of the respective Surviving Corporation, respectively, shall be as follows:

As of the Effective Time of the Merger:

(i) all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, automatically shall be deemed to represent (1) the right to receive the number of shares of CSI Stock set forth on Annex III hereto with respect to such holder and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to such holder;

(ii) all shares of COMPANY Stock that are held by the COMPANY as treasury stock shall be canceled and retired and no shares of CSI Stock or other consideration shall be delivered or paid in exchange therefor; and

(iii) each share of NEWCO Stock issued and outstanding immediately prior to the Effective Time of the Merger, shall, by virtue of the Merger and without any action on the part of CSI, automatically be converted into one fully paid and non-assessable share of common stock of the respective Surviving Corporation which shall constitute all of the

issued and outstanding shares of common stock of such Surviving Corporation immediately after the Effective Time of the Merger. All CSI Stock received by the STOCKHOLDER pursuant to this Agreement shall, except for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDER shall be fully exercisable by the STOCKHOLDER and the STOCKHOLDER shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Merger, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF MERGER CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDER, who is the sole holder of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDER shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDER, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the STOCKHOLDER'S expense, affixed and canceled. The STOCKHOLDER agrees promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Merger (including, if permitted by applicable state law, the filing with the appropriate state authorities of the Articles of Merger which shall become effective at the Effective Time of the Merger) and (ii) effect the conversion and delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Merger or the conversion and delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, CSI hereby covenants and agrees to do all things required by Delaware law and all things which counsel for the COMPANY advise CSI are required by applicable laws of the State of New York in order to rescind the merger effected by the filing of the Articles of Merger as described in this Section. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Articles of Merger shall be or shall have been filed with the appropriate state authorities so that they shall be or, as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, shall become effective and the Merger shall thereby be effected, (y) all transactions contemplated by this Agreement, including the conversion and delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDER shall be entitled to receive pursuant to the Merger referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12 hereof, during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect of the IPO is

terminated pursuant to the terms of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF EACH COMPANY AND STOCKHOLDER

(A) REPRESENTATIONS AND WARRANTIES OF EACH COMPANY AND STOCKHOLDER. Each COMPANY and the STOCKHOLDER jointly and severally represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to each of the COMPANIES and their subsidiaries, if any, and references to a particular Annex or Schedule number shall be deemed to refer to the respective COMPANY's Annex or Schedule or applicable portion thereof.

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite

power and authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of the COMPANY (the "Charter Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDER which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement and the Merger, subject to any required approval of the shareholders and the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the COMPANY is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the COMPANY are owned by the STOCKHOLDER in the amount set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges,

charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the COMPANY have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the STOCKHOLDER and further, such shares were offered, issued, sold and delivered by the COMPANY in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the COMPANY nor the relative ownership of shares among any of its respective stockholders has been altered or changed in contemplation of the Merger and/or the CSI Plan of Organization. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Merger or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except as set forth on Schedule 5.6, the COMPANY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation,

association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's audited Balance Sheet as of December 31, 1996 and Statements of Operations, Shareholder's Equity and Cash Flows for the year ended December 31, 1996 (December 31, 1996 being hereinafter referred to as the "Balance Sheet Date"), and unaudited Statements of Income, Retained Earnings and Cash Flows for the years ended December 31, 1995 and 1994, and unaudited Balance Sheets as of December 31, 1995 and 1994. Such Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets as of December 31, 1996, 1995 and 1994 present fairly in all material aspects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Income, Cash Flows and Retained Earnings present fairly in all material aspects the results of operations for the periods indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the case of those contingent liabilities related to pending or threatened litigation, or other liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following:

(a) copies of all relevant documentation relating thereto;

(b) amounts claimed and any other action or relief sought; and

(c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDER. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses, franchises, permits and other governmental authorizations, including permits, titles (including motor vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or

adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13, and except where any failure to comply or action would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law); (ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or disposed of Hazardous Wastes and Hazardous Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY, CSI or NEWCO for any clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended;

and (v) to the knowledge of the COMPANY, the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other personal property owned by the COMPANY with an individual value in excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by STOCKHOLDER, relatives of STOCKHOLDER, or Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section 5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound

(including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof, and all other real property, if any, used by the COMPANY in the conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date. True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by STOCKHOLDER or affiliates of the COMPANY or STOCKHOLDERS is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and

(iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the COMPANY, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its employees nor has the COMPANY experienced any labor interruptions over the past three years.

The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDER have delivered to CSI an accurate schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's

Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither STOCKHOLDER, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDER further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules 5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and

interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The STOCKHOLDER made valid elections under the provisions of Subchapter S of the Code with respect to each Company and the COMPANY has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The COMPANY has a taxable year ended December 31 and has not made an election to retain a fiscal year other than December 31 under Section 444 of the Code. The COMPANY's methods of accounting have not changed in the past five years. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated

hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY, CSI or NEWCO of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely providing services to any other customer or potential customer of the COMPANY, CSI, NEWCO or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDER, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDER and their affiliates;

(viii)any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDER or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the COMPANY is a party;

(xiii)any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business.

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the COMPANY has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto. Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the COMPANY and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which the STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for government office nor has it otherwise taken any action which would cause the COMPANY to be in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which the STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, together with the other information furnished to CSI by the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by CSI. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDER become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDER in this Agreement, in any material respect, the COMPANY and the STOCKHOLDER shall immediately give notice of such fact or circumstance to CSI. However, subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDER of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDER at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDER acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the COMPANY, the STOCKHOLDER or any other person affiliated or associated with the COMPANY for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDER to enter into this Agreement, or to vote in favor of or consent to the proposed Merger, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have

been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDER

The STOCKHOLDER represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the representations and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDER owns beneficially and of record all of the shares of the COMPANY Stock identified on Annex IV as being owned by such STOCKHOLDER, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. The STOCKHOLDER is not under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI AND NEWCO

CSI and NEWCO jointly and severally represent and warrant that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the STOCKHOLDERS actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 6, the term "NEWCO" shall mean and refer to each of the NEWCOs, and references to a particular Annex or Schedule number shall be deemed to refer to the respective NEWCO's Annex or Schedule or applicable portion thereof.

6.1 DUE ORGANIZATION. CSI and NEWCO are each corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of CSI and NEWCO (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The respective representatives of CSI and NEWCO executing this Agreement have the authority to enter into and bind CSI and NEWCO to the terms of this

Agreement and (ii) CSI and NEWCO have the full legal right, power and authority to enter into this Agreement and the Merger.

6.3 CAPITAL STOCK OF CSI AND NEWCO. The authorized capital stock of CSI and NEWCO is as set forth in Sections 1.4(ii) and (iii), respectively. All of the issued and outstanding shares of the capital stock of NEWCO are owned by CSI and all of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI and NEWCO have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by CSI and the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI and NEWCO in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI or NEWCO.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates CSI or NEWCO to issue any of their respective authorized but unissued capital stock; and (ii) neither CSI nor NEWCO has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list, accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. NEWCO has no subsidiaries. CSI has no subsidiaries except for NEWCO and each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, neither CSI nor NEWCO presently owns, of record or

beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and neither CSI nor NEWCO, directly or indirectly, is a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date, and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI and NEWCO have no material liabilities, contingent or otherwise, except as set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, neither CSI nor NEWCO is in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI or NEWCO, threatened against or affecting, CSI or NEWCO, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either

of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI and NEWCO have conducted and are conducting their respective businesses in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and are not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. Neither CSI nor NEWCO is in violation of any CSI Charter Document. None of CSI, NEWCO, or, to the knowledge of CSI and NEWCO, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI or NEWCO is a party, or by which CSI or NEWCO, or any of their respective properties, are bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI and NEWCO under the CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDER pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDER pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. Neither CSI nor NEWCO has entered or will enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. Neither CSI nor NEWCO has conducted any material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Neither CSI nor NEWCO owns or has at any time owned any real property or any material personal property or is a party to any other agreement, except as listed on Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any

tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business; (xii) any other distribution of property or assets by CSI other than in the ordinary course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, each COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of such COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of such COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. Each COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, NEWCO, the STOCKHOLDER and each COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of each COMPANY access to all of CSI's and NEWCO's sites, properties, books and records and will furnish each COMPANY with such additional financial and operating data and other information as to the business and properties of CSI and NEWCO as such COMPANY may from time to time reasonably request. CSI and NEWCO will cooperate with each COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. Each COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, each COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with such COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments, except as permitted by Section 10.6, without the knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to such COMPANY as the instruments being replaced; and

(viii)maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Funding and Consummation Date, neither COMPANY will, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted by Section 10.6, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock (provided that the COMPANY may declare and pay dividends pursuant to Section 10.6 hereof);

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of such COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the STOCKHOLDER, either COMPANY, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, such COMPANY or a merger, consolidation or business combination of such COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, each COMPANY shall satisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDER and each COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between such COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between such COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDER and each COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of such COMPANY or the STOCKHOLDER contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of the STOCKHOLDER or each COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI and each NEWCO shall give prompt notice to such COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of CSI or such NEWCO contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI or such NEWCO to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.7 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter

hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by either COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANIES consent to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by CSI or any NEWCO that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI and a majority of the Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent (provided that consent shall be deemed given if any COMPANY consents), the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that any COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall

be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI or any NEWCO seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. Each COMPANY and STOCKHOLDER shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning such COMPANY and the STOCKHOLDER required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). Each COMPANY and the STOCKHOLDER agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be delivered under the Securities Act, any information contained in the prospectus concerning such COMPANY or the STOCKHOLDER becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates solely to each COMPANY or the STOCKHOLDER, such COMPANY represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to such COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. Each COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited

consolidated balance sheets of such COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of such COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of such COMPANY or the results of its operations from the financial statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of each COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDER and each COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI and each NEWCO shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made.

If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDER AND COMPANY

The obligations of STOCKHOLDER and the COMPANY (it being understood and agreed that, for purposes of this Section 8, the term "COMPANY" means both COMPANIES, which shall, for the purposes of this Section 8, act only in unison) with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDER and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date, if any of such conditions has not been satisfied, the Stockholders (acting in unison) shall have the right to terminate this Agreement or, in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any conditions, not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI and NEWCO contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI and NEWCO contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI and NEWCO on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and

performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDER.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be reasonably satisfactory to the COMPANY and its counsel. The STOCKHOLDER and the COMPANY shall be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDER shall have failed to inform CSI in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of the COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDER is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI and NEWCO each shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which CSI or NEWCO is authorized to do business, showing that each of CSI and NEWCO is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI and NEWCO, respectively, for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI or NEWCO which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI and of NEWCO, certifying the truth and correctness of attached copies of the CSI's and NEWCO's respective Certificates of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the boards of directors and, if required, the stockholders of CSI and NEWCO approving CSI's and NEWCO's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDER shall have received an opinion of Arthur Andersen L.L.P. or another tax advisor reasonably acceptable to the STOCKHOLDERS that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code, and that the STOCKHOLDERS will not recognize gain to the extent the STOCKHOLDERS exchange stock of the COMPANY for CSI Stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI AND NEWCO

The obligations of CSI and NEWCO with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI and NEWCO with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDER and the COMPANY contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDER and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDER shall have delivered

to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of each COMPANY, certifying the truth and correctness of attached copies of such COMPANY's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the STOCKHOLDER approving such COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to either COMPANY which would constitute a Material Adverse Effect, and neither COMPANY shall have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of such COMPANY to conduct its business.

9.5 STOCKHOLDER'S RELEASE. The STOCKHOLDER shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the STOCKHOLDER against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDER, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the STOCKHOLDER, (y) continuing obligations to STOCKHOLDER relating to his employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between either COMPANY and the STOCKHOLDER shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDER, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. Each COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in such COMPANY's state of incorporation and, unless waived by CSI, in each state in which such COMPANY is authorized to do business, showing such COMPANY is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for such COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. The STOCKHOLDER shall have delivered to CSI a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

10. COVENANTS OF CSI AND THE STOCKHOLDER AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDER released from any and all guarantees on any indebtedness that he personally guaranteed and from any and all pledges of assets that he pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such guaranteed indebtedness on or prior to 120 days subsequent to the Funding and Consummation Date, CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired, CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDER.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDER shall file or cause to be filed all separate federal income Tax Returns (and any State and local Tax Returns filed on the basis similar to that of S corporations under federal income Tax rules) of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. The STOCKHOLDER shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its

employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, NEWCO, CSI and the STOCKHOLDER shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code. 10.4 DIRECTORS. The persons named in the draft of the Registration Statement shall be appointed as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On the Funding and Consummation Date, the employees of each COMPANY will be the employees of the respective Surviving Corporation (provided that this provision is for purposes of clarifying that the Merger, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of such Surviving Corporation or CSI to assess workforce needs and make appropriate adjustments as necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. The COMPANY may pay to the STOCKHOLDER as a dividend the full amount of his "accumulated adjustments account" (as defined in Section 1368(e) of the Code) as of the Balance Sheet Date, and may also pay to the STOCKHOLDER as a dividend the full amount of the COMPANY's earnings taxable to such STOCKHOLDER for the period after the Balance Sheet Date to the Funding and Consummation Date. The COMPANY may pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's retained earnings as of the Balance Sheet Date. The COMPANY may borrow funds to the extent necessary to make the payments contemplated by this Section 10.6 and to the extent necessary to ensure that the COMPANY has cash on hand to adequately fund operations on the Funding and Consummation Date.

11. INDEMNIFICATION

The STOCKHOLDER, CSI and NEWCO each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDER. The STOCKHOLDER covenants and agrees that he will indemnify, defend, protect and hold harmless CSI, NEWCO, the COMPANY and the Surviving Corporation at all times, from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI, NEWCO, the COMPANY or the Surviving Corporation as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDER or either COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDER or either COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising

out of or based upon any untrue statement or alleged untrue statement of a material fact relating to either COMPANY or the STOCKHOLDER, and provided to CSI or its counsel by either COMPANY or the STOCKHOLDER (but in the case of the STOCKHOLDER, only if such statement was provided in writing) contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to either COMPANY or the STOCKHOLDER required to be stated therein or necessary to make the statements therein not misleading, provided, however, that such indemnity shall not inure to the benefit of CSI, NEWCO, the COMPANY or the Surviving Corporation to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDER provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDER at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the STOCKHOLDER as a result of or arising from (i) any breach by CSI or NEWCO of their representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI or NEWCO under this Agreement, (iii) any liabilities which the STOCKHOLDER may incur due to CSI's or NEWCO's failure to be responsible for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI or NEWCO has claims against the STOCKHOLDER by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue

statement of a material fact relating to CSI, NEWCO or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or NEWCO or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own

choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the

Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. None of CSI, any NEWCO, any Surviving Corporation nor any other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall assert any claim for indemnification hereunder against the STOCKHOLDER until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDER shall exceed the greater of (a) 1.0% of the sum of the cash paid to STOCKHOLDER plus the value of the CSI Stock delivered to STOCKHOLDER (calculated as provided in this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDER shall not assert any claim for indemnification hereunder against CSI or any NEWCO until such time as, and solely to the extent that, the aggregate of all claims which STOCKHOLDER may have against CSI or any or all NEWCOs shall exceed $50,000.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Merger. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price as set forth in the Registration Statement. It is hereby understood and agreed that a

STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Merger, valued as described immediately above.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION.This Agreement may be terminated (it being understood and agreed that, for purposes of this Section 12, the term "COMPANY" means both of the COMPANIES which shall, for purposes of this Section 12, act only in unison) at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the COMPANY;

(ii) by the STOCKHOLDER or the COMPANY (acting through its board of directors), on the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDER or COMPANY, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the STOCKHOLDERS or the COMPANY, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable, or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or

(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The STOCKHOLDER will not, for a period of five (5) years following the Funding and Consummation Date, for any reason whatsoever, directly or indirectly, for himself or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any heating, ventilating or air conditioning services business in direct competition with CSI or any of the subsidiaries thereof, within 100 miles of where the COMPANY or any of its subsidiaries conducted business prior to the effectiveness of the Merger (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of CSI (including the subsidiaries thereof) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of CSI (including the subsidiaries thereof), provided that the STOCKHOLDER shall be permitted to call upon and hire any member of his immediate family;

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Funding and Consummation Date, a customer of CSI (including the subsidiaries thereof), of the COMPANY or of any of the Other Founding Companies within the Territory for the

purpose of soliciting or selling products or services in direct competition with CSI within the Territory;

(iv) call upon any prospective acquisition candidate, on the STOCKHOLDER'S own behalf or on behalf of any competitor in the heating, ventilation or air conditioning services business, which candidate, to the actual knowledge of the STOCKHOLDER after due inquiry, was called upon by CSI (including the subsidiaries thereof) or for which, to the actual knowledge of such STOCKHOLDER after due inquiry, CSI (or any subsidiary thereof) made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of the COMPANY to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the COMPANY has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit the STOCKHOLDER from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange or over-the-counter.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to CSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to CSI for which it would have no other adequate remedy, the STOCKHOLDER agrees that the foregoing covenant may be enforced by CSI in the event of breach by the STOCKHOLDER, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the STOCKHOLDER in light of the activities and business of CSI (including the subsidiaries thereof) on the date of the execution of this Agreement and the current plans of CSI.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of the STOCKHOLDER against CSI (including the subsidiaries thereof), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by CSI of such covenants. It is specifically agreed that the period of five (5) years stated at the beginning of this Section 13, during which the agreements and covenants of the STOCKHOLDER made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which the STOCKHOLDER is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The COMPANY and the STOCKHOLDER hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDER. The STOCKHOLDER recognizes and acknowledges that he had in the past, currently has, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. The

STOCKHOLDER agrees that he will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDER as is required in the course of performing his duties for CSI or the Surviving Corporation and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the STOCKHOLDER, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDER shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by the STOCKHOLDER of the provisions of this Section, CSI shall be entitled to an injunction restraining the STOCKHOLDER from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, STOCKHOLDER shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI AND NEWCO. CSI and NEWCO recognize and acknowledge that they had in the past and currently have access to certain confidential information of the COMPANY, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI and NEWCO agree that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other

advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI or NEWCO, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI and NEWCO shall, if possible, give prior written notice thereof to the COMPANY and the STOCKHOLDER and provide the COMPANY and the STOCKHOLDER with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI or NEWCO of the provisions of this Section, the COMPANY and the STOCKHOLDER shall be entitled to an injunction restraining CSI and NEWCO from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDER from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDER or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, the STOCKHOLDER shall not sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDER in the Merger. The certificates evidencing the CSI Stock delivered to the STOCKHOLDER pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate: THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDER acknowledges that the shares of CSI Stock to be delivered to the STOCKHOLDER pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the Act. The CSI Stock to be acquired by the STOCKHOLDER pursuant to this Agreement is being acquired solely for his own account, for investment purposes

only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The STOCKHOLDER covenants, warrants and represents that none of the shares of CSI Stock issued to the STOCKHOLDER will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The STOCKHOLDER is able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the proposed investment in the CSI Stock. The STOCKHOLDER has had an adequate opportunity to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business of CSI, the business, operations and financial condition of the Founding Companies other than the COMPANY, and any plans for additional acquisitions and the like. The STOCKHOLDER has asked any and all questions in the nature described in the preceding sentence and all questions have been answered to his satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public

offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give the STOCKHOLDER prompt written notice of its intent to do so. Upon the written request of the STOCKHOLDER given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to the STOCKHOLDER pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which the STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than CSI is greater than the number of such shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each such offering made by CSI after the IPO, such reduction shall be made first by reducing the number of shares to be sold by persons other than CSI, the STOCKHOLDER and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDER and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements

which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the shares of CSI Stock issued to the STOCKHOLDER pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from the STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective date of such registration unless CSI is no longer proceeding diligently to effect such registration; provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by the STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to the STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. Each COMPANY, STOCKHOLDER, CSI and NEWCO shall each deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. Each COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of such COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDER.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDER, each COMPANY, each NEWCO and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDER, each COMPANY, each NEWCO and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that each COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents,

representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement, including the fees and expenses of Arthur Andersen LLP, Bracewell & Patterson, L.L.P., and any other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. The STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Merger, other than Transfer Taxes, if any, imposed by the State of Delaware. The STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, the STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of the STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI, or any NEWCO, addressed to them at:
Comfort Systems USA, Inc.

4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDER, addressed to him at his address set forth on Annex IV, with copies to:

Christopher C. Collins
Andrews & Kurth, L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(c) If to any COMPANY, addressed to it at:

60 Loudonville Road
Albany, NY 12204

Attn: Alfred J. Giardenelli, Jr.
and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, each NEWCO, each COMPANY and the STOCKHOLDER. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Merger and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By: /S/ FRED FERREIRA
Name: Fred Ferreira
Title: Chief Executive Officer

EASTERN ACQUISITION CORP.

By: /S/ GORDIE BEITTENMILLER
Name: Gordie Beittenmiller
Title: President

EASTERN II ACQUISITION CORP.

By:/S/ GORDIE BEITTENMILLER
Name: Gordie Beittenmiller
Title: President

EASTERN HEATING & COOLING, INC.
By:/S/ ALFRED J. GIARDENELLI, JR.
Name: Alfred J. Giardenelli, Jr.
Title: President

EASTERN REFRIGERATION CO., INC.

By:/S/ ALFRED J. GIARDENELLI, JR.
Name: Alfred J. Giardenelli, Jr.
Title: President

STOCKHOLDER:

/S/ ALFRED J. GIARDENELLI, JR.
ALFRED J. GIARDENELLI, JR.

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
EASTERN ACQUISITION CORP., EASTERN II ACQUISITION CORP.,

EASTERN HEATING & COOLING, INC.
EASTERN REFRIGERATION CO., INC., AND

ALFRED J. GIARDENELLI, JR.

CONSIDERATION TO BE PAID TO STOCKHOLDER

Aggregate consideration to be paid to STOCKHOLDER:

$4,652,713 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 304,216 shares of CSI Stock and $697,905 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

CONSIDERATION TO BE PAID TO THE STOCKHOLDER:

STOCKHOLDER	SHARES OF COMMON STOCK OF CSI	CASH ($)
Alfred J. Giardenelli, Jr.	304,216	$ 697,905

MINIMUM VALUE: $2,863,208 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
EASTERN ACQUISITION CORP., EASTERN II ACQUISITION CORP.,

EASTERN HEATING & COOLING, INC.
EASTERN REFRIGERATION CO., INC., AND

ALFRED J. GIARDENELLI, JR.

STOCKHOLDER AND STOCK OWNERSHIP OF THE COMPANIES

EASTERN HEATING & COOLING, INC.

STOCKHOLDER	ADDRESS	NO. SHARES HELD
Alfred J. Giardenelli, Jr.	1240 Milton Keynes Dr. Niskayuna, NY 12309	100

EASTERN REFRIGERATION CO., INC.

STOCKHOLDER	ADDRESS	NO. SHARES HELD
Alfred J. Giardenelli, Jr.	1240 Milton Keynes Dr. Niskayuna, NY 12309	100

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

FREEWAY ACQUISITION CORP.
(a subsidiary of Comfort Systems USA, Inc.)

FREEWAY HEATING & AIR CONDITIONING, INC.

and

the STOCKHOLDERS named herein

TABLE OF CONTENTS

ANNEXES

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), FREEWAY ACQUISITION CORP., a Delaware corporation ("NEWCO"), FREEWAY HEATING & AIR CONDITIONING, INC., a Utah corporation (the "COMPANY"), and CHERYL ARBUCKLE GOVE, ROBERT W. ARBUCKLE, ALAN W. ARBUCKLE and ROBERT M. ARBUCKLE (the "STOCKHOLDERS"). The STOCKHOLDERS are all the stockholders of the COMPANY.

WHEREAS, NEWCO is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on March 4, 1997, solely for the purpose of completing the transactions set forth herein, and is a wholly-owned subsidiary of CSI, a corporation organized and existing under the laws of the State of Delaware;

WHEREAS, the respective Boards of Directors of NEWCO and the COMPANY (which together are hereinafter collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that NEWCO merge with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the States of Delaware and Utah;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDERS and the Boards of Directors and the stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of

CSI that are parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDERS and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDERS and the stockholders of each of the other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the Board of Directors of the COMPANY has approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement: "1933 Act" means the Securities Act of 1933, as amended. "1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean NEWCO and each of the other Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Articles of Merger" shall mean those Articles or Certificates of Merger with respect to the Merger substantially in the forms attached as Annex I hereto or with such other changes therein as may be required by applicable state laws.

"Balance Sheet Date" shall mean December 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" has the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock" has the meaning set forth in Section 2.1.

"Constituent Corporations" has the meaning set forth in the second recital of this Agreement.

"Effective Time of the Merger" shall mean the time as of which the Merger becomes effective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation

(formerly Atlas Interest, Inc.),

Contract Service, Inc., a Utah corporation,

Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration

Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation,

Quality Air Heating & Cooling, Inc., a Michigan corporation,

Seasonair, Inc., a Maryland corporation, Standard Heating & Air

Conditioning Company, Inc., an Alabama corporation, S.M. Lawrence

Company, Inc., a Tennessee corporation, and Lawrence Service,

Inc., A Tennessee corporation, Tech Heating and Air Conditioning,

Inc., an Ohio corporation, and Tech

Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and

Western Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in

Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as referenced in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Merger" means the merger of NEWCO with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the State of Delaware and other applicable state laws.

"NEWCO" has the meaning set forth in the first paragraph of this Agreement.

"NEWCO STOCK" means the common stock, par value $.01 per share, of NEWCO.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDERS" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" shall mean the COMPANY as the surviving party in the Merger.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts,net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements,representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE MERGER

1.1 DELIVERY AND FILING OF ARTICLES OF MERGER. The Constituent Corporations will cause the Articles of Merger to be signed, verified and filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of Utah and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE MERGER. At the Effective Time of the Merger, NEWCO shall be merged with and into the COMPANY in accordance with the Articles of Merger, the separate existence of NEWCO shall cease, the COMPANY shall be the surviving party in the Merger and the

COMPANY is sometimes hereinafter referred to as the Surviving Corporation. The Merger will be effected in a single transaction.

1.3 CERTIFICATE OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF SURVIVING CORPORATION. At the Effective Time of the Merger:

(i) the Certificate of Incorporation of the COMPANY then in effect shall be the Certificate of Incorporation of the Surviving Corporation until changed as provided by law;

(ii) the By-laws of NEWCO then in effect shall become the By-laws of the Surviving Corporation; and subsequent to the Effective Time of the Merger, such By-laws shall be the By-laws of the Surviving Corporation until they shall thereafter be duly amended;

(iii) the Board of Directors of the Surviving Corporation shall consist of the persons who are on the Board of Directors of the COMPANY immediately prior to the Effective Time of the Merger, provided that Gordie Beittenmiller shall be elected as a director of the Surviving Corporation effective as of the Effective Time of the Merger; the Board of Directors of the Surviving Corporation shall hold office subject to the provisions of the laws of the State of Utah and of the Certificate of Incorporation and By-laws of the Surviving Corporation; and

(iv) the officers of the COMPANY immediately prior to the Effective Time of the Merger shall continue as the officers of the Surviving Corporation in the same capacity or capacities, and effective upon the Effective Time of the Merger Gordie Beittenmiller shall be appointed as a vice president of the Surviving Corporation and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of the Surviving Corporation, each of such officers to serve, subject to the provisions of the Certificate of Incorporation and By-laws of the Surviving Corporation, until his or her successor is duly elected and qualified.

1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY, CSIAND NEWCO. The respective designations and numbers of outstanding shares and voting rights of

each class of outstanding capital stock of the COMPANY, CSI and NEWCO as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the COMPANY is as set forth on Schedule 5.3 hereto;

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50,000,000 shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5,000,000 shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement; and

(iii) as of the date of this Agreement, the authorized capital stock of NEWCO consists of 1,000 shares of NEWCO Stock, of which one hundred (100) shares are issued and outstanding. 1.5 EFFECT OF MERGER. At the Effective Time of the Merger, the effect of the Merger shall

be as provided in the applicable provisions of the General Corporation Law of the State of Delaware (the "Delaware GCL") and the law of the State of Utah. Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of the COMPANY shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of NEWCO shall be merged with and into the COMPANY, and the COMPANY, as the Surviving Corporation, shall be fully vested therewith. At the Effective Time of the Merger, the separate existence of NEWCO shall cease and, in accordance with the terms of this Agreement, the Surviving Corporation shall possess all the rights, privileges, immunities and franchises, of a public, as well as of a private, nature, and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all taxes, including those due and owing and those accrued, and all other choses in action, and all and every other interest of or belonging to or due to the COMPANY and NEWCO shall be taken and deemed to be transferred

to, and vested in, the Surviving Corporation without further act or deed; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the COMPANY and NEWCO; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of the state of incorporation vested in the COMPANY and NEWCO, shall not revert or be in any way impaired by reason of the Merger. Except as otherwise provided herein, the Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the COMPANY and NEWCO and any claim existing, or action or proceeding pending, by or against the COMPANY or NEWCO may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in their place. Neither the rights of creditors nor any liens upon the property of the COMPANY or NEWCO shall be impaired by the Merger, and all debts, liabilities and duties of the COMPANY and NEWCO shall attach to the Surviving Corporation, and may be enforced against such Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by such Surviving Corporation.

2. CONVERSION OF STOCK

2.1 MANNER OF CONVERSION. The manner of converting the shares of (i) outstanding capital stock of the COMPANY ("COMPANY Stock") and (ii) NEWCO Stock, issued and outstanding immediately prior to the Effective Time of the Merger, respectively, into shares of (x) CSI Stock and (y) common stock of the Surviving Corporation, respectively, shall be as follows:

As of the Effective Time of the Merger:

(i) all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, automatically shall be deemed to represent (1) the right to receive the number of shares of CSI Stock set forth on Annex III hereto with respect to such

holder and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to such holder;

(ii) all shares of COMPANY Stock that are held by the COMPANY as treasury stock shall be canceled and retired and no shares of CSI Stock or other consideration shall be delivered or paid in exchange therefor; and

(iii) each share of NEWCO Stock issued and outstanding immediately prior to the Effective Time of the Merger, shall, by virtue of the Merger and without any action on the part of CSI, automatically be converted into one fully paid and non-assessable share of common stock of the Surviving Corporation which shall constitute all of the issued and outstanding shares of common stock of the Surviving Corporation immediately after the Effective Time of the Merger. All CSI Stock received by the STOCKHOLDERS pursuant to this Agreement shall, except

for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDERS shall be fully exercisable by the STOCKHOLDERS and the STOCKHOLDERS shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Merger, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF MERGER CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDERS, who are the holders of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the respective number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDERS shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDERS, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the STOCKHOLDERS' expense, affixed and canceled. The STOCKHOLDERS agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Merger (including, if permitted by applicable state law, the filing with the appropriate state authorities of the Articles of Merger which shall become effective at the Effective Time of the Merger) and (ii) effect the conversion and delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Merger or the conversion and delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, CSI hereby covenants and agrees to do all things required by Delaware law and all things which counsel for the COMPANY advise CSI are required by applicable laws of the State of Utah in order to rescind the merger effected by the filing of the Articles of Merger as described in this Section. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Articles of Merger shall be or shall have been filed with the appropriate state authorities so that they shall be or, as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, shall become effective and the Merger shall thereby be effected, (y) all transactions contemplated

by this Agreement, including the conversion and delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDERS shall be entitled to receive pursuant to the Merger referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12 hereof, during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS

(A) REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS.

Each of the COMPANY and the STOCKHOLDERS jointly and severally represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the

expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to the COMPANY and all of its subsidiaries, if any.

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of the COMPANY (the "Charter Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDERS which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement and the Merger, subject to any required approval of the shareholders and the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the COMPANY is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the COMPANY are owned by the STOCKHOLDERS in the amounts set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the COMPANY have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the STOCKHOLDERS and further, such shares were offered, issued, sold and delivered by the COMPANY in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the COMPANY nor the relative ownership of shares among any of its respective stockholders has been altered or changed in contemplation of the Merger and/or the CSI Plan of Organization. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Merger or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except as set forth on Schedule 5.6, the COMPANY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's unaudited Balance Sheets as of December 31, 1996 and March 31, 1996, and March 31, 1995 and Statements of Income, Cash Flows and Retained Earnings for year ended March 31, 1995 and unaudited statements of Income and Cash Flows for the fiscal years ended March 31, 1995 and 1996 and December 31, 1996 (December 31, 1996 being hereinafter referred to as the "Balance Sheet Date"). Such Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted

thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets as of December 31, 1996, and March 31, 1995 present fairly in all material respects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Income, Cash Flows and Retained Earnings and Statement of Income present fairly in all material respects the results of operations for the periods indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date, which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the case of those contingent liabilities related to pending or threatened litigation, or other liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following:
(a) copies of all relevant documentation relating thereto;
(b) amounts claimed and any other action or relief sought; and
(c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which

is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDERS. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses, franchises, permits and other governmental authorizations, including permits, titles (including motor vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and

other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13, and except where any failure to comply or action would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law); (ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or disposed of Hazardous Wastes and Hazardous Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local

or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY, CSI or NEWCO for any clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; and (v) to the knowledge of the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other personal property owned by the COMPANY with an individual value in excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by STOCKHOLDERS, relatives of STOCKHOLDERS, or Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section 5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the

COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof and all other real property, if any, used by the COMPANY in the conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date. True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by STOCKHOLDERS or affiliates of the COMPANY or STOCKHOLDERS is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and

constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the COMPANY, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the

COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its employees nor has the COMPANY experienced any labor interruptions over the past three years.

The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDERS have delivered to CSI an accurate schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither STOCKHOLDERS, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDERS further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, vari ances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules 5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The COMPANY has a taxable year ended December 31 and has not made an election to retain a fiscal year other than December 31 under Section 444 of the Code. The COMPANY's methods of accounting have not changed in the past five years. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely

affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY, CSI or NEWCO of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely providing services to any other customer or potential customer of the COMPANY, CSI, NEWCO or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the

capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDERS, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDERS and their affiliates;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDERS or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the COMPANY is a party;

(xiii) any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business.

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the COMPANY has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto. Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the COMPANY and this Agreement has been duly and

validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for government office nor has it otherwise taken any action which would cause the COMPANY to be in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, together with the other information furnished to CSI by the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by CSI. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDERS become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDERS in this Agreement, in any material respect, the COMPANY and the STOCKHOLDERS shall immediately give notice of such fact or circumstance to CSI. However, subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDERS of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDERS at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDERS acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the COMPANY, the STOCKHOLDERS or any other person affiliated or associated with the COMPANY for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDERS to enter into this Agreement, or to vote in favor of or consent to the proposed Merger, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS

Each STOCKHOLDER severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the representations and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDER owns beneficially and of record all of the shares of the COMPANY stock identified on Annex IV as being owned by such

STOCKHOLDER, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. No STOCKHOLDER is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI AND NEWCO

CSI and NEWCO jointly and severally represent and warrant that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the STOCKHOLDERS actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

6.1 DUE ORGANIZATION. CSI and NEWCO are each corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of CSI and NEWCO (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The respective representatives of CSI and NEWCO executing this Agreement have the authority to enter into and bind CSI and NEWCO to the terms of this Agreement and (ii) CSI and NEWCO have the full legal right, power and authority to enter into this Agreement and the Merger.

6.3 CAPITAL STOCK OF CSI AND NEWCO. The authorized capital stock of CSI and NEWCO is as set forth in Sections 1.4(ii) and (iii), respectively. All of the issued and outstanding shares of the capital stock of NEWCO are owned by CSI and all of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI and NEWCO have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by CSI and the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI and NEWCO in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI or NEWCO.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or

commitment of any kind exists which obligates CSI or NEWCO to issue any of their respective authorized but unissued capital stock; and (ii) neither CSI nor NEWCO has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list, accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. NEWCO has no subsidiaries. CSI has no subsidiaries except for NEWCO and each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, neither CSI nor NEWCO presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and neither CSI nor NEWCO, directly or indirectly, is a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date, and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI and NEWCO have no material liabilities, contingent or otherwise, except as set forth in or contemplated by this

Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, neither CSI nor NEWCO is in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI or NEWCO, threatened against or affecting, CSI or NEWCO, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI and NEWCO have conducted and are conducting their respective businesses in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and are not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. Neither CSI nor NEWCO is in violation of any CSI Charter Document. None of CSI, NEWCO, or, to the knowledge of CSI and NEWCO, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI or NEWCO is a party, or by which CSI or NEWCO, or any of their respective properties, are bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI and NEWCO under the CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice

to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDERS pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. Neither CSI nor NEWCO has entered or will enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. Neither CSI nor NEWCO has conducted any material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Neither CSI nor NEWCO owns or has at any time owned any real property or any material personal property or is a party to any other agreement, except as listed on

Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business; (xii) any other distribution of property or assets by CSI other than in the ordinary course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of the COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of the COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. The COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, NEWCO, the STOCKHOLDERS and the COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of the COMPANY access to all of CSI's and NEWCO's sites, properties, books and records and will furnish the COMPANY with such additional financial and operating data and other information as to the business and properties of CSI and NEWCO as the COMPANY may from time to time reasonably request. CSI and NEWCO will cooperate with the COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments except as permitted by Section 10.6, without the knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to the COMPANY as the instruments being replaced; and

(viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Funding and Consummation Date, the COMPANY will not, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted by Section 10.6 declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock (provided that the COMPANY may declare and pay dividends pursuant to Section 10.6 hereof);

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of the COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder. 7.4 NO SHOP. None of the STOCKHOLDERS, the COMPANY, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing

on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the COMPANY or a merger, consolidation or business combination of the COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, the COMPANY shallsatisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDERS and the COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between the COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDERS and the COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of the COMPANY or the STOCKHOLDERS contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any STOCKHOLDER or the COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI and NEWCO shall give prompt notice to the COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be

likely to cause any representation or warranty of CSI or NEWCO contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI or NEWCO to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.7 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANY consent to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by CSI or NEWCO that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other

Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI and a majority of the Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent, the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that the COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI or NEWCO seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The COMPANY and STOCKHOLDERS shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning the COMPANY and the STOCKHOLDERS required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The COMPANY and the STOCKHOLDERS agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be

delivered under the Securities Act, any information contained in the prospectus concerning the COMPANY or the STOCKHOLDERS becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates solely to the COMPANY or the STOCKHOLDERS, the COMPANY represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. The COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited consolidated balance sheets of the COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of the COMPANY or the results of its operations from the financial statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock

as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDERS and the COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI and NEWCO shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date, if any of such conditions has not been satisfied, the Stockholders (acting in unison) shall have the right to terminate this Agreement or, in the alternative, waive any condition not so satisfied. Any act or

action of the Stockholders in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI and NEWCO contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI and NEWCO contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI and NEWCO on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDERS.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be reasonably satisfactory to the COMPANY and its counsel. The STOCKHOLDERS and the COMPANY shall be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDERS shall have failed to inform CSI in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of the

COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDERS is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI and NEWCO each shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which CSI or NEWCO is authorized to do business, showing that each of CSI and NEWCO is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI and NEWCO, respectively, for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI or NEWCO which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI and of NEWCO, certifying the truth and correctness of attached copies of the CSI's and NEWCO's respective Certificates of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the boards of directors and, if required, the stockholders of CSI and NEWCO approving CSI's and NEWCO's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDERS shall have received an opinion of Arthur Andersen L.L.P. or another tax advisor reasonably acceptable to the STOCKHOLDERS that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code, and that the STOCKHOLDERS will not recognize gain to the extent the STOCKHOLDERS exchange stock of the COMPANY for CSI Stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI AND NEWCO

The obligations of CSI and NEWCO with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI and NEWCO with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that

no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDERS and the COMPANY contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDERS and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDERS shall have delivered to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of the COMPANY, certifying the truth and correctness of attached copies of the COMPANY's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the STOCKHOLDERS approving the COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the COMPANY which would constitute a Material Adverse Effect, and the COMPANY shall not have suffered any material loss or damages to any of its properties or assets, whether or not

covered by insurance, which change, loss or damage materially affects or impairs the ability of the COMPANY to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The STOCKHOLDERS shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the STOCKHOLDERS against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDERS, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the STOCKHOLDERS, (y) continuing obligations to STOCKHOLDERS relating to their employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the COMPANY and the STOCKHOLDERS shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDERS, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the COMPANY's state of incorporation and, unless waived by CSI, in each state in which the COMPANY is authorized to do business, showing the COMPANY is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each STOCKHOLDER shall have delivered to CSI a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

10. COVENANTS OF CSI AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDERS released from any and all guarantees on any indebtedness that they personally guaranteed and from any and all pledges of assets that they pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such guaranteed indebtedness on or prior to 120 days subsequent to the Funding and Consummation Date, CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired,

CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDERS.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDERS shall file or cause to be filed all separate federal income Tax Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Each STOCKHOLDER shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them

reasonably may request in filing any Return, amended Return or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, NEWCO, CSI and each STOCKHOLDER shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code. 10.4 DIRECTORS. The persons named in the draft of the Registration Statement shall be

appointed as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On

the Funding and Consummation Date, the employees of the COMPANY will be the employees of the Surviving Corporation (provided that this provision is for purposes of clarifying that the Merger, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of the Surviving Corporation or CSI to assess workforce needs and make appropriate adjustments as necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. If the COMPANY is an S corporation, the COMPANY may pay to each STOCKHOLDER as a dividend the full amount of his or her "accumulated adjustments account" (as defined in Section 1368(e) of the Code) as of the Balance Sheet Date, and may also pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings taxable to such STOCKHOLDERS for the period after the Balance Sheet Date to the Funding and Consummation Date. If the COMPANY is a C corporation, the COMPANY may pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings for the period after the Balance Sheet Date to the Funding and Consummation Date. The COMPANY may borrow funds to the extent necessary to make the payments contemplated by this Section 10.6 and to the extent necessary to ensure that the COMPANY has cash on hand to adequately fund operations on the Funding and Consummation Date.

11. INDEMNIFICATION

The STOCKHOLDERS, CSI and NEWCO each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The STOCKHOLDERS

covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless CSI, NEWCO, the COMPANY and the Surviving Corporation at all times, from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but

without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI, NEWCO, the COMPANY or the Surviving Corporation as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDERS or the COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDERS or the COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to the COMPANY or the STOCKHOLDERS, and provided to CSI or its counsel by the COMPANY or the STOCKHOLDERS (but in the case of the STOCKHOLDERS, only if such statement was provided in writing) contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the COMPANY or the STOCKHOLDERS required to be stated therein or necessary to make the statements therein not misleading; provided, however, that such indemnity shall not inure to the benefit of CSI, NEWCO, the COMPANY or the Surviving Corporation to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDERS provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no STOCKHOLDER shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent attributable to a breach of any representation, warranty or agreement made herein individually by any other STOCKHOLDER.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDERS at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the

STOCKHOLDERS as a result of or arising from (i) any breach by CSI or NEWCO of their representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI or NEWCO under this Agreement, or (iii) any liabilities which the STOCKHOLDERS may incur due to CSI's or NEWCO's failure to be responsible for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI or NEWCO has claims against the STOCKHOLDERS by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to CSI, NEWCO or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or NEWCO or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified

Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification

hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. CSI, NEWCO, the Surviving Corporation and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the STOCKHOLDERS until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDERS shall exceed the greater of (a) 1.0% of the sum of the cash paid to STOCKHOLDERS plus the value of the CSI Stock delivered to STOCKHOLDERS (calculated as provided in this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDERS shall not assert any claim for indemnification hereunder against CSI or NEWCO until such time as, and solely to the extent that, the aggregate of all claims which STOCKHOLDERS may have against CSI or NEWCO shall exceed $50,000.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Merger. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price as set forth in the Registration Statement. It is hereby understood and agreed that a STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Merger, valued as described immediately above.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the COMPANY;

(ii) by the STOCKHOLDERS or the COMPANY (acting through its board of directors),on the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDERS or COMPANY, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the

STOCKHOLDERS, or the COMPANY, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable, or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or

(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The STOCKHOLDERS will not, for a period of five (5) years following the Funding and Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any heating, ventilating or air conditioning services business in direct competition with CSI or any of the subsidiaries thereof, within 100 miles of where the COMPANY or any of its subsidiaries conducted business prior to the effectiveness of the Merger (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of CSI (including the subsidiaries thereof) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of CSI (including the

subsidiaries thereof), provided that each STOCKHOLDER shall be permitted to call upon and hire any member of his or her immediate family;

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Funding and Consummation Date, a customer of CSI (including the subsidiaries thereof), of the COMPANY or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with CSI within the Territory;

(iv) call upon any prospective acquisition candidate, on any STOCKHOLDER's own behalf or on behalf of any competitor in the heating, ventilation or air conditioning services business, which candidate, to the actual knowledge of such STOCKHOLDER after due inquiry, was called upon by CSI (including the subsidiaries thereof) or for which, to the actual knowledge of such STOCKHOLDER after due inquiry, CSI (or any subsidiary thereof) made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of the COMPANY to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the COMPANY has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit any STOCKHOLDER from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange or over-the-counter.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to CSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to CSI for which it would have no other adequate remedy, each STOCKHOLDER agrees that the foregoing covenant may be enforced by CSI in the event of breach by such STOCKHOLDER, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the STOCKHOLDERS in light of the activities and business of CSI (including the subsidiaries thereof) on the date of the execution of this Agreement and the current plans of CSI.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of any STOCKHOLDER against CSI (including the subsidiaries thereof), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by CSI of such covenants. It is specifically agreed that the period of five (5) years stated at the beginning of this Section 13, during which the agreements and covenants of each STOCKHOLDER made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such STOCKHOLDER is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The COMPANY and the STOCKHOLDERS hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The STOCKHOLDERS recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. The STOCKHOLDERS agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDERS as is required in the course of performing their duties for CSI or the Surviving Corporation and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the STOCKHOLDERS, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDERS shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the STOCKHOLDERS of the provisions of this Section, CSI shall be entitled to an injunction restraining such STOCKHOLDERS from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, STOCKHOLDERS shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI AND NEWCO. CSI and NEWCO recognize and acknowledge that they had in the past and currently have access to certain confidential information of the COMPANY, such as

operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI and NEWCO agree that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI or NEWCO, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI and NEWCO shall, if possible, give prior written notice thereof to the COMPANY and the STOCKHOLDERS and provide the COMPANY and the STOCKHOLDERS with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI or NEWCO of the provisions of this Section, the COMPANY and the STOCKHOLDERS shall be entitled to an injunction restraining CSI and NEWCO from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDERS from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the

parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDERS or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, none of the STOCKHOLDERS shall sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDERS in the Merger. The certificates evidencing the CSI Stock delivered to the STOCKHOLDERS pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate:

THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDERS acknowledge that the shares of CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and may not be resold without compliance with the Act. The CSI Stock to be acquired by such STOCKHOLDERS pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The STOCKHOLDERS covenant, warrant and represent that none of the shares of CSI Stock issued to such STOCKHOLDERS will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement: THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The STOCKHOLDERS are able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the proposed investment in the CSI Stock. The STOCKHOLDERS party hereto have had an adequate opportunity to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business

of CSI, the business, operations and financial condition of the Founding Companies other than the COMPANY, and any plans for additional acquisitions and the like. The STOCKHOLDERS have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give each of the STOCKHOLDERS prompt written notice of its intent to do so. Upon the written request of any of the STOCKHOLDERS given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which any such STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than CSI is greater than the number of such shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each

such offering made by CSI after the IPO, such reduction shall be made first by reducing the number of shares to be sold by persons other than CSI, the STOCKHOLDERS and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDERS and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the shares of CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from any STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the

date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective date of such registration unless CSI is no longer proceeding diligently to effect such registration; provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such

managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by any STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to such STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The COMPANY, STOCKHOLDERS, CSI and NEWCO shall each deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such

other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of the COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDERS.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDERS, the COMPANY, NEWCO and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDERS, the COMPANY, NEWCO and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Bracewell & Patterson, L.L.P., and any other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. Each STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Merger, other than Transfer Taxes, if any, imposed by the State of Delaware. Each STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of such STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI, or NEWCO, addressed to them at:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDERS, addressed to them at their addresses set forth on Annex IV, with copies to:

Rick Johnson
Van Cott, Bagley, Cornwall & McCarthy
50 South Main Street, Suite 1600
Salt Lake City, Utah 84145

(c) If to the COMPANY, addressed to it at:

Freeway Heating & Air Conditioning, Inc.
260 N. 500 West
Bountiful, Utah 84011
Attn: Robert W. Arbuckle

and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such

modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, NEWCO, the COMPANY and STOCKHOLDERS who hold or who will hold at least 50% of the CSI Stock issued or to be issued upon consummation of the Merger. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Merger and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:/S/ FRED FERREIRA
Name: Fred Ferreira
Title: Chief Executive Officer

FREEWAY ACQUISITION CORP.

By:/S/ GORDIE BEITTENMILLER
Name: Gordie Beittenmiller
Title: President

FREEWAY HEATING & AIR CONDITIONING, INC.

By:/S/ ROBERT W. ARBUCKLE
Name: Robert W. Arbuckle
Title: President

STOCKHOLDERS:

/S/ CHERYL ARBUCKLE GOVE
Cheryl Arbuckle Gove

/S/ ROBERT W. ARBUCKLE
Robert W. Arbuckle

/S/ ALAN W. ARBUCKLE
Alan W. Arbuckle

/S/ ROBERT M. ARBUCKLE
Robert M. Arbuckle

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
FREEWAY ACQUISITION CORP.

FREEWAY HEATING & AIR CONDITIONING, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

CONSIDERATION TO BE PAID TO STOCKHOLDERS

Aggregate consideration to be paid to STOCKHOLDERS:

$5,195,086 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 319,698 shares of CSI Stock and $1,039,012 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

CONSIDERATION TO BE PAID TO EACH STOCKHOLDER:

STOCKHOLDER	Shares of Common STOCK OF CSI	Cash ($)
Cheryl Arbuckle Gove	57,901	$ 188,175
Robert W. Arbuckle	156,652	509,119
Alan W. Arbuckle	83,121	270,140
Robert M. Arbuckle	22,024	71,578
TOTALS:	319,698	$ 1,039,012

MINIMUM VALUE: $3,196,976 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
FREEWAY ACQUISITION CORP.

FREEWAY HEATING & AIR CONDITIONING, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

STOCKHOLDERS AND STOCK OWNERSHIP OF THE COMPANY

The following is a list of the STOCKHOLDERS, their addresses and the number of shares of the COMPANY Stock held by each thereof:

STOCKHOLDER	ADDRESSES	NO. SHARES HELD
Cheryl Arbuckle Gove		326
Robert W. Arbuckle		882
Alan W. Arbuckle		468
Robert M. Arbuckle		124
	Total Outstanding	1,800

EXHIBIT 2.6

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

QUALITY ACQUISITION CORP.
(a subsidiary of Comfort Systems USA, Inc.)

QUALITY AIR HEATING & COOLING, INC.

and

the STOCKHOLDERS named herein

TABLE OF CONTENTS

ANNEXES

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), QUALITY ACQUISITION CORP., a Delaware corporation ("NEWCO"), QUALITY AIR HEATING & COOLING, INC., a Michigan corporation (the "COMPANY"), ROBERT J. POWERS, TIMOTHY ALBERS, RICHARD WILLIAMSON and FRANKLIN HOLWERDA (the "STOCKHOLDERS"). The STOCKHOLDERS are all the stockholders of the COMPANY.

WHEREAS, NEWCO is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on March 4, 1997, solely for the purpose of completing the transactions set forth herein, and is a wholly-owned subsidiary of CSI, a corporation organized and existing under the laws of the State of Delaware;

WHEREAS, the respective Boards of Directors of NEWCO and the COMPANY (which together are hereinafter collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that NEWCO merge with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the States of Delaware and Michigan;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDERS and the Boards of Directors and the stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of CSI that are parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDERS and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDERS and the stockholders of each of the other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the Board of Directors of the COMPANY has approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement: "1933 Act" means the Securities Act of 1933, as amended. "1934 Act" means the Securities Exchange Act of 1934, as amended. "Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean NEWCO and each of the other Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Articles of Merger" shall mean those Articles or Certificates of Merger with respect to the Merger substantially in the forms attached as Annex I hereto or with such other changes therein as may be required by applicable state laws.

"Balance Sheet Date" shall mean December 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" has the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock" has the meaning set forth in Section 2.1.

"Constituent Corporations" has the meaning set forth in the second recital of this Agreement.

"Effective Time of the Merger" shall mean the time as of which the Merger becomes effective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation (formerly Atlas Interest, Inc.),

Contract Service, Inc., a Utah corporation,

Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation,

Quality Air Heating & Cooling, Inc., a Michigan corporation,

Seasonair, Inc., a Maryland corporation,

Standard Heating & Air Conditioning Company, Inc., an Alabama corporation,

S.M. Lawrence Company, Inc., a Tennessee corporation, and Lawrence Service, Inc., a Tennessee corporation,

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and Tech Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and

Western Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement.

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as referenced in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Merger" means the merger of NEWCO with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the State of Delaware and other applicable state laws.

"NEWCO" has the meaning set forth in the first paragraph of this Agreement.

"NEWCO STOCK" means the common stock, par value $.01 per share, of NEWCO.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDERS" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" shall mean the COMPANY as the surviving party in the Merger.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts,

net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement. NOW, THEREFORE, in consideration of the premises and of the mutual agreements,

representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE MERGER

1.1 DELIVERY AND FILING OF ARTICLES OF MERGER. The Constituent Corporations will cause the Articles of Merger to be signed, verified and filed with the Secretary of State of the State of Delaware and the Michigan Department of Consumer and Industry Services, Corporation, Securities and Land Development Bureau, and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE MERGER. At the Effective Time of the Merger, NEWCO shall be merged with and into the COMPANY in accordance with the Articles of Merger, the separate existence of NEWCO shall cease, the COMPANY shall be the surviving party in the Merger and the

COMPANY is sometimes hereinafter referred to as the Surviving Corporation. The Merger will be effected in a single transaction.

1.3 CERTIFICATE OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF SURVIVING CORPORATION. At the Effective Time of the Merger:

(i) the Certificate of Incorporation of the COMPANY then in effect shall be the Certificate of Incorporation of the Surviving Corporation until changed as provided by law;

(ii) the By-laws of NEWCO then in effect shall become the By-laws of the Surviving Corporation; and subsequent to the Effective Time of the Merger, such By-laws shall be the By-laws of the Surviving Corporation until they shall thereafter be duly amended;

(iii) the Board of Directors of the Surviving Corporation shall consist of the persons who are on the Board of Directors of the COMPANY immediately prior to the Effective Time of the Merger, provided that Gordie Beittenmiller shall be elected as a director of the Surviving Corporation effective as of the Effective Time of the Merger; the Board of Directors of the Surviving Corporation shall hold office subject to the provisions of the laws of the State of Michigan and of the Certificate of Incorporation and By-laws of the Surviving Corporation; and

(iv) the officers of the COMPANY immediately prior to the Effective Time of the Merger shall continue as the officers of the Surviving Corporation in the same capacity or capacities, and effective upon the Effective Time of the Merger Gordie Beittenmiller shall be appointed as a vice president of the Surviving Corporation and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of the Surviving Corporation, each of such officers to serve, subject to the provisions of the Certificate of Incorporation and By-laws of the Surviving Corporation, until his or her successor is duly elected and qualified. 1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY, CSI

AND NEWCO. The respective designations and numbers of outstanding shares and voting rights of

each class of outstanding capital stock of the COMPANY, CSI and NEWCO as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the COMPANY is as set forth on Schedule 5.3 hereto;

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50 million shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5 million shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement; and

(iii) as of the date of this Agreement, the authorized capital stock of NEWCO consists of 1,000 shares of NEWCO Stock, of which one hundred (100) shares are issued and outstanding.

1.5 EFFECT OF MERGER. At the Effective Time of the Merger, the effect of the Merger shall be as provided in the applicable provisions of the General Corporation Law of the State of Delaware (the "Delaware GCL") and the law of the State of Michigan. Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of the COMPANY shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of NEWCO shall be merged with and into the COMPANY, and the COMPANY, as the Surviving Corporation, shall be fully vested therewith. At the Effective Time of the Merger, the separate existence of NEWCO shall cease and, in accordance with the terms of this Agreement, the Surviving Corporation shall possess all the rights, privileges, immunities and franchises, of a public, as well as of a private, nature, and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all taxes, including those due and owing and those accrued, and all other choses in action, and all and every other interest of or belonging to or due to the COMPANY and NEWCO shall be taken and deemed to be transferred

to, and vested in, the Surviving Corporation without further act or deed; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the COMPANY and NEWCO; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of the state of incorporation vested in the COMPANY and NEWCO, shall not revert or be in any way impaired by reason of the Merger. Except as otherwise provided herein, the Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the COMPANY and NEWCO and any claim existing, or action or proceeding pending, by or against the COMPANY or NEWCO may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in their place. Neither the rights of creditors nor any liens upon the property of the COMPANY or NEWCO shall be impaired by the Merger, and all debts, liabilities and duties of the COMPANY and NEWCO shall attach to the Surviving Corporation, and may be enforced against such Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by such Surviving Corporation.

2. CONVERSION OF STOCK

2.1 MANNER OF CONVERSION. The manner of converting the shares of (i) outstanding capital stock of the COMPANY ("COMPANY Stock") and (ii) NEWCO Stock, issued and outstanding immediately prior to the Effective Time of the Merger, respectively, into shares of (x) CSI Stock and (y) common stock of the Surviving Corporation, respectively, shall be as follows:

As of the Effective Time of the Merger:

(i) all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, automatically shall be deemed to represent (1) the right to receive the number of shares of CSI Stock set forth on Annex III hereto with respect to such

holder and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to such holder;

(ii) all shares of COMPANY Stock that are held by the COMPANY as treasury stock shall be canceled and retired and no shares of CSI Stock or other consideration shall be delivered or paid in exchange therefor; and

(iii) each share of NEWCO Stock issued and outstanding immediately prior to the Effective Time of the Merger, shall, by virtue of the Merger and without any action on the part of CSI, automatically be converted into one fully paid and non-assessable share of common stock of the Surviving Corporation which shall constitute all of the issued and outstanding shares of common stock of the Surviving Corporation immediately after the Effective Time of the Merger. All CSI Stock received by the STOCKHOLDERS pursuant to this Agreement shall, except

for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDERS shall be fully exercisable by the STOCKHOLDERS and the STOCKHOLDERS shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Merger, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF MERGER CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDERS, who are the holders of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the respective number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDERS shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDERS, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the STOCKHOLDERS' expense, affixed and canceled. The STOCKHOLDERS agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Merger (including, if permitted by applicable state law, the filing with the appropriate state authorities of the Articles of Merger which shall become effective at the Effective Time of the Merger) and (ii) effect the conversion and delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Merger or the conversion and delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, CSI hereby covenants and agrees to do all things required by Delaware law and all things which counsel for the COMPANY advise CSI are required by applicable laws of the State of Michigan in order to rescind the merger effected by the filing of the Articles of Merger as described in this Section. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Articles of Merger shall be or shall have been filed with the appropriate state authorities so that they shall be or, as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, shall become effective and the Merger shall thereby be effected, (y) all

transactions contemplated by this Agreement, including the conversion and delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDERS shall be entitled to receive pursuant to the Merger referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12 hereof, during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS

(A) REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS. Each of the COMPANY and the STOCKHOLDERS jointly and severally represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal

or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to the COMPANY and all of its subsidiaries, if any.

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of the COMPANY (the "Charter Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDERS which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement and the

Merger, subject to any required approval of the shareholders and the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the COMPANY is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the COMPANY are owned by the STOCKHOLDERS in the amounts set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the COMPANY have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the STOCKHOLDERS and further, such shares were offered, issued, sold and delivered by the COMPANY in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the COMPANY nor the relative ownership of shares among any of its respective stockholders has been altered or changed in contemplation of the Merger and/or the CSI Plan of Organization. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Merger or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except as set forth on Schedule 5.6, the COMPANY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's audited Balance Sheets as of December 31, 1996, and March 31, 1996 and 1995, and Statements of Operations, Shareholders' Equity and Cash Flows for the years ended March 31, 1995 and 1996, the nine months ended December 31, 1996 and the year ended December 31, 1996 (December 31, 1996

being hereinafter referred to as the "Balance Sheet Date"). Such Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets present fairly in all material aspects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Operations, Shareholders' Equity and Cash Flows present fairly in all material aspects the results of operations for the periods indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the case of those contingent liabilities related to pending or threatened litigation, or other liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following: (a) copies of all relevant documentation relating thereto; (b) amounts claimed and any other action or relief sought; and (c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero. 5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDERS. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses, franchises, permits and other governmental authorizations, including permits, titles (including motor vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental

authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13, and except where any failure to comply or action would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law); (ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or

disposed of Hazardous Wastes and Hazardous Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY, CSI or NEWCO for any clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; and (v) to the knowledge of the COMPANY, the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other personal property owned by the COMPANY with an individual value in excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by STOCKHOLDERS, relatives of STOCKHOLDERS, or Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section

5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof and all other real property, if any, used by the COMPANY in the conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date.

True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such

properties, if any, are currently owned, or were formerly owned, by STOCKHOLDERS or affiliates of the COMPANY or STOCKHOLDERS is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI, (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the COMPANY, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with

any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its employees nor has the COMPANY experienced any labor interruptions over the past three years.

The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDERS have delivered to CSI an accurate schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither STOCKHOLDERS, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDERS further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY. 5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21

or 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in substantial compliance

with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules 5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The STOCKHOLDERS made a valid election under the provisions of Subchapter S of the Code and the COMPANY has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The COMPANY has a taxable year ended March 31 and has not made an election to retain a fiscal year other than March 31 under Section 444 of the Code. The COMPANY's methods

of accounting have not changed in the past five years. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY, CSI or NEWCO of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely providing services to any other customer or potential customer of the COMPANY, CSI, NEWCO or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDERS, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDERS and their affiliates;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDERS or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY

or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the COMPANY is a party;

(xiii) any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business.

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the COMPANY has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto. Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly

authorized by the Board of Directors of the COMPANY and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for government office nor has it otherwise taken any action which would cause the COMPANY to be in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, together with the other information furnished to CSI by the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by CSI. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDERS become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDERS in this Agreement in any material respect, the COMPANY and the STOCKHOLDERS shall immediately give notice of such fact or circumstance to CSI. However, subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDERS of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDERS

at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDERS acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the COMPANY, the STOCKHOLDERS or any other person affiliated or associated with the COMPANY for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDERS to enter into this Agreement, or to vote in favor of or consent to the proposed Merger, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS

Each STOCKHOLDER severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the representations and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDER owns beneficially and of record all of the shares of the COMPANY stock identified on Annex IV as being owned by such STOCKHOLDER, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. No STOCKHOLDER is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI AND NEWCO

CSI and NEWCO jointly and severally represent and warrant that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the STOCKHOLDERS actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the

expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

6.1 DUE ORGANIZATION. CSI and NEWCO are each corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of CSI and NEWCO (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The respective representatives of CSI and NEWCO executing this Agreement have the authority to enter into and bind CSI and NEWCO to the terms of this Agreement and (ii) CSI and NEWCO have the full legal right, power and authority to enter into this Agreement and the Merger.

6.3 CAPITAL STOCK OF CSI AND NEWCO. The authorized capital stock of CSI and NEWCO is as set forth in Sections 1.4(ii) and (iii), respectively. All of the issued and outstanding shares of the capital stock of NEWCO are owned by CSI and all of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI and NEWCO have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by CSI and the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI and NEWCO in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI or NEWCO.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates CSI or NEWCO to issue any of their respective authorized but unissued capital stock; and (ii) neither CSI nor NEWCO has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list, accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. NEWCO has no subsidiaries. CSI has no subsidiaries except for NEWCO and each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, neither CSI nor NEWCO presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and neither CSI nor NEWCO, directly or indirectly, is a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date, and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI and NEWCO have no material liabilities, contingent or otherwise, except as set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, neither CSI nor NEWCO is in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI or NEWCO, threatened against or affecting, CSI or NEWCO, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI and NEWCO have conducted and are conducting their respective businesses in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and are not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. Neither CSI nor NEWCO is in violation of any CSI Charter Document. None of CSI, NEWCO, or, to the knowledge of CSI and NEWCO, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI or NEWCO is a party, or by which CSI or NEWCO, or any of their respective properties, are bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI and NEWCO under the CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or

breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDERS pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. Neither CSI nor NEWCO has entered or will enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. Neither CSI nor NEWCO has conducted any material business since the date of its inception, except in connection with this Agreement, the

Other Agreements and the IPO. Neither CSI nor NEWCO owns or has at any time owned any real property or any material personal property or is a party to any other agreement, except as listed on Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business; (xii) any other distribution of property or assets by CSI other than in the ordinary

course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of the COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of the COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. The COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, NEWCO, the STOCKHOLDERS and the COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of the COMPANY access to all of CSI's and NEWCO's sites, properties, books and records and will furnish the COMPANY with such additional financial and operating data and other information as to the business and properties of CSI and NEWCO as the COMPANY may from time to time reasonably request. CSI and NEWCO will cooperate with the COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments, except as permitted by Section 10.6, without the knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to the COMPANY as the instruments being replaced; and

(viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices. 7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof

and the Funding and Consummation Date, the COMPANY will not, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted by Section 10.6, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock (provided that the COMPANY may declare and pay dividends pursuant to Section 10.6 hereof);

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of the COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the STOCKHOLDERS, the COMPANY, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing

on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

> (i) solicit or initiate the submission of proposals or offers from any person for, (ii) participate in any discussions pertaining to, or (iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the COMPANY or a merger, consolidation or business combination of the COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, the COMPANY shall satisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDERS and the COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between the COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDERS and the COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of the COMPANY or the STOCKHOLDERS contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any STOCKHOLDER or the COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI and NEWCO shall give prompt notice to the COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be

likely to cause any representation or warranty of CSI or NEWCO contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI or NEWCO to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.7 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANY consent to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by CSI or NEWCO that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other

Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI and a majority of the Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent, the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that the COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI or NEWCO seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The COMPANY and STOCKHOLDERS shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning the COMPANY and the STOCKHOLDERS required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The COMPANY and the STOCKHOLDERS agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be

delivered under the Securities Act, any information contained in the prospectus concerning the COMPANY or the STOCKHOLDERS becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates solely to the COMPANY or the STOCKHOLDERS, the COMPANY represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. The COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited consolidated balance sheets of the COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of the COMPANY or the results of its operations from the financial statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock

as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDERS and the COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI and NEWCO shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date, if any such conditions has not been satisfied, the Stockholders (acting in unison) shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the

Stockholders in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI and NEWCO contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI and NEWCO contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI and NEWCO on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDERS.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be reasonably satisfactory to the COMPANY and its counsel. The STOCKHOLDERS and the COMPANY shall be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDERS shall have failed to inform CSI in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of the

COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDERS is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI and NEWCO each shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which CSI or NEWCO is authorized to do business, showing that each of CSI and NEWCO is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI and NEWCO, respectively, for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI or NEWCO which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI and of NEWCO, certifying the truth and correctness of attached copies of the CSI's and NEWCO's respective Certificates of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the boards of directors and, if required, the stockholders of CSI and NEWCO approving CSI's and NEWCO's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDERS shall have received an opinion of Arthur Andersen LLP or another tax advisor reasonably acceptable to the STOCKHOLDERS that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code and that the STOCKHOLDERS will not recognize gain to the extent the STOCKHOLDERS exchange stock of the COMPANY for CSI stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI AND NEWCO

The obligations of CSI and NEWCO with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI and NEWCO with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that

no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDERS and the COMPANY contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDERS and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDERS shall have delivered to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of the COMPANY, certifying the truth and correctness of attached copies of the COMPANY's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the STOCKHOLDERS approving the COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the COMPANY which would constitute a Material Adverse Effect, and the COMPANY shall not have suffered any material loss or damages to any of its properties or assets, whether or not

covered by insurance, which change, loss or damage materially affects or impairs the ability of the COMPANY to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The STOCKHOLDERS shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the STOCKHOLDERS against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDERS, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the STOCKHOLDERS, (y) continuing obligations to STOCKHOLDERS relating to their employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the COMPANY and the STOCKHOLDERS shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDERS, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the COMPANY's state of incorporation and, unless waived by CSI, in each state in which the COMPANY is authorized to do business, showing the COMPANY is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each STOCKHOLDER shall have delivered to CSI a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

10. COVENANTS OF CSI AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDERS released from any and all guarantees on any indebtedness that they personally guaranteed and from any and all pledges of assets that they pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such guaranteed indebtedness on or prior to 120 days subsequent to the Funding and Consummation Date, CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired,

CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDERS.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDERS shall file or cause to be filed all separate federal income Tax Returns (and any State and local Tax Returns filed on the basis similar to that of S corporations under federal income Tax rules) of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Each STOCKHOLDER shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, NEWCO, CSI and each STOCKHOLDER shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code. 10.4 DIRECTORS. The persons named in the draft of the Registration Statement shall be appointed as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation

to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On the Funding and Consummation Date, the employees of the COMPANY will be the employees of the Surviving Corporation (provided that this provision is for purposes of clarifying that the Merger, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of the Surviving Corporation or CSI to assess workforce needs and make appropriate adjustments as necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. If the COMPANY is an S corporation, the COMPANY may pay to each STOCKHOLDER as a dividend the full amount of his or her "accumulated adjustments account" (as defined in Section 1368(e) of the Code) as of the Balance Sheet Date, and may also pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings taxable to such STOCKHOLDERS for the period after the Balance Sheet Date to the Funding and Consummation Date. If the COMPANY is a C corporation, the COMPANY may pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings for the period after the Balance Sheet Date to the Funding and Consummation Date. The COMPANY may borrow funds to the extent necessary to make the payments contemplated by this Section 10.6 and to the extent necessary to ensure that the COMPANY has cash on hand to adequately fund operations on the Funding and Consummation Date.

11. INDEMNIFICATION

The STOCKHOLDERS, CSI and NEWCO each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The STOCKHOLDERS covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless CSI, NEWCO, the COMPANY and the Surviving Corporation at all times, from and after the date

of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI, NEWCO, the COMPANY or the Surviving Corporation as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDERS or the COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDERS or the COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to the COMPANY or the STOCKHOLDERS, and provided to CSI or its counsel by the COMPANY or the STOCKHOLDERS (but in the case of the STOCKHOLDERS, only if such statement was provided in writing) contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the COMPANY or the STOCKHOLDERS required to be stated therein or necessary to make the statements therein not misleading, provided, however, that such indemnity shall not inure to the benefit of CSI, NEWCO, the COMPANY or the Surviving Corporation to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDERS provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no STOCKHOLDER shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent attributable to a breach of any representation, warranty or agreement made herein individually by any other STOCKHOLDER.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDERS at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits,

proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the STOCKHOLDERS as a result of or arising from (i) any breach by CSI or NEWCO of their representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI or NEWCO under this Agreement, (iii) any liabilities which the STOCKHOLDERS may incur due to CSI's or NEWCO's failure to be responsible for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI or NEWCO has claims against the STOCKHOLDERS by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to CSI, NEWCO or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or NEWCO or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying

Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to

such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. CSI, NEWCO, the Surviving Corporation and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the STOCKHOLDERS until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDERS shall exceed the greater of (a) 1.0% of the sum of the cash paid to STOCKHOLDERS plus the value of the CSI Stock delivered to STOCKHOLDERS (calculated as provided in this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDERS shall not assert any claim for indemnification hereunder against CSI or NEWCO until such time as, and solely to the extent that,

the aggregate of all claims which STOCKHOLDERS may have against CSI or NEWCO shall exceed $50,000.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Merger. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price as set forth in the Registration Statement. It is hereby understood and agreed that a STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Merger, valued as described immediately above.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the COMPANY;

(ii) by the STOCKHOLDERS or the COMPANY (acting through its board of directors), on the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDERS or COMPANY, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due

and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the STOCKHOLDERS or the COMPANY, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable, or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or

(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The STOCKHOLDERS will not, for a period of five (5) years following the Funding and Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any heating, ventilating or air conditioning services business in direct competition with CSI or any of the subsidiaries thereof, within 100 miles of where the COMPANY or any of its subsidiaries conducted business prior to the effectiveness of the Merger (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of CSI (including the subsidiaries thereof) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of CSI (including the subsidiaries thereof), provided that each STOCKHOLDER shall be permitted to call upon and hire any member of his or her immediate family;

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Funding and Consummation Date, a customer of CSI (including the subsidiaries thereof), of the COMPANY or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with CSI within the Territory;

(iv) call upon any prospective acquisition candidate, on any STOCKHOLDER's own behalf or on behalf of any competitor in the heating, ventilation or air conditioning services business, which candidate, to the actual knowledge of such STOCKHOLDER after due inquiry, was called upon by CSI (including the subsidiaries thereof) or for which, to the actual knowledge of such STOCKHOLDER after due inquiry, CSI (or any subsidiary thereof) made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of the COMPANY to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the COMPANY has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit any STOCKHOLDER from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange or over-the-counter.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to CSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that

could be caused to CSI for which it would have no other adequate remedy, each STOCKHOLDER agrees that the foregoing covenant may be enforced by CSI in the event of breach by such STOCKHOLDER, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the STOCKHOLDERS in light of the activities and business of CSI (including the subsidiaries thereof) on the date of the execution of this Agreement and the current plans of CSI.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of any STOCKHOLDER against CSI (including the subsidiaries thereof), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by CSI of such covenants. It is specifically agreed that the period of five (5) years stated at the beginning of this Section 13, during which the agreements and covenants of each STOCKHOLDER made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such STOCKHOLDER is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The COMPANY and the STOCKHOLDERS hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The STOCKHOLDERS recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. The STOCKHOLDERS agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDERS as is required in the course of performing their duties for CSI or the Surviving Corporation and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the STOCKHOLDERS, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDERS shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the STOCKHOLDERS of the provisions of this Section, CSI shall be entitled to an injunction restraining such STOCKHOLDERS from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, STOCKHOLDERS shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI AND NEWCO. CSI and NEWCO recognize and acknowledge that they had in the past and currently have access to certain confidential information of the COMPANY, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI and NEWCO agree that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI or NEWCO, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI and NEWCO shall, if possible, give prior written notice thereof to the COMPANY and the STOCKHOLDERS and provide the COMPANY and the STOCKHOLDERS with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI or NEWCO of the provisions of this Section, the COMPANY and the STOCKHOLDERS shall be entitled to an injunction restraining CSI and NEWCO from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDERS from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and

irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDERS or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, none of the STOCKHOLDERS shall sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDERS in the Merger. The certificates evidencing the CSI Stock delivered to the STOCKHOLDERS pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate: THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND

(AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDERS acknowledge that the shares of CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and may not be resold without compliance with the Act. The CSI Stock to be acquired by such STOCKHOLDERS pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The STOCKHOLDERS covenant, warrant and represent that none of the shares of CSI Stock issued to such STOCKHOLDERS will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement: THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The STOCKHOLDERS are able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the proposed investment in the CSI Stock. The STOCKHOLDERS party hereto have had an adequate opportunity

to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business of CSI, the business, operations and financial condition of the Founding Companies other than the COMPANY, and any plans for additional acquisitions and the like. The STOCKHOLDERS have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give each of the STOCKHOLDERS prompt written notice of its intent to do so. Upon the written request of any of the STOCKHOLDERS given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which any such STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than CSI is greater than the number of such

shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each such offering made by CSI after the IPO, such reduction shall be made first by reducing the number of shares to be sold by persons other than CSI, the STOCKHOLDERS and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDERS and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the shares of CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from any STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective date of such registration unless CSI is no longer proceeding diligently to effect such registration; provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree

to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by any STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to such STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The COMPANY, STOCKHOLDERS, CSI and NEWCO shall each deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of the COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDERS.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDERS, the COMPANY, NEWCO and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDERS, the COMPANY, NEWCO and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Bracewell & Patterson, L.L.P., and any other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. Each STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Merger, other than Transfer Taxes, if any, imposed by the State of Delaware. Each STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of such STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be

notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI, or NEWCO, addressed to them at:
Comfort Systems USA, Inc.

4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDERS, addressed to them at their addresses set forth on Annex IV, with copies to:

Christopher S. Collins
Andrews & Kurth, L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(c) If to the COMPANY, addressed to it at:
Quality Air Heating & Cooling, Inc.
3395 Kraft Ave., SE
Grand Rapids, MI 49512
Attn: Robert J. Powers

and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be

invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case

the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, NEWCO, the COMPANY and STOCKHOLDERS who hold or who will hold at least 50% of the CSI Stock issued or to be issued upon consummation of the Merger. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Merger and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:/S/ FRED FERREIRA

Name: Fred Ferreira
Title: Chief Executive Officer

QUALITY ACQUISITION CORP.

By:/S/ GORDIE BEITTENMILLER
Name: Gordie Beittenmiller
Title: President

QUALITY AIR HEATING & COOLING, INC.

By:/S/ ROBERT J. POWERS
Name: Robert J. Powers
Title: President

STOCKHOLDERS:

/S/ ROBERT J. POWERS
Robert J. Powers

/S/ TIMOTHY ALBERS
Timothy Albers

/S/ RICHARD WILLIAMSON
Richard Williamson

/S/ FRANKLIN HOLWERDA
Franklin Holwerda

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
QUALITY ACQUISITION CORP.

QUALITY AIR HEATING & COOLING, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

CONSIDERATION TO BE PAID TO STOCKHOLDERS

Aggregate consideration to be paid to STOCKHOLDERS:

$38,774,398 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 2,207,158 shares of CSI Stock and $10,081,344 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

CONSIDERATION TO BE PAID TO EACH STOCKHOLDER:

STOCKHOLDER	SHARES OF COMMON STOCK OF CSI	CASH ($)
Robert J. Powers	1,461,496	$ 8,142,615
Timothy Albers	298,265	-0-
Richard Williamson	238,612	775,489
Franklin Holwerda	208,785	1,163,240
TOTALS:	2,207,158	$10,081,344

MINIMUM VALUE: $23,861,168 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
QUALITY ACQUISITION CORP.

QUALITY AIR HEATING & COOLING, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

STOCKHOLDERS AND STOCK OWNERSHIP OF THE COMPANY

The following is a list of the STOCKHOLDERS, their addresses and the number of shares of the COMPANY Stock held by each thereof:

STOCKHOLDER	ADDRESSES	NO. SHARES HELD
Robert J. Powers	3395 Kraft S.E. Grand Rapids, MI 49512	128,832
Timothy Albers	3395 Kraft S.E. Grand Rapids, MI 49512	18,387
Richard Williamson	3395 Kraft S.E. Grand Rapids, MI 49512	18,387
Franklin Holwerda	3395 Kraft S.E. Grand Rapids, MI 49512	18,387

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

S.M. LAWRENCE ACQUISITION CORP.
S.M. LAWRENCE II ACQUISITION CORP.
(each a subsidiary of Comfort Systems USA, Inc.)

S.M. LAWRENCE COMPANY, INC.
LAWRENCE SERVICE, INC.

and

the STOCKHOLDERS named herein

TABLE OF CONTENTS

ANNEXES

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), S.M. LAWRENCE ACQUISITION CORP., a Delaware corporation ("NEWCO I"), S.M. LAWRENCE II ACQUISITION CORP., a Delaware corporation ("NEWCO II") (collectively, "NEWCO", and individually, "each NEWCO"), S.M. LAWRENCE COMPANY, INC., a Tennessee corporation, LAWRENCE SERVICE, INC., a Tennessee corporation (collectively the "COMPANY" or the "COMPANIES" and individually "each COMPANY") and SAMUEL M. LAWRENCE, JR., LEILA F. LAWRENCE, SAMUEL M. LAWRENCE III, FRANK F. LAWRENCE, CHARLES H. LAWRENCE and ERNEST T. LAWRENCE (the "STOCKHOLDERS"). The STOCKHOLDERS are the only stockholders of each of the COMPANIES.

WHEREAS, each NEWCO is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on March 4, 1997 and March 10, 1997, respectively, each solely for the purpose of completing the transactions set forth herein, and each is a wholly-owned subsidiary of CSI, a corporation organized and existing under the laws of the State of Delaware;

WHEREAS, the respective Boards of Directors of each NEWCO and each of the COMPANIES (which together are hereinafter collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that each NEWCO merge with and into each COMPANY, respectively, as set forth on Appendix I hereto, pursuant to this Agreement and the applicable provisions of the laws of the States of Delaware and Tennessee;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDERS and the Boards of Directors and the

stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of CSI that are parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDERS and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDERS and the stockholders of each of the other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the Board of Directors of each COMPANY has approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement: "1933 Act" means the Securities Act of 1933, as amended. "1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean each NEWCO and each of the other Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Articles of Merger" shall mean those Articles or Certificates of Merger with respect to the Merger substantially in the forms attached as Annex I hereto or with such other changes therein as may be required by applicable state laws.

"Balance Sheet Date" shall mean October 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" and "COMPANIES" have the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock"means, collectively, the common stock of each COMPANY.

"Constituent Corporations" has the meaning set forth in the second recital of this Agreement.

"Effective Time of the Merger" shall mean the time as of which the Merger becomes effective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation

(formerly Atlas Interest, Inc.),

Contract Service, Inc., a Utah corporation,

Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration
Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation,

Quality Air Heating & Cooling, Inc., a Michigan corporation,

Seasonair, Inc., a Maryland corporation, Standard Heating & Air

Conditioning Company, Inc., an Alabama corporation, S.M. Lawrence

Company, Inc., a Tennessee corporation, and Lawrence

Service, Inc., a Tennessee corporation,

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and Tech

Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and Western

Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as referenced in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Merger" means the merger of each NEWCO with and into each COMPANY, respectively,as set forth on Appendix I hereto, pursuant to this Agreement and the applicable provisions of the laws of the State of Delaware and other applicable state laws.

"NEWCO" has the meaning set forth in the first paragraph of this Agreement.

"NEWCO STOCK" means, collectively, the common stock, par value $.01 per share, of each

NEWCO.

"Other Founding Companies" means all of the Founding Companies other than the Companies.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDERS" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" and "Surviving Corporations" shall mean, respectively, each COMPANY as the surviving party in its respective Merger, and both COMPANIES as the surviving parties in the Merger.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether

disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE MERGER

1.1 DELIVERY AND FILING OF ARTICLES OF MERGER. The Constituent Corporations will cause the Articles of Merger to be signed, verified and filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of Tennessee and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE MERGER. At the Effective Time of the Merger, each NEWCO shall be merged with and into each COMPANY, respectively, as set forth on Appendix I hereto, in accordance with the Articles of Merger, the separate existence of each NEWCO shall cease, the COMPANY into which each such NEWCO merged shall be the surviving party in the Merger and each such COMPANY is sometimes hereinafter referred to as the Surviving Corporation. The Merger will be effected in a single transaction.

1.3 CERTIFICATE OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF EACH SURVIVING CORPORATION. At the Effective Time of the Merger:

(i) the Certificate of Incorporation of each COMPANY then in effect shall be the Certificate of Incorporation of the respective Surviving Corporation until changed as provided by law;

(ii) the By-laws of NEWCO then in effect shall become the By-laws of the respective Surviving Corporation, with such changes as may be required by the laws of the

State of Tennessee; and subsequent to the Effective Time of the Merger, such By-laws shall be the By-laws of such Surviving Corporation until they shall thereafter be duly amended;

(iii) the Board of Directors of each COMPANY shall remain the Board of Directors of its respective Surviving Corporation after the Effective Time of the Merger, provided that Gordie Beittenmiller shall be elected as a director of each Surviving Corporation effective as of each Effective Time of the Merger; the Board of Directors of each Surviving Corporation shall hold office subject to the provisions of the laws of the State of Tennessee and of the Certificate of Incorporation and By-laws of such Surviving Corporation; and

(iv) the officers of each COMPANY immediately prior to the Effective Time of the Merger shall continue as the officers of the respective Surviving Corporation in the same capacity or capacities, and effective upon the Effective Time of the Merger Gordie Beittenmiller shall be appointed as a vice president of each Surviving Corporation and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of each Surviving Corporation, each of such officers to serve, subject to the provisions of the Certificate of Incorporation and By-laws of each Surviving Corporation, until his or her successor is duly elected and qualified. 1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF EACH COMPANY,

CSI AND EACH NEWCO. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of each COMPANY, CSI and each NEWCO as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of each COMPANY is as set forth on Schedule 5.3 hereto;

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50,000,000 shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5,000,000

shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement; and

(iii) as of the date of this Agreement, the authorized capital stock of each NEWCO consists of 1,000 shares of common stock, par value $.01 per share, of which one hundred (100) shares are issued and outstanding. 1.5 EFFECT OF MERGER. At the Effective Time of the Merger, the effect of the Merger shall

be as provided in the applicable provisions of the General Corporation Law of the State of Delaware (the "Delaware GCL") and the law of the State of Tennessee. Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of each COMPANY shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of each NEWCO shall be merged with and into each COMPANY, respectively, as set forth on Annex I hereto, and each COMPANY, as the respective Surviving Corporation, shall be fully vested therewith. At the Effective Time of the Merger, the separate existence of each NEWCO shall cease and, in accordance with the terms of this Agreement, the respective Surviving Corporation shall possess all the rights, privileges, immunities and franchises, of a public, as well as of a private, nature, and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all taxes, including those due and owing and those accrued, and all other choses in action, and all and every other interest of or belonging to or due to the respective COMPANY and NEWCO shall be taken and deemed to be transferred to, and vested in, the respective Surviving Corporation without further act or deed; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of such Surviving Corporation as they were of the respective COMPANY and NEWCO; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of the state of incorporation vested in the respective COMPANY and NEWCO, shall not revert or be in any way impaired by reason of the Merger. Except as otherwise

provided herein, each Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the respective COMPANY and NEWCO and any claim existing, or action or proceeding pending, by or against the respective COMPANY or NEWCO may be prosecuted as if the Merger had not taken place, or such Surviving Corporation may be substituted in their place. Neither the rights of creditors nor any liens upon the property of any COMPANY or NEWCO shall be impaired by the Merger, and all debts, liabilities and duties of each COMPANY and each NEWCO shall attach to the respective Surviving Corporation, and may be enforced against such Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by such Surviving Corporation.

2. CONVERSION OF STOCK

2.1 MANNER OF CONVERSION. The manner of converting the shares of (i) outstanding COMPANY Stock and (ii) NEWCO Stock, issued and outstanding immediately prior to the Effective Time of the Merger, respectively, into shares of (x) CSI Stock and (y) common stock of the respective Surviving Corporation, respectively, shall be as follows:

As of the Effective Time of the Merger:

(i) all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, automatically shall be deemed to represent (1) the right to receive the number of shares of CSI Stock set forth on Annex III hereto with respect to such holder and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to such holder;

(ii) all shares of COMPANY Stock that are held by the COMPANY as treasury stock shall be canceled and retired and no shares of CSI Stock or other consideration shall be delivered or paid in exchange therefor; and

(iii) each share of NEWCO Stock issued and outstanding immediately prior to the Effective Time of the Merger, shall, by virtue of the Merger and without any action on the part of CSI, automatically be converted into one fully paid and non-assessable share of common stock of the respective Surviving Corporation which shall constitute all of the issued and outstanding shares of common stock of such Surviving Corporation immediately after the Effective Time of the Merger.

All CSI Stock received by the STOCKHOLDERS pursuant to this Agreement shall, except for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDERS shall be fully exercisable by the STOCKHOLDERS and the STOCKHOLDERS shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Merger, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF MERGER CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDERS, who are the sole holders of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the respective number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDERS shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDERS, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the STOCKHOLDERS' expense, affixed and canceled. The STOCKHOLDERS agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of

conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Merger (including, if permitted by applicable state law, the filing with the appropriate state authorities of the Articles of Merger which shall become effective at the Effective Time of the Merger) and (ii) effect the conversion and delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Merger or the conversion and delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, CSI hereby covenants and agrees to do all things required by Delaware law and all things which counsel for the COMPANY advise CSI are required by applicable laws of the State of Tennessee in order to rescind the merger effected by the filing of the Articles of Merger as described in this Section. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Articles of Merger shall be or shall have been filed with the appropriate state authorities so that they shall be or, as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, shall become effective and the Merger shall thereby be effected, (y) all transactions contemplated by this Agreement, including the conversion and delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDERS shall be entitled to receive pursuant to the Merger referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs

shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12 hereof, during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF EACH COMPANY AND STOCKHOLDERS

(A) REPRESENTATIONS AND WARRANTIES OF EACH COMPANY AND STOCKHOLDERS. Each COMPANY and the STOCKHOLDERS jointly and severally represent and warrant

that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to each of the COMPANIES and their subsidiaries, if any, and references to a particular Annex or Schedule

number shall be deemed to refer to the respective COMPANY's Annex or Schedule or applicable portion thereof.

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of the COMPANY (the "Charter Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDERS which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement and the Merger, subject to any required approval of the shareholders and the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the COMPANY is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the COMPANY are owned by the STOCKHOLDERS in the amounts set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the COMPANY have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the STOCKHOLDERS and further, such shares were offered, issued, sold and delivered by the COMPANY in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; and (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Merger or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except as set forth on Schedule 5.6, the COMPANY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the

COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's audited Balance Sheets as of October 31, 1996 and 1995 and Statements of Operations, Shareholders' Equity and Cash Flows for each of the years in the three-year period ended October 31, 1996 (October 31, 1996 being hereinafter referred to as the "Balance Sheet Date"). Such Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets as of October 31, 1996 and 1995 present fairly in all material respects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Operations, Shareholders' Equity and Cash Flows present fairly in all material respects the results of operations for the periods indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date, which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the case of those contingent liabilities related to pending or threatened litigation, or other liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following:
(a) copies of all relevant documentation relating thereto;

(b) amounts claimed and any other action or relief sought; and

(c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of December 31, 1996, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDERS. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of December 31, 1996.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses, franchises, permits and other governmental authorizations, including permits, titles (including motor vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or

adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13, and except where any failure to comply would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law); (ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or disposed of Hazardous Wastes and Hazardous Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY, CSI or NEWCO for any clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; and (v) to the knowledge of the COMPANY,

the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other personal property owned by the COMPANY with an individual value in excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by STOCKHOLDERS, relatives of STOCKHOLDERS, or Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section 5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof and all other real property, if any, used by the COMPANY in the conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date. True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by STOCKHOLDERS or affiliates of the COMPANY or STOCKHOLDERS is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the COMPANY, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Except as set forth on Schedule 5.18, since December 31, 1996 there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its

employees nor has the COMPANY experienced any labor interruptions over the past three years. The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDERS have delivered to CSI an accurate schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither STOCKHOLDERS, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDERS further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY. 5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules

5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The COMPANY has a taxable year ended December 31 and has not made an election to retain a fiscal year other than December 31 under Section 444 of the Code. The COMPANY's methods of accounting have not changed in the past five years. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its

properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY, CSI or NEWCO of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely providing services to any other customer or potential customer of the COMPANY, CSI, NEWCO or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDERS, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDERS and their affiliates;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDERS or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY;

(xii) any amendment or termination of any material contract, agreement, license,

permit or other right to which the COMPANY is a party;

(xiii) any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business. 5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an

accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of: (i) the name of each financial institution in which the COMPANY has accounts

or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto. Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the COMPANY and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for government office nor has it otherwise taken any action which would cause the COMPANY to be

in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, together with the other information furnished to CSI by the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by CSI. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDERS become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDERS in this Agreement, in any material respect, the COMPANY and the STOCKHOLDERS shall immediately give notice of such fact or circumstance to CSI. However, subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDERS of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDERS at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDERS acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the COMPANY, the STOCKHOLDERS or any other person affiliated or associated with the COMPANY for any failure of the Registration Statement to become

effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDERS to enter into this Agreement, or to vote in favor of or consent to the proposed Merger, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS

Each STOCKHOLDER severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the representations and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDERS owns beneficially and of record all of the shares of the COMPANY Stock identified on Annex IV as being owned by such STOCKHOLDERS, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. The STOCKHOLDER is not under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI AND NEWCO

CSI and NEWCO jointly and severally represent and warrant that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the STOCKHOLDERS actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 6, the term "NEWCO" shall mean and refer to each of the NEWCOs, and references to a particular Annex or Schedule number shall be deemed to refer to the respective NEWCO's Annex or Schedule or applicable portion thereof.

6.1 DUE ORGANIZATION. CSI and NEWCO are each corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified

would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of CSI and NEWCO (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The respective representatives of CSI and NEWCO executing this Agreement have the authority to enter into and bind CSI and NEWCO to the terms of this Agreement and (ii) CSI and NEWCO have the full legal right, power and authority to enter into this Agreement and the Merger.

6.3 CAPITAL STOCK OF CSI AND NEWCO. The authorized capital stock of CSI and NEWCO is as set forth in Sections 1.4(ii) and (iii), respectively. All of the issued and outstanding shares of the capital stock of NEWCO are owned by CSI and all of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI and NEWCO have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by CSI and the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI and NEWCO in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI or NEWCO.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates CSI or NEWCO to issue any of their respective authorized but unissued capital stock; and (ii) neither CSI nor NEWCO has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a

list, accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. NEWCO has no subsidiaries. CSI has no subsidiaries except for NEWCO and each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, neither CSI nor NEWCO presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and neither CSI nor NEWCO, directly or indirectly, is a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date, and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI and NEWCO have no material liabilities, contingent or otherwise, except as set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, neither CSI nor NEWCO is in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or

instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI or NEWCO, threatened against or affecting, CSI or NEWCO, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI and NEWCO have conducted and are conducting their respective businesses in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and are not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. Neither CSI nor NEWCO is in violation of any CSI Charter Document. None of CSI, NEWCO, or, to the knowledge of CSI and NEWCO, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI or NEWCO is a party, or by which CSI or NEWCO, or any of their respective properties, are bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI and NEWCO under the CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDERS pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. Neither CSI nor NEWCO has entered or will enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. Neither CSI nor NEWCO has conducted any material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Neither CSI nor NEWCO owns or has at any time owned any real property or any material personal property or is a party to any other agreement, except as listed on Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business;

(xii) any other distribution of property or assets by CSI other than in the ordinary course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain

an untrue statement of a material fact or omit to state a material factnecessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, each COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of such COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of such COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. Each COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, NEWCO, the STOCKHOLDERS and each COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of each COMPANY access to all of CSI's and NEWCO's sites, properties, books and records and will furnish each COMPANY with such

additional financial and operating data and other information as to the business and properties of CSI and NEWCO as such COMPANY may from time to time reasonably request. CSI and NEWCO will cooperate with each COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. Each COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, each COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with such COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments except as permitted by Section 10.6, without the

knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to such COMPANY as the instruments being replaced; and

(viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Funding and Consummation Date, neither COMPANY will, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights orcommitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted by Section 10.6 declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes

adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of such COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the STOCKHOLDERS, either COMPANY, nor any agent,officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, such COMPANY or a merger, consolidation or business combination of such COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, each COMPANY shallsatisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDERS and each COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between such COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between such COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDERS and each COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of such COMPANY or the STOCKHOLDERS contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any STOCKHOLDER or either COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI and each NEWCO shall give prompt notice to the COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of CSI or such NEWCO contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI or such NEWCO to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to

this Section 7.7 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by either COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANIES consent to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by CSI or any NEWCO that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI

and a majority of the Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent (provided that consent shall be deemed given if any COMPANY consents), the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that any COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI or any NEWCO seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. Each COMPANY and STOCKHOLDERS shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning such COMPANY and the STOCKHOLDERS required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). Each COMPANY and the STOCKHOLDERS agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be delivered under the Securities Act, any information contained in the prospectus concerning such COMPANY or the STOCKHOLDERS becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates

solely to each COMPANY or the STOCKHOLDERS, such COMPANY represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to such COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. Each COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited consolidated balance sheets of such COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of such COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of such COMPANY or the results of its operations from the financial statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of each COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings

under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDERS and each COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI and each NEWCO shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of STOCKHOLDERS and the COMPANY (it being understood and agreed that, for purposes of this Section 8, the term "COMPANY" means both COMPANIES, which shall, for the purposes of this Section 8, act only in unison) with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date, if any of such conditions has not been satisfied, the Stockholders (acting in unison) shall have the right to terminate this Agreement or, in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any condition, not so

satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI and NEWCO contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI and NEWCO contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI and NEWCO on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDERS.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be reasonably satisfactory to the COMPANY and its counsel. The STOCKHOLDERS and the COMPANY shall be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDERS shall have failed to inform CSI in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of the COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDERS is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI and NEWCO each shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which CSI or NEWCO is authorized to do business, showing that each of CSI and NEWCO is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI and NEWCO, respectively, for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI or NEWCO which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI and of NEWCO, certifying the truth and correctness of attached copies of the CSI's and NEWCO's respective Certificates of

Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the boards of directors and, if required, the stockholders of CSI and NEWCO approving CSI's and NEWCO's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDERS shall have received an opinion of Arthur Andersen L.L.P. or another tax advisor reasonably acceptable to the STOCKHOLDERS that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code, and that the STOCKHOLDERS will not recognize gain to the extent the STOCKHOLDERS exchange stock of the COMPANY for CSI Stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI AND NEWCO

The obligations of CSI and NEWCO with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI and NEWCO with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDERS and the COMPANY contained in this

Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDERS and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDERS shall have delivered to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of each COMPANY, certifying the truth and correctness of attached copies of such COMPANY's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the STOCKHOLDERS approving such COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to either COMPANY which would constitute a Material Adverse Effect, and neither COMPANY shall have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of such COMPANY to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The STOCKHOLDERS shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the

STOCKHOLDERS against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDERS, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the STOCKHOLDERS, (y) continuing obligations to STOCKHOLDERS relating to his employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between either COMPANY and the STOCKHOLDERS shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDERS, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. Each COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in such COMPANY's state of incorporation and, unless waived by CSI, in each state in which such COMPANY is authorized to do business, showing such COMPANY is in good standing and authorized to do business and that all state franchise and/or

income tax returns and taxes for such COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. The STOCKHOLDERS shall have delivered to CSI a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

10. COVENANTS OF CSI AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDERS released from any and all guarantees on any indebtedness that they personally guaranteed and from any and all pledges of assets that they pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such guaranteed indebtedness on or prior to 120 days subsequent to the Funding and Consummation Date, CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired, CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDERS.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDERS shall file or cause to be filed all separate federal income Tax Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. The STOCKHOLDERS shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings

or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, NEWCO, CSI and the STOCKHOLDERS shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the draft of the Registration Statement shall beappointed as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On the Funding and Consummation Date, the employees of each COMPANY will be the employees of the respective Surviving Corporation (provided that this provision is for purposes of clarifying that the Merger, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of such Surviving Corporation or CSI to assess workforce needs and make appropriate adjustments as

necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. [To Come]

10.7 LISTING. Promptly after the Funding and Consummation Date, CSI shall exercise reasonable and diligent efforts to cause the CSI Stock to be listed or admitted to trading on a nationally-recognized stock exchange or traded or quoted on NASDAQ.

11. INDEMNIFICATION

The STOCKHOLDERS, CSI and NEWCO each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The STOCKHOLDERS covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless CSI, NEWCO, the COMPANY and the Surviving Corporation at all times, from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI, NEWCO, the COMPANY or the Surviving Corporation as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDERS or either COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDERS or either COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to either COMPANY or the STOCKHOLDERS, and provided to CSI or its counsel by either COMPANY or the STOCKHOLDERS (but in the case of the STOCKHOLDERS, only if such statement was provided in writing) contained in the Registration Statement or any

prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to either COMPANY or the STOCKHOLDERS required to be stated therein or necessary to make the statements therein not misleading, provided, however, that such indemnity shall not inure to the benefit of CSI, NEWCO, the COMPANY or the Surviving Corporation to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDERS provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no STOCKHOLDER shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent attributable to a breach of any representation, warranty or agreement made herein individually by any other STOCKHOLDER.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDERS at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the STOCKHOLDERS as a result of or arising from (i) any breach by CSI or NEWCO of their representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI or NEWCO under this Agreement, (iii) any liabilities which the STOCKHOLDERS may incur due to CSI's or NEWCO's failure to be responsible for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI or NEWCO has claims against the STOCKHOLDERS by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to CSI, NEWCO or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus

forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or NEWCO or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to

undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments

for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. None of CSI, any NEWCO, any Surviving Corporation nor any other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall assert any claim for indemnification hereunder against the STOCKHOLDERS until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDERS shall exceed the greater of (a) 1.0% of the sum of the cash paid to STOCKHOLDERS plus the value of the CSI Stock delivered to STOCKHOLDERS (calculated as provided in this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDERS shall not assert any claim for indemnification hereunder against CSI or any NEWCO until such time as, and solely to the extent that, the aggregate of all claims which STOCKHOLDERS may have against CSI or any or all NEWCOs shall exceed $50,000.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Merger. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price as set forth in the Registration Statement. It is hereby understood and agreed that a STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of

stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Merger, valued as described immediately above.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated (it being understood and agreed that, for purposes of this Section 12, the term "COMPANY" means both of the COMPANIES which shall, for purposes of this Section 12, act only in unison), at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the COMPANY;

(ii) by the STOCKHOLDERS or the COMPANY (acting through its board of directors), on the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDERS or COMPANY, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the STOCKHOLDERS, or the COMPANY, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable, or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or

(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The STOCKHOLDERS will not, for a period of five (5) years following the Funding and Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any heating, ventilating or air conditioning services business in direct competition with CSI or any of the subsidiaries thereof, within 100 miles of where the COMPANY or any of its subsidiaries conducted business prior to the effectiveness of the Merger (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of CSI (including the subsidiaries thereof) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of CSI (including the subsidiaries thereof), provided that each STOCKHOLDER shall be permitted to call upon and hire any member of his immediate family;

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Funding and Consummation Date, a customer of CSI (including the subsidiaries thereof), of the COMPANY or of any of the Other Founding Companies within the Territory for the

purpose of soliciting or selling products or services in direct competition with CSI within the Territory;

(iv) call upon any prospective acquisition candidate, on any STOCKHOLDER'S own behalf or on behalf of any competitor in the heating, ventilation or air conditioning services business, which candidate, to the actual knowledge of such STOCKHOLDER after due inquiry, was called upon by CSI (including the subsidiaries thereof) or for which, to the actual knowledge of such STOCKHOLDER after due inquiry, CSI (or any subsidiary thereof) made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of the COMPANY to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the COMPANY has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit any STOCKHOLDER from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange or over-the-counter.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to CSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to CSI for which it would have no other adequate remedy, each STOCKHOLDER agrees that the foregoing covenant may be enforced by CSI in the event of breach by such STOCKHOLDER, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the STOCKHOLDERS in light of the activities and business of CSI (including the subsidiaries thereof) on the date of the execution of this Agreement and the current plans of CSI.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of any STOCKHOLDER against CSI (including the subsidiaries thereof), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by CSI of such covenants. It is specifically agreed that the period of five (5) years stated at the beginning of this Section 13, during which the agreements and covenants of each STOCKHOLDER made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such STOCKHOLDER is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The COMPANY and the STOCKHOLDERS hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. Each STOCKHOLDER recognizes and acknowledges that he had in the past, currently has, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. Each

STOCKHOLDER agrees that he will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDER as is required in the course of performing his duties for CSI or the Surviving Corporation and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the STOCKHOLDER, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDER shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by the any STOCKHOLDER of the provisions of this Section, CSI shall be entitled to an injunction restraining such STOCKHOLDER from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, STOCKHOLDERS shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI AND NEWCO. CSI and NEWCO recognize and acknowledge that they had in the past and currently have access to certain confidential information of the COMPANY, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI and NEWCO agree that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other

advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI or NEWCO, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI and NEWCO shall, if possible, give prior written notice thereof to the COMPANY and the STOCKHOLDERS and provide the COMPANY and the STOCKHOLDERS with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI or NEWCO of the provisions of this Section, the COMPANY and the STOCKHOLDERS shall be entitled to an injunction restraining CSI and NEWCO from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDERS from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDERS or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, the STOCKHOLDERS shall not sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDERS in the Merger. The certificates evidencing the CSI Stock delivered to the STOCKHOLDERS pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate: THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDERS acknowledge that the shares of CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and may not be resold without compliance with the Act. The CSI Stock to be acquired by the STOCKHOLDERS pursuant to this Agreement is being acquired solely for their own accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a

distribution. Each STOCKHOLDER covenants, warrants and represents that none of the shares of CSI Stock issued to such STOCKHOLDER will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. Each STOCKHOLDER is able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the proposed investment in the CSI Stock. Each STOCKHOLDER has had an adequate opportunity to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business of CSI, the business, operations and financial condition of the Founding Companies other than the COMPANY, and any plans for additional acquisitions and the like. Each STOCKHOLDER has asked any and all questions in the nature described in the preceding sentence and all questions have been answered to his satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give the STOCKHOLDERS prompt written notice of its intent to do so. Upon the written request of any STOCKHOLDER given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to such STOCKHOLDER pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which the STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than CSI is greater than the number of such shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each such offering made by CSI after the IPO, such reduction shall be made first by reducing the number of shares to be sold by persons other than CSI, the STOCKHOLDERS and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDERS and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the shares of CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from any STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective

date of such registration unless CSI is no longer proceeding diligently to effect such registration; provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by any STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to such STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The COMPANY, STOCKHOLDERS, CSI and NEWCO shall each deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. Each COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of such COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing

information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDERS.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDERS, each COMPANY, each NEWCO and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDERS, each COMPANY, each NEWCO and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that each COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for

fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement, including the fees and expenses of Arthur Andersen LLP, Bracewell & Patterson, L.L.P., and any other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. Each STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Merger, other than Transfer Taxes, if any, imposed by the State of Delaware. Each STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of such STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI, or any NEWCO, addressed to them at:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDERS, addressed to them at their addresses set forth on Annex IV, with copies to:

Larry A. Butler
Spragins, Barnett, Cobb & Butler
Elks Building, 110 East Baltimore
Jackson, Tennessee 38302-2004

(c) If to any COMPANY, addressed to it at:

245 Preston Street
Jackson, Tennessee 38302-0638
Attn: Bo Lawrence

and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall beinvalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, each NEWCO, each COMPANY and STOCKHOLDERS who hold or who will hold at least 50% of the

CSI Stock issued or to be issued upon consummation of the Merger. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Merger and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:/S/ FRED FERREIRA
Name: Fred Ferreira
Title: Chief Executive Officer

S.M. LAWRENCE ACQUISITION CORP.

By:/S/ GORDIE BEITTENMILLER
Name: Gordie Beittenmiller
Title: President

S.M. LAWRENCE II ACQUISITION CORP

By:/S/ GORDIE BEITTENMILLER
Name: Gordie Beittenmiller
Title: President

S.M. LAWRENCE COMPANY, INC.

By:/S/ SAMUEL M. LAWRENCE III
Name: Samuel M. Lawrence III
Title:Chairman and Chief Executive Officer

LAWRENCE SERVICE, INC.
By:/S/ FRANK LAWRENCE
Name: Frank Lawrence
Title: President

STOCKHOLDERS OF S.M. LAWRENCE COMPANY, INC.:

/S/ SAMUEL M. LAWRENCE, JR.,
SAMUEL M. LAWRENCE, JR.

/S/ SAMUEL M. LAWRENCE III
SAMUEL M. LAWRENCE III

/S/ FRANK F. LAWRENCE
FRANK F. LAWRENCE

/S/ CHARLES H. LAWRENCE
CHARLES H. LAWRENCE

/S/ ERNEST T. LAWRENCE
ERNEST T. LAWRENCE

/S/ LEILA F. LAWRENCE
LEILA F. LAWRENCE

STOCKHOLDERS OF LAWRENCE SERVICE, INC.

/S/ SAMUEL M. LAWRENCE, JR.
SAMUEL M. LAWRENCE, JR.

/S/ SAMUEL M. LAWRENCE, JR.
SAMUEL M. LAWRENCE III

/S/ FRANK F. LAWRENCE
FRANK F. LAWRENCE

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
S.M. LAWRENCE ACQUISITION CORP.,

S.M. LAWRENCE II ACQUISITION CORP.,
S.M. LAWRENCE COMPANY, INC.

LAWRENCE SERVICE, INC., AND THE
STOCKHOLDERS NAMED THEREIN

CONSIDERATION TO BE PAID TO STOCKHOLDERS

Aggregate consideration to be paid to STOCKHOLDERS:

$20,071,142 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 1,197,796 shares of CSI Stock and $4,499,794 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

CONSIDERATION TO BE PAID TO EACH STOCKHOLDERS:

STOCKHOLDER	Shares of Common STOCK OF CSI	Cash ($)
Samuel M. Lawrence, Jr	92,407	140,400
Samuel M. Lawrence III	317,307	1,031,238
Frank F. Lawrence	317,307	1,031,238
Charles H. Lawrence	206,135	1,148,459
Ernest T. Lawrence	206,135	1,148,459
Leila F. Lawrence	58,505	0
TOTALS:	1,197,796	4,499,794

MINIMUM VALUE: $12,351,472 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
S.M. LAWRENCE ACQUISITION CORP.,

S.M. LAWRENCE II ACQUISITION CORP.,
S.M. LAWRENCE COMPANY, INC.

LAWRENCE SERVICE, INC., AND THE
STOCKHOLDERS NAMED THEREIN

STOCKHOLDERS AND STOCK OWNERSHIP OF THE COMPANIES

S.M. LAWRENCE COMPANY, INC.

STOCKHOLDERS	ADDRESS	NO. SHARES HELD
Samuel M. Lawrence, Jr.	50 Broadmoor Jackson TN 38305	80
Samuel M. Lawrence III	4525 Bells Hwy Jackson TN 38305	368
Frank F. Lawrence	40 Algie Neely Road Jackson TN 38301	368
Charles H. Lawrence	3776 Brownsville Hwy Jackson TN 38301	302
Ernest T. Lawrence	45 Stonehaven Circle Jackson TN 38305	302
Leila F. Lawrence	50 Broadmoor Jackson TN 38305	60
TOTAL		1,480

LAWRENCE SERVICE, INC.

STOCKHOLDERS	ADDRESS	NO. SHARES HELD
Samuel M. Lawrence, Jr.	50 Broadmoor Jackson TN 38305	78
Samuel M. Lawrence III	4525 Bells Hwy Jackson TN 38305	117
Frank F. Lawrence	40 Algie Neely Road Jackson TN 38301	117
TOTAL		312

EXHIBIT 2.8

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

SEASONAIR, INC.

and

the STOCKHOLDERS named herein

TABLE OF CONTENTS

ANNEXES

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), SEASONAIR, INC., a Maryland corporation (the "COMPANY"), (a) JAMES HARRISON HEWES CARRINGTON, as Trustee of THE JAMES HARRISON HEWES CARRINGTON TRUST, (b) NORMAN J. POKORNY, as Trustee of THE NORMAN J. POKORNY REVOCABLE TRUST, and (c) DENISE KIDD, MARIANNE TAFT and JAMES C. HARDIN, SR., as Trustees of the SEASONAIR, INC. EMPLOYEE STOCK OWNERSHIP PLAN (the "ESOP") (the Trustees identified in the foregoing clauses (a), (b) and (c), acting in their respective capacities as such, being hereinafter called the "STOCKHOLDERS"). The STOCKHOLDERS are all the stockholders of the COMPANY.

WHEREAS, the STOCKHOLDERS desire to exchange all of the outstanding shares of COMPANY Stock (as defined herein) for the consideration described herein;

WHEREAS, CSI desires to acquire all of the outstanding shares of COMPANY Stock in exchange for the consideration described herein;

WHEREAS, the Board of Directors of the COMPANY desires to evidence its approval of the transactions contemplated hereby and to obligate the COMPANY to perform its obligations hereunder;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDERS and the Boards of Directors and the stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of CSI that are parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDERS and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDERS and the stockholders of each of the other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the STOCKHOLDERS and the Board of Directors of the COMPANY have approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean each of the Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Balance Sheet Date" shall mean December 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" has the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock" has the meaning set forth in Section 2.1.

"Effective Time of the Exchange" shall mean the time as of which the Exchange becomes effective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Exchange" means the exchange of all of the outstanding shares of COMPANY Stock for the shares of CSI Stock and cash described herein pursuant to this Agreement.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation (formerly Atlas Interest, Inc.),

Contract Service, Inc., a Utah corporation,

Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation,

Quality Air Heating & Cooling, Inc., a Michigan corporation,

Seasonair, Inc., a Maryland corporation,

Standard Heating & Air Conditioning Company, Inc., an Alabama corporation,

S.M. Lawrence Company, Inc., a Tennessee corporation, and Lawrence Service, Inc., a Tennessee corporation,

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and Tech Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and

Western Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in

Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement.

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as referenced in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDERS" has the meaning set forth in the first paragraph of this Agreement.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE EXCHANGE

1.1 DELIVERY AND FILING OF ARTICLES OF EXCHANGE. If required by Maryland law, CSI, the COMPANY and the STOCKHOLDERS will cause Articles of Exchange to be signed, verified and filed with the Secretary of State of the State of Maryland and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE EXCHANGE. At the Effective Time of the Exchange, the COMPANY shall become a wholly owned subsidiary of CSI and the STOCKHOLDERS shall be entitled to receive the consideration described herein, all as set forth herein.

1.3 CERTIFICATE OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS. At the Effective Time of the Exchange:

(i) the Certificate of Incorporation of the COMPANY then in effect shall remain the Certificate of Incorporation of the COMPANY until changed as provided by law;

(ii) the By-laws of the COMPANY shall be amended and restated to read as set forth as the Bylaws entitled "Form of Seasonair Bylaws" included in Annex II hereto, with such changes thereto as may be required by Maryland law;

(iii) the Board of Directors of the COMPANY shall consist of the persons who are on the Board of Directors of the COMPANY immediately prior to the Effective Time of the Exchange, provided that Gordie Beittenmiller shall be elected as a director of the COMPANY effective as of the Effective Time of the Exchange; the Board of Directors of the COMPANY shall hold office subject to the provisions of the laws of the State of Maryland and of the Certificate of Incorporation and By-laws of the COMPANY; and

(iv) the officers of the COMPANY immediately prior to the Effective Time of the Exchange shall continue as the officers of the COMPANY in the same capacity or capacities, and effective upon the Effective Time of the Exchange Gordie Beittenmiller shall be appointed as a vice president of the COMPANY and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of the COMPANY, each of such officers to serve, subject to the provisions of the Certificate of Incorporation and By-laws of the COMPANY, until his or her successor is duly elected and qualified.

1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY AND CSI. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the COMPANY and CSI as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the COMPANY is as set forth on Schedule 1.4 hereto; and

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50,000,000 shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5,000,000 shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding, and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement.

2. EXCHANGE OF STOCK

2.1 MANNER OF EXCHANGE. The manner of exchanging (i) all of the outstanding shares of capital stock of the COMPANY ("COMPANY Stock") for (ii) shares of CSI Stock and cash shall be as follows:

As of the Effective Time of the Exchange, all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Exchange, shall be exchanged by the STOCKHOLDERS for the right to receive the number of shares of CSI Stock set forth on Annex III hereto with respect to each STOCKHOLDER and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to each STOCKHOLDER.

All CSI Stock received by the STOCKHOLDERS pursuant to this Agreement shall, except for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDERS shall be fully exercisable by the STOCKHOLDERS and the STOCKHOLDERS shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Exchange, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF EXCHANGE CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDERS, who are the holders of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the respective number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDERS shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDERS, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the

STOCKHOLDERS' expense, affixed and canceled. The STOCKHOLDERS agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Exchange (including, if required by applicable state law, the filing with the appropriate state authorities of the Articles of Exchange which shall become effective at the Effective Time of the Exchange) and (ii) effect the delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Exchange or the delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, the Exchange shall not occur. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Exchange shall occur, effective as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, (y) all transactions contemplated by this Agreement, including the delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDERS shall be entitled to receive pursuant to the Exchange referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12 hereof, during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect

of the IPO is terminated pursuant to the terms of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS

(A) REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS.

Each of the COMPANY and the STOCKHOLDERS jointly and severally represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to the COMPANY and all of its subsidiaries, if any.

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its

business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of the COMPANY (the "Charter Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDERS which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement subject to any required approval of the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the COMPANY is as set forth in Section 1.4(i). All of the issued and outstanding shares of the capital stock of the COMPANY are owned by the STOCKHOLDERS in the amounts set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the COMPANY have been duly authorized and validly

issued, are fully paid and nonassessable, are owned of record by the STOCKHOLDERS and further, such shares were offered, issued, sold and delivered by the COMPANY in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the COMPANY nor the relative ownership of shares among any of its respective stockholders has been altered or changed in contemplation of the Exchange and/or the CSI Plan of Organization. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Exchange or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except as set forth on Schedule 5.6, the COMPANY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's audited Balance Sheets as of December 31, 1996, 1995 and 1994 and Statements of Income, Cash Flows and Retained Earnings for each of the years in the three-year period ended December 31, 1996 (December 31, 1996 being hereinafter referred to as the "Balance Sheet Date"). Such Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets as of December 31, 1996, 1995, and 1994 present fairly in all material aspects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Income, Cash Flows and Retained Earnings present fairly in all material aspects the results of operations for the periods indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date which

by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the case of those contingent liabilities related to pending or threatened litigation, or other liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following:

(a) copies of all relevant documentation relating thereto;

(b) amounts claimed and any other action or relief sought; and

(c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDERS. Except to the extent reflected on Schedule 5.11, such accounts, notes and

other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses, franchises, permits and other governmental authorizations, including permits, titles (including motor vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13, and except where any failure to comply or action would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and

criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law); (ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or disposed of Hazardous Wastes and Hazardous Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY or CSI for any clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; and (v) to the knowledge of the COMPANY, the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other

personal property owned by the COMPANY with an individual value in excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by STOCKHOLDERS, relatives of STOCKHOLDERS, or Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section 5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete

and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof and all other real property, if any, used by the COMPANY in the conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date.

True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by STOCKHOLDERS or affiliates of the COMPANY or STOCKHOLDERS is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI, (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies

are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the COMPANY, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its employees nor has the COMPANY experienced any labor interruptions over the past three years.

The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDERS have delivered to CSI an accurate schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts

related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.19, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither STOCKHOLDERS, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDERS further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any

multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules 5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and

penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The COMPANY has a taxable year ended October 31 and has not made an election to retain a fiscal year other than October 31 under Section 444 of the Code. The COMPANY's methods of accounting have not changed in the past five years. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby

in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY or CSI of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely providing services to any other customer or potential customer of the COMPANY, CSI, or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDERS, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDERS and their affiliates;

(viii)any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDERS or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the COMPANY is a party;

(xiii)any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business.

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the COMPANY has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto. Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the COMPANY and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for government office nor has it otherwise taken any action which would cause the COMPANY to be in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, together with the other information furnished to CSI by the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to

statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by CSI. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDERS become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDERS in this Agreement in any material respect, the COMPANY and the STOCKHOLDERS shall immediately give notice of such fact or circumstance to CSI. However, subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDERS of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDERS at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDERS acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the COMPANY, the STOCKHOLDERS or any other person affiliated or associated with the COMPANY for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDERS to enter into this Agreement has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS

Each STOCKHOLDER severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the representations and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDER owns of record all of the shares of the COMPANY stock identified on Annex IV as being owned by such STOCKHOLDER, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. No STOCKHOLDER is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI

CSI represents and warrants that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations

set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the STOCKHOLDERS actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

6.1 DUE ORGANIZATION. CSI is a duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of CSI (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The representatives of CSI executing this Agreement have the authority to enter into and bind CSI to the terms of this Agreement and (ii) CSI has the full legal right, power and authority to enter into this Agreement.

6.3 CAPITAL STOCK OF CSI. The authorized capital stock of CSI is as set forth in Section 1.4(ii). All of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI in compliance

with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates CSI to issue any of its authorized but unissued capital stock; and (ii) CSI has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list, accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. CSI has no subsidiaries except each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, CSI does not own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and CSI is not, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date,

and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI has no material liabilities, contingent or otherwise, except as set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, CSI is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI, threatened against or affecting, CSI, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over CSI and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI has have conducted and is conducting its business in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and is not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. CSI is not in violation of any CSI Charter Document. None of CSI, or, to the knowledge of CSI, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI is a party, or by which CSI, or any of its properties, is bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI under the CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or

breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDERS pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. CSI has not entered and will not enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. CSI has not conducted any material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. CSI does not own any real property or any material personal property and

is not a party to any other agreement, except as listed on Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business;

(xii) any other distribution of property or assets by CSI other than in the ordinary course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of the COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of the COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. The COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, the STOCKHOLDERS and the COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of the COMPANY access to all of CSI's sites, properties, books and records and will furnish the COMPANY with such additional financial and operating data and other information as to the business and properties of CSI as the COMPANY may from time to time reasonably request. CSI will cooperate with the COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments except as permitted by Section 10.6, without the knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to the COMPANY as the instruments being replaced; and

(viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Funding and Consummation Date, the COMPANY will not, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted by Section 10.6, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock;

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii)merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of the COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the STOCKHOLDERS, the COMPANY, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing

on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the COMPANY or a merger, consolidation or business combination of the COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, the COMPANY shall satisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDERS and the COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between the COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDERS and the COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of the COMPANY or the STOCKHOLDERS contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any STOCKHOLDER or the COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI shall give prompt notice to the COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any

representation or warranty of CSI contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.7 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANY consent to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by CSI that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of

the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI and a majority of the Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent, the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that the COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The COMPANY and STOCKHOLDERS shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning the COMPANY and the STOCKHOLDERS required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The COMPANY and the STOCKHOLDERS agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be delivered under the Securities Act, any information contained in the prospectus concerning the

COMPANY or the STOCKHOLDERS becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates solely to the COMPANY or the STOCKHOLDERS, the COMPANY represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. The COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited consolidated balance sheets of the COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of the COMPANY or the results of its operations from the financial statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDERS and the COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

7.14 COMPLIANCE WITH AGREEMENT. The STOCKHOLDERS shall cause the COMPANY to comply with its obligations under this Agreement.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date, if any of such conditions has not been satisfied, the Stockholders (acting in unison) shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or

action of the Stockholders in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDERS.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be reasonably satisfactory to the COMPANY and its counsel. The STOCKHOLDERS and the COMPANY shall be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDERS shall have failed to inform CSI in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Exchange or the IPO and no governmental agency or body shall have taken any other action or made any request of

the COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDERS is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Exchange and no governmental agency or body shall have taken any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which CSI is authorized to do business, showing that CSI is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI, certifying the truth and

correctness of attached copies of the CSI's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors approving CSI's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDERS shall have received an opinion of Arthur Andersen LLP or another tax advisor reasonably acceptable to the STOCKHOLDERS that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code, and that the STOCKHOLDERS will not recognize gain to the extent the STOCKHOLDERS exchange stock of the COMPANY for CSI stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI

The obligations of CSI with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDERS and the COMPANY contained in this

Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDERS and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDERS shall have delivered to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Exchange or the IPO Exchange and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of the COMPANY, certifying the truth and correctness of attached copies of the COMPANY's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the STOCKHOLDERS approving the COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the COMPANY which would constitute a Material Adverse Effect, and the COMPANY shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the COMPANY to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The STOCKHOLDERS shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the

STOCKHOLDERS against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDERS, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the STOCKHOLDERS, (y) continuing obligations to STOCKHOLDERS relating to their employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the COMPANY and the STOCKHOLDERS shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDERS, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Exchange and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the COMPANY's state of incorporation and, unless waived by CSI, in each state in which the COMPANY is authorized to do business, showing the COMPANY is in good standing and authorized to do business and that all state franchise and/or

income tax returns and taxes for the COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each STOCKHOLDER shall have delivered to CSI a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

10. COVENANTS OF CSI AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDERS released from any and all guarantees on any indebtedness that they personally guaranteed and from any and all pledges of assets that they pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such guaranteed indebtedness on or prior to 120 days subsequent to the Funding and Consummation Date, CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired, CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDERS.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDERS shall file or cause to be filed all separate federal income Tax Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Each STOCKHOLDER shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings

or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, CSI and each STOCKHOLDER shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the draft of the Registration Statement shall be appointed as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On the Funding and Consummation Date, the employees of the COMPANY will remain the employees of the COMPANY (provided that this provision is for purposes of clarifying that the Exchange, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of the COMPANY or

CSI to assess workforce needs and make appropriate adjustments as necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. If the COMPANY is an S corporation, the COMPANY may pay to each STOCKHOLDER as a dividend the full amount of his or her "accumulated adjustments account" (as defined in Section 1368(e) of the Code) as of the Balance Sheet Date, and may also pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings taxable to such STOCKHOLDERS for the period after the Balance Sheet Date to the Funding and Consummation Date. If the COMPANY is a C corporation, the COMPANY may pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings for the period after the Balance Sheet Date to the Funding and Consummation Date. The COMPANY may borrow funds to the extent necessary to make the payments contemplated by this Section 10.6 and to the extent necessary to ensure that the COMPANY has cash on hand to adequately fund operations on the Funding and Consummation Date.

10.7 ESOP. The COMPANY agrees that it will not make any further contributions to the ESOP after the date hereof. Subject to applicable law, the STOCKHOLDERS, the COMPANY and CSI shall use their best efforts:

(i) to cause the ESOP to refrain from distributing any shares of CSI Stock held by the ESOP to any participant therein until such time as the shares of CSI Stock held by the ESOP will be, upon distribution to such participant, freely tradable without restriction;

(ii) to cause the interests of all ESOP participants to become fully vested on the Funding and Consummation Date or as soon thereafter as may be reasonably practicable; and

(iii) to terminate the ESOP (and distribute the assets thereof to the participants therein) as soon as may be reasonably practicable after the shares of CSI Stock then held by the ESOP will be, upon distribution to the participants in the ESOP, freely tradable without restriction.

11. INDEMNIFICATION

The STOCKHOLDERS and CSI each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The STOCKHOLDERS covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless CSI and the COMPANY at all times, from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI or the COMPANY as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDERS or the COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDERS or the COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to the COMPANY or the STOCKHOLDERS, and provided to CSI or its counsel by the COMPANY or the STOCKHOLDERS (but in the case of the STOCKHOLDERS, only if such statement was provided in writing) contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the COMPANY or the STOCKHOLDERS required to be stated therein or necessary to make the statements therein not misleading, provided, however, that such indemnity shall not inure to the benefit of CSI or the COMPANY to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDERS provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no STOCKHOLDER shall be liable for any

indemnification obligation pursuant to this Section 11.1 to the extent attributable to a breach of any representation, warranty or agreement made herein individually by any other STOCKHOLDER.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDERS at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the STOCKHOLDERS as a result of or arising from (i) any breach by CSI of its representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI under this Agreement, (iii) any liabilities which the STOCKHOLDERS may incur due to CSI's failure to be responsible for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI has claims against the STOCKHOLDERS by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to CSI or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or

the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such

settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. CSI and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the STOCKHOLDERS until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDERS shall exceed the greater of (a) 1.0% of

the sum of the cash paid to STOCKHOLDERS plus the value of the CSI Stock delivered to STOCKHOLDERS (calculated as in this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDERS shall not assert any claim for indemnification hereunder against CSI until such time as, and solely to the extent that, the aggregate of all claims which STOCKHOLDERS may have against CSI shall exceed $50,000

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Exchange. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price as set forth in the Registration Statement. It is hereby understood and agreed that a STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Exchange, valued as described immediately above.

11.6 ADDITIONAL LIMITATION. CSI and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against (1) any participant in the ESOP, in his or her capacity as such, or (2) any trustee of the ESOP in his or her individual capacity, it being agreed that any claim for indemnification hereunder against the ESOP shall be made only against the ESOP.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION.This Agreement may be terminated at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the STOCKHOLDERS;

(ii) by the STOCKHOLDERS, on the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDERS, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the STOCKHOLDERS or the COMPANY, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable, or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or

(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. Mr. Pokorny shall enter into a noncompetition agreement substantially similar to those described in Section 13 of the Other Agreements.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The STOCKHOLDERS recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. The STOCKHOLDERS agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDERS as is required in the course of performing their duties for CSI or the COMPANY and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the STOCKHOLDERS, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDERS shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the STOCKHOLDERS of the provisions of this Section, CSI shall be entitled to an injunction restraining such STOCKHOLDERS from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, STOCKHOLDERS shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI. CSI recognizes and acknowledges it had in the past and currently has access to certain confidential information of the COMPANY, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI agrees that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI shall, if possible, give prior written notice thereof to the COMPANY and the STOCKHOLDERS and provide the COMPANY and the STOCKHOLDERS with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI of the provisions of this Section, the COMPANY and the STOCKHOLDERS shall be entitled to an injunction restraining CSI from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDERS from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the

parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDERS or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, none of the STOCKHOLDERS shall sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDERS in the Exchange. The certificates evidencing the CSI Stock delivered to the STOCKHOLDERS pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate: THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDERS acknowledge that the shares of CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and may not be resold without compliance with the Act. The CSI Stock to be acquired by such STOCKHOLDERS pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The STOCKHOLDERS covenant, warrant and represent that none of the shares of CSI Stock issued to such STOCKHOLDERS will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement: THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The STOCKHOLDERS are able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the proposed investment in the CSI Stock. The STOCKHOLDERS party hereto have had an adequate opportunity to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business

of CSI, the business, operations and financial condition of the Founding Companies other than the COMPANY, and any plans for additional acquisitions and the like. The STOCKHOLDERS have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give each of the STOCKHOLDERS prompt written notice of its intent to do so. Upon the written request of any of the STOCKHOLDERS given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which any such STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than CSI is greater than the number of such shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each

such offering made by CSI after the IPO, such reduction shall be made first by reducing the number of shares to be sold by persons other than CSI, the STOCKHOLDERS and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDERS and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the shares of CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from any STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the

date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective date of such registration unless CSI is no longer proceeding diligently to effect such registration; provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such

managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by any STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to such STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The COMPANY, STOCKHOLDERS and CSI shall each deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of the COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDERS.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDERS, the COMPANY, and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDERS, the COMPANY, and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Bracewell & Patterson, L.L.P., and any other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. Each STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Exchange, other than Transfer Taxes, if any, imposed by the State of Delaware. Each STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of such STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be

notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI addressed to it at:
Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDERS, addressed to them at their addresses set forth on Annex IV, with copies to:

Christopher C. Collins
Andrews & Kurth, L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(c) If to the COMPANY, addressed to it at:

Seasonair, Inc
11920 Maple Avenue
Rockville, Maryland 20852
Attn: Denise Kidd

and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case

the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, the COMPANY and STOCKHOLDERS who hold or who will hold at least 50% of the CSI Stock issued or to be issued upon consummation of the Exchange. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Exchange and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:/S/ FRED FERREIRA
Name: Fred Ferreira

Title: Chief Executive Officer

SEASONAIR, INC.

By:/S/ JAMES C. HARDIN, SR.

Name: James C. Hardin, Sr.

Title: President and Chief Executive Officer

STOCKHOLDERS:

/S/ JAMES HARRISON HEWES CARRINGTON
James Harrison Hewes Carrington,
as Trustee of THE JAMES HARRISON HEWES

CARRINGTON TRUST

/S/ NORMAN J. POKORNY
Norman J. Pokorny,
as Trustee of THE NORMAN J. POKORNY

REVOCABLE TRUST

/S/ DENISE KIDD
Denise Kidd

/S/ MARIANNE TAFT
Marianne Taft

/S/ JAMES C. HARDIN, SR.
James C. Hardin, Sr.
as Trustees of THE SEASONAIR, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
SEASONAIR, INC., AND

THE OTHER PARTIES THERETO

CONSIDERATION TO BE PAID TO STOCKHOLDERS

Aggregate consideration to be paid to STOCKHOLDERS:

$5,052,983 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 272,084 shares of CSI Stock and $1,515,891 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

CONSIDERATION TO BE PAID TO EACH STOCKHOLDER:

STOCKHOLDER	SHARES OF COMMON STOCK OF CSI	CASH ($)
The James Harrison Hewes		
Carrington Trust	54,145	$302,263
The Norman J. Pokorny		
Revocable Trust	54,145	302,263
Seasonair, Inc. ESOP	163,794	911,365
TOTALS:	272,084	$1,515,891

MINIMUM VALUE: $3,109,528 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
SEASONAIR, INC., AND

THE OTHER PARTIES THERETO

STOCKHOLDERS AND STOCK OWNERSHIP OF THE COMPANY

The following is a list of the STOCKHOLDERS, their addresses and the number of shares of the COMPANY Stock held by each thereof:

STOCKHOLDER	ADDRESSES	NO. SHARES HELD
The James Harrison Hewes Carrington Trust	7506 Ramblewood Ct. Annandale, VA 22003	247,698.135
The Norman J. Pokorny Revocable Trust	2198 Canterbury Way Rockville, MD 20854	247,698.135
Seasonair, Inc. ESOP	11920 Maple Avenue Rockville, MD 20852	748,565.049
	Total Outstanding	1,243,961.319

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

STANDARD ACQUISITION CORP.
(a subsidiary of Comfort Systems USA, Inc.)

STANDARD HEATING & AIR CONDITIONING COMPANY

and

the STOCKHOLDERS named herein

TABLE OF CONTENTS

ANNEXES

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), STANDARD ACQUISITION CORP., a Delaware corporation ("NEWCO"), STANDARD HEATING & AIR CONDITIONING COMPANY, an Alabama corporation (the "COMPANY"), and THOMAS B. KIME and CHRISTINE B. KIME (the "STOCKHOLDERS").

The STOCKHOLDERS are all the stockholders of the COMPANY.

WHEREAS, NEWCO is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on March 4, 1997, solely for the purpose of completing the transactions set forth herein, and is a wholly-owned subsidiary of CSI, a corporation organized and existing under the laws of the State of Delaware;

WHEREAS, the respective Boards of Directors of NEWCO and the COMPANY (which together are hereinafter collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that NEWCO merge with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the States of Delaware and Alabama;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDERS and the Boards of Directors and the stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of

CSI that are parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDERS and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDERS and the stockholders of each of the other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the Board of Directors of the COMPANY has approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement: "1933 Act" means the Securities Act of 1933, as amended. "1934 Act" means the Securities Exchange Act of 1934, as amended. "Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean NEWCO and each of the other Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Articles of Merger" shall mean those Articles or Certificates of Merger with respect to the Merger substantially in the forms attached as Annex I hereto or with such other changes therein as may be required by applicable state laws.

"Balance Sheet Date" shall mean December 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" has the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock" has the meaning set forth in Section 2.1.

"Constituent Corporations" has the meaning set forth in the second recital of this Agreement.

"Effective Time of the Merger" shall mean the time as of which the Merger becomes effective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation (formerly Atlas Interest, Inc.),

Contract Service, Inc., a Utah corporation,

Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation,

Quality Air Heating & Cooling, Inc., a Michigan corporation,

Seasonair, Inc., a Maryland corporation,

Standard Heating & Air Conditioning Company, Inc., an Alabama corporation,

S.M. Lawrence Company, Inc., a Tennessee corporation, and Lawrence Service, Inc., a Tennessee corporation,

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and Tech Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and

Western Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement.

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as referenced in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Merger" means the merger of NEWCO with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the State of Delaware and other applicable state laws.

"NEWCO" has the meaning set forth in the first paragraph of this Agreement.

"NEWCO STOCK" means the common stock, par value $.01 per share, of NEWCO.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDERS" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" shall mean the COMPANY as the surviving party in the Merger.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement. NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE MERGER

1.1 DELIVERY AND FILING OF ARTICLES OF MERGER. The Constituent Corporations will cause the Articles of Merger to be signed, verified and filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of Alabama and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE MERGER. At the Effective Time of the Merger, NEWCO shall be merged with and into the COMPANY in accordance with the Articles of Merger, the separate existence of NEWCO shall cease, the COMPANY shall be the surviving party in the Merger and the

COMPANY is sometimes hereinafter referred to as the Surviving Corporation. The Merger will be effected in a single transaction.

1.3 CERTIFICATE OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF SURVIVING CORPORATION. At the Effective Time of the Merger:

(i) the Certificate of Incorporation of the COMPANY then in effect shall be the Certificate of Incorporation of the Surviving Corporation until changed as provided by law;

(ii) the By-laws of NEWCO then in effect shall become the By-laws of the Surviving Corporation; and subsequent to the Effective Time of the Merger, such By-laws shall be the By-laws of the Surviving Corporation until they shall thereafter be duly amended;

(iii) the Board of Directors of the Surviving Corporation shall consist of the persons who are on the Board of Directors of the COMPANY immediately prior to the Effective Time of the Merger, provided that Gordie Beittenmiller shall be elected as a director of the Surviving Corporation effective as of the Effective Time of the Merger; the Board of Directors of the Surviving Corporation shall hold office subject to the provisions of the laws of the State of Alabama and of the Certificate of Incorporation and By-laws of the Surviving Corporation; and

(iv) the officers of the COMPANY immediately prior to the Effective Time of the Merger shall continue as the officers of the Surviving Corporation in the same capacity or capacities, and effective upon the Effective Time of the Merger Gordie Beittenmiller shall be appointed as a vice president of the Surviving Corporation and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of the Surviving Corporation, each of such officers to serve, subject to the provisions of the Certificate of Incorporation and By-laws of the Surviving Corporation, until his or her successor is duly elected and qualified. 1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY, CSI

AND NEWCO. The respective designations and numbers of outstanding shares and voting rights of

each class of outstanding capital stock of the COMPANY, CSI and NEWCO as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the COMPANY is as set forth on Schedule 5.3 hereto;

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50,000,000 shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5,000,000 shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement; and

(iii) as of the date of this Agreement, the authorized capital stock of NEWCO consists of 1,000 shares of NEWCO Stock, of which one hundred (100) shares are issued and outstanding.

1.5 EFFECT OF MERGER. At the Effective Time of the Merger, the effect of the Merger shall be as provided in the applicable provisions of the General Corporation Law of the State of Delaware (the "Delaware GCL") and the law of the State of Alabama. Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of the COMPANY shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of NEWCO shall be merged with and into the COMPANY, and the COMPANY, as the Surviving Corporation, shall be fully vested therewith. At the Effective Time of the Merger, the separate existence of NEWCO shall cease and, in accordance with the terms of this Agreement, the Surviving Corporation shall possess all the rights, privileges, immunities and franchises, of a public, as well as of a private, nature, and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all taxes, including those due and owing and those accrued, and all other choses in action, and all and every other interest of or belonging to or due to the COMPANY and NEWCO shall be taken and deemed to be transferred

to, and vested in, the Surviving Corporation without further act or deed; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the COMPANY and NEWCO; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of the state of incorporation vested in the COMPANY and NEWCO, shall not revert or be in any way impaired by reason of the Merger. Except as otherwise provided herein, the Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the COMPANY and NEWCO and any claim existing, or action or proceeding pending, by or against the COMPANY or NEWCO may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in their place. Neither the rights of creditors nor any liens upon the property of the COMPANY or NEWCO shall be impaired by the Merger, and all debts, liabilities and duties of the COMPANY and NEWCO shall attach to the Surviving Corporation, and may be enforced against such Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by such Surviving Corporation.

2. CONVERSION OF STOCK

2.1 MANNER OF CONVERSION. The manner of converting the shares of (i) outstanding capital stock of the COMPANY ("COMPANY Stock") and (ii) NEWCO Stock, issued and outstanding immediately prior to the Effective Time of the Merger, respectively, into shares of (x) CSI Stock and (y) common stock of the Surviving Corporation, respectively, shall be as follows:

As of the Effective Time of the Merger:

(i) all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, automatically shall be deemed to represent (1) the right to receive the number of shares of CSI Stock set forth on Annex III hereto with respect to such

holder and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to such holder;

(ii) all shares of COMPANY Stock that are held by the COMPANY as treasury stock shall be canceled and retired and no shares of CSI Stock or other consideration shall be delivered or paid in exchange therefor; and

(iii) each share of NEWCO Stock issued and outstanding immediately prior to the Effective Time of the Merger, shall, by virtue of the Merger and without any action on the part of CSI, automatically be converted into one fully paid and non-assessable share of common stock of the Surviving Corporation which shall constitute all of the issued and outstanding shares of common stock of the Surviving Corporation immediately after the Effective Time of the Merger. All CSI Stock received by the STOCKHOLDERS pursuant to this Agreement shall, except

for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDERS shall be fully exercisable by the STOCKHOLDERS and the STOCKHOLDERS shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Merger, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF MERGER CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDERS, who are the holders of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the respective number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDERS shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDERS, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the STOCKHOLDERS' expense, affixed and canceled. The STOCKHOLDERS agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Merger (including, if permitted by applicable state law, the filing with the appropriate state authorities of the Articles of Merger which shall become effective at the Effective Time of the Merger) and (ii) effect the conversion and delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Merger or the conversion and delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, CSI hereby covenants and agrees to do all things required by Delaware law and all things which counsel for the COMPANY advise CSI are required by applicable laws of the State of Alabama in order to rescind the merger effected by the filing of the Articles of Merger as described in this Section. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Articles of Merger shall be or shall have been filed with the appropriate state authorities so that they shall be or, as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, shall become effective and the Merger shall thereby be effected, (y) all

transactions contemplated by this Agreement, including the conversion and delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDERS shall be entitled to receive pursuant to the Merger referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12 hereof, during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS

(A) REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS. Each of the COMPANY and the STOCKHOLDERS jointly and severally represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or

state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to the COMPANY and all of its subsidiaries, if any.

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of the COMPANY (the "Charter Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDERS which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement and the

Merger, subject to any required approval of the shareholders and the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the COMPANY is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the COMPANY are owned by the STOCKHOLDERS in the amounts set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the COMPANY have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the STOCKHOLDERS and further, such shares were offered, issued, sold and delivered by the COMPANY in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the COMPANY nor the relative ownership of shares among any of its respective stockholders has been altered or changed in contemplation of the Merger and/or the CSI Plan of Organization. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Merger or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except as set forth on Schedule 5.6, the COMPANY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's unaudited Balance Sheets as of December 31, 1996, 1995 and 1994 and Statements of Income, Cash Flows and Retained Earnings for the year ended December 31, 1996 (December 31, 1996 being hereinafter referred to as the "Balance Sheet Date"). Such Financial Statements have been prepared

in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets as of December 31, 1996, 1995, and 1994 present fairly in all material aspects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Income, Cash Flows and Retained Earnings present fairly in all material aspects the results of operations for the period indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the case of those contingent liabilities related to pending or threatened litigation, or other liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following: (a) copies of all relevant documentation relating thereto; (b) amounts claimed and any other action or relief sought; and (c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDERS. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses, franchises, permits and other governmental authorizations, including permits, titles (including motor vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental

authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13, and except where any failure to comply or action would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law); (ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or

disposed of Hazardous Wastes and Hazardous Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY, CSI or NEWCO for any clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; and (v) to the knowledge of the COMPANY, the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other personal property owned by the COMPANY with an individual value in excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by STOCKHOLDERS, relatives of STOCKHOLDERS, or Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section

5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof, and all other real property, if any, used by the COMPANY in the conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date.

True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such

properties, if any, are currently owned, or were formerly owned, by STOCKHOLDERS or affiliates of the COMPANY or STOCKHOLDERS is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI, (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the COMPANY, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with

any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its employees nor has the COMPANY experienced any labor interruptions over the past three years. The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDERS have delivered to CSI an accurate schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.19, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither STOCKHOLDERS, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDERS further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in

substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, vari ances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules 5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The STOCKHOLDERS made a valid election under the provisions of Subchapter S of the Code and the COMPANY has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The COMPANY has a taxable year ended December 31 and has not made an election to retain a fiscal year other than December 31 under Section 444 of the Code. The COMPANY's

methods of accounting have not changed in the past five years. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY, CSI or NEWCO of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely providing services to any other customer or potential customer of the COMPANY, CSI, NEWCO or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDERS, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDERS and their affiliates;

(viii)any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDERS or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY or

requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the COMPANY is a party;

(xiii)any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business.

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the COMPANY has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto. Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly

authorized by the Board of Directors of the COMPANY and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for government office nor has it otherwise taken any action which would cause the COMPANY to be in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, together with the other information furnished to CSI by the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by CSI. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDERS become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDERS in this Agreement in any material respect, the COMPANY and the STOCKHOLDERS shall immediately give notice of such fact or circumstance to CSI. However, subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDERS of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties

and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDERS at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDERS acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the COMPANY, the STOCKHOLDERS or any other person affiliated or associated with the COMPANY for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDERS to enter into this Agreement, or to vote in favor of or consent to the proposed Merger, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS

Each STOCKHOLDER severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the representations and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDER owns beneficially and of record all of the shares of the COMPANY stock identified on Annex IV as being owned by such STOCKHOLDER, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. No STOCKHOLDER is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI AND NEWCO

CSI and NEWCO jointly and severally represent and warrant that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the STOCKHOLDERS actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the

expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

6.1 DUE ORGANIZATION. CSI and NEWCO are each corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of CSI and NEWCO (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The respective representatives of CSI and NEWCO executing this Agreement have the authority to enter into and bind CSI and NEWCO to the terms of this Agreement and (ii) CSI and NEWCO have the full legal right, power and authority to enter into this Agreement and the Merger.

6.3 CAPITAL STOCK OF CSI AND NEWCO. The authorized capital stock of CSI and NEWCO is as set forth in Sections 1.4(ii) and (iii), respectively. All of the issued and outstanding shares of the capital stock of NEWCO are owned by CSI and all of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI and NEWCO have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by CSI and the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI and NEWCO in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI or NEWCO.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates CSI or NEWCO to issue any of their respective authorized but unissued capital stock; and (ii) neither CSI nor NEWCO has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list, accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. NEWCO has no subsidiaries. CSI has no subsidiaries except for NEWCO and each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, neither CSI nor NEWCO presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and neither CSI nor NEWCO, directly or indirectly, is a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date, and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI and NEWCO have no material liabilities, contingent or otherwise, except as set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, neither CSI nor NEWCO is in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI or NEWCO, threatened against or affecting, CSI or NEWCO, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI and NEWCO have conducted and are conducting their respective businesses in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and are not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. Neither CSI nor NEWCO is in violation of any CSI Charter Document. None of CSI, NEWCO, or, to the knowledge of CSI and NEWCO, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI or NEWCO is a party, or by which CSI or NEWCO, or any of their respective properties, are bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI and NEWCO under the CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or

breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDERS pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. Neither CSI nor NEWCO has entered or will enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. Neither CSI nor NEWCO has conducted any material business since the date of its inception, except in connection with this Agreement, the

Other Agreements and the IPO. Neither CSI nor NEWCO owns or has at any time owned any real property or any material personal property or is a party to any other agreement, except as listed on Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business; (xii) any other distribution of property or assets by CSI other than in the ordinary course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of the COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of the COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. The COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, NEWCO, the STOCKHOLDERS and the COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of the COMPANY access to all of CSI's and NEWCO's sites, properties, books and records and will furnish the COMPANY with such additional financial and operating data and other information as to the business and properties of CSI and NEWCO as the COMPANY may from time to time reasonably request. CSI and NEWCO will cooperate with the COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments except as permitted by Section 10.6, without the knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to the COMPANY as the instruments being replaced; and

(viii)maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Funding and Consummation Date, the COMPANY will not, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted by Section 10.6, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock (provided that the COMPANY may declare and pay dividends pursuant to Section 10.6 hereof);

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii)merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of the COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the STOCKHOLDERS, the COMPANY, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing

on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the COMPANY or a merger, consolidation or business combination of the COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, the COMPANY shall satisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDERS and the COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between the COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDERS and the COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of the COMPANY or the STOCKHOLDERS contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any STOCKHOLDER or the COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI and NEWCO shall give prompt notice to the COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be

likely to cause any representation or warranty of CSI or NEWCO contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI or NEWCO to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.7 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANY consent to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by CSI or NEWCO that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other

Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI and a majority of the Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent, the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that the COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI or NEWCO seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The COMPANY and STOCKHOLDERS shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning the COMPANY and the STOCKHOLDERS required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The COMPANY and the STOCKHOLDERS agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be

delivered under the Securities Act, any information contained in the prospectus concerning the COMPANY or the STOCKHOLDERS becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates solely to the COMPANY or the STOCKHOLDERS, the COMPANY represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. The COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited consolidated balance sheets of the COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of the COMPANY or the results of its operations from the financial statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock

as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDERS and the COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI and NEWCO shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date, if any such conditions has not been satisfied, the Stockholders (acting in unison) shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the

Stockholders in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI and NEWCO contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI and NEWCO contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI and NEWCO on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDERS.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be reasonably satisfactory to the COMPANY and its counsel. The STOCKHOLDERS and the COMPANY shall be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDERS shall have failed to inform CSI in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of the

COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDERS is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI and NEWCO each shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which CSI or NEWCO is authorized to do business, showing that each of CSI and NEWCO is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI and NEWCO, respectively, for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI or NEWCO which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI and of NEWCO, certifying the truth and correctness of attached copies of the CSI's and NEWCO's respective Certificates of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the boards of directors and, if required, the stockholders of CSI and NEWCO approving CSI's and NEWCO's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDERS shall have received an opinion of Arthur Andersen LLP or another tax advisor reasonably acceptable to the STOCKHOLDERS that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code, and that the STOCKHOLDERS will not recognize gain to the extent the STOCKHOLDERS exchange stock of the COMPANY for CSI stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI AND NEWCO

The obligations of CSI and NEWCO with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI and NEWCO with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that

no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDERS and the COMPANY contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDERS and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDERS shall have delivered to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of the COMPANY, certifying the truth and correctness of attached copies of the COMPANY's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the STOCKHOLDERS approving the COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the COMPANY which would constitute a Material Adverse Effect, and the COMPANY shall not have suffered any material loss or damages to any of its properties or assets, whether or not

covered by insurance, which change, loss or damage materially affects or impairs the ability of the COMPANY to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The STOCKHOLDERS shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the STOCKHOLDERS against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDERS, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the STOCKHOLDERS, (y) continuing obligations to STOCKHOLDERS relating to their employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the COMPANY and the STOCKHOLDERS shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDERS, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the COMPANY's state of incorporation and, unless waived by CSI, in each state in which the COMPANY is authorized to do business, showing the COMPANY is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each STOCKHOLDER shall have delivered to CSI a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

10. COVENANTS OF CSI AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDERS released from any and all guarantees on any indebtedness that they personally guaranteed and from any and all pledges of assets that they pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such guaranteed indebtedness on or prior to 120 days subsequent to the Funding and Consummation Date, CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired,

CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDERS.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDERS shall file or cause to be filed all separate federal income Tax Returns (and any State and local Tax Returns filed on the basis similar to that of S corporations under federal income Tax rules) of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Each STOCKHOLDER shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, NEWCO, CSI and each STOCKHOLDER shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code. 10.4 DIRECTORS. The persons named in the draft of the Registration Statement shall be

appointed as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation

to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On the Funding and Consummation Date, the employees of the COMPANY will be the employees of the Surviving Corporation (provided that this provision is for purposes of clarifying that the Merger, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of the Surviving Corporation or CSI to assess workforce needs and make appropriate adjustments as necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. If the COMPANY is an S corporation, the COMPANY may pay to each STOCKHOLDER as a dividend the full amount of his or her "accumulated adjustments account" (as defined in Section 1368(e) of the Code) as of the Balance Sheet Date, and may also pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings taxable to such STOCKHOLDERS for the period after the Balance Sheet Date to the Funding and Consummation Date. If the COMPANY is a C corporation, the COMPANY may pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings for the period after the Balance Sheet Date to the Funding and Consummation Date. The COMPANY may borrow funds to the extent necessary to make the payments contemplated by this Section 10.6 and to the extent necessary to ensure that the COMPANY has cash on hand to adequately fund operations on the Funding and Consummation Date.

11. INDEMNIFICATION

The STOCKHOLDERS, CSI and NEWCO each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The STOCKHOLDERS covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless CSI, NEWCO, the COMPANY and the Surviving Corporation at all times, from and after the date

of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI, NEWCO, the COMPANY or the Surviving Corporation as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDERS or the COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDERS or the COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to the COMPANY or the STOCKHOLDERS, and provided to CSI or its counsel by the COMPANY or the STOCKHOLDERS (but in the case of the STOCKHOLDERS, only if such statement was provided in writing) contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the COMPANY or the STOCKHOLDERS required to be stated therein or necessary to make the statements therein not misleading, provided, however, that such indemnity shall not inure to the benefit of CSI, NEWCO, the COMPANY or the Surviving Corporation to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDERS provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no STOCKHOLDER shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent attributable to a breach of any representation, warranty or agreement made herein individually by any other STOCKHOLDER.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDERS at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits,

proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the STOCKHOLDERS as a result of or arising from (i) any breach by CSI or NEWCO of their representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI or NEWCO under this Agreement, (iii) any liabilities which the STOCKHOLDERS may incur due to CSI's or NEWCO's failure to be responsible for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI or NEWCO has claims against the STOCKHOLDERS by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to CSI, NEWCO or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or NEWCO or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying

Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to

such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. CSI, NEWCO, the Surviving Corporation and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the STOCKHOLDERS until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDERS shall exceed the greater of (a) 1.0% of the sum of the cash paid to STOCKHOLDERS plus the value of the CSI Stock delivered to STOCKHOLDERS (calculated as provided in the this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDERS shall not assert any claim for indemnification hereunder against CSI or NEWCO until such time as, and solely to the extent that,

the aggregate of all claims which STOCKHOLDERS may have against CSI or NEWCO shall exceed $50,000.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Merger. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price as set forth in the Registration Statement. It is hereby understood and agreed that a STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Merger, valued as described immediately above.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION.This Agreement may be terminated at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the COMPANY;

(ii) by the STOCKHOLDERS or the COMPANY (acting through its board of directors),

on the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDERS or COMPANY, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due

and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the STOCKHOLDERS or the COMPANY, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable, or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or

(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The STOCKHOLDERS will not, for a period of five (5) years following the Funding and Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any heating, ventilating or air conditioning services business in direct competition with CSI or any of the subsidiaries thereof, within 100 miles of where the COMPANY or any of its subsidiaries conducted business prior to the effectiveness of the Merger (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of CSI (including the subsidiaries thereof) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of CSI (including the subsidiaries thereof), provided that each STOCKHOLDER shall be permitted to call upon and hire any member of his or her immediate family;

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Funding and Consummation Date, a customer of CSI (including the subsidiaries thereof), of the COMPANY or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with CSI within the Territory;

(iv) call upon any prospective acquisition candidate, on any STOCKHOLDER's own behalf or on behalf of any competitor in the heating, ventilation or air conditioning services business, which candidate, to the actual knowledge of such STOCKHOLDER after due inquiry, was called upon by CSI (including the subsidiaries thereof) or for which, to the actual knowledge of such STOCKHOLDER after due inquiry, CSI (or any subsidiary thereof) made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of the COMPANY to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the COMPANY has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit any STOCKHOLDER from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange or over-the-counter.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to CSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that

could be caused to CSI for which it would have no other adequate remedy, each STOCKHOLDER agrees that the foregoing covenant may be enforced by CSI in the event of breach by such STOCKHOLDER, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the STOCKHOLDERS in light of the activities and business of CSI (including the subsidiaries thereof) on the date of the execution of this Agreement and the current plans of CSI.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of any STOCKHOLDER against CSI (including the subsidiaries thereof), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by CSI of such covenants. It is specifically agreed that the period of five (5) years stated at the beginning of this Section 13, during which the agreements and covenants of each STOCKHOLDER made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such STOCKHOLDER is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The COMPANY and the STOCKHOLDERS hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The STOCKHOLDERS recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. The STOCKHOLDERS agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDERS as is required in the course of performing their duties for CSI or the Surviving Corporation and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the STOCKHOLDERS, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDERS shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the STOCKHOLDERS of the provisions of this Section, CSI shall be entitled to an injunction restraining such STOCKHOLDERS from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, STOCKHOLDERS shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI AND NEWCO. CSI and NEWCO recognize and acknowledge that they had in the past and currently have access to certain confidential information of the COMPANY, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI and NEWCO agree that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI or NEWCO, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI and NEWCO shall, if possible, give prior written notice thereof to the COMPANY and the STOCKHOLDERS and provide the COMPANY and the STOCKHOLDERS with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI or NEWCO of the provisions of this Section, the COMPANY and the STOCKHOLDERS shall be entitled to an injunction restraining CSI and NEWCO from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDERS from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and

irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDERS or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, none of the STOCKHOLDERS shall sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDERS in the Merger. The certificates evidencing the CSI Stock delivered to the STOCKHOLDERS pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate: THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDERS acknowledge that the shares of CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and may not be resold without compliance with the Act. The CSI Stock to be acquired by such STOCKHOLDERS pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The STOCKHOLDERS covenant, warrant and represent that none of the shares of CSI Stock issued to such STOCKHOLDERS will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement: THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The STOCKHOLDERS are able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the proposed investment in the CSI Stock. The STOCKHOLDERS party hereto have had an adequate opportunity to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business of CSI, the business, operations and financial condition of the Founding Companies other than the

COMPANY, and any plans for additional acquisitions and the like. The STOCKHOLDERS have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give each of the STOCKHOLDERS prompt written notice of its intent to do so. Upon the written request of any of the STOCKHOLDERS given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which any such STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than CSI is greater than the number of such shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each such offering made by CSI after the IPO, such reduction shall be made first by reducing the number

of shares to be sold by persons other than CSI, the STOCKHOLDERS and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDERS and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the shares of CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from any STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the

date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective date of such registration unless CSI is no longer proceeding diligently to effect such registration; provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such

managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by any STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to such STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The COMPANY, STOCKHOLDERS, CSI and NEWCO shall each deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such

other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of the COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDERS.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDERS, the COMPANY, NEWCO and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDERS, the COMPANY, NEWCO and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Bracewell & Patterson, L.L.P., and any other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. Each STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Merger, other than Transfer Taxes, if any, imposed by the State of Delaware. Each STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of such STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI, or NEWCO, addressed to them at:
Comfort Systems USA, Inc.

4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDERS, addressed to them at their addresses set forth on Annex IV, with copies to:

Christopher S. Collins
Andrews & Kurth, L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(c) If to the COMPANY, addressed to it at:

Standard Heating & Air Conditioning Company
520 8th Street South

Birmingham, AL 35233
Attn: Thomas B. Kime

and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, NEWCO, the COMPANY and STOCKHOLDERS who hold or who will hold at least 50% of the CSI Stock issued or to be issued upon consummation of the Merger. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Merger and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:/S/ FRED FERREIRA

Name: Fred Ferreira

Title: Chief Executive Officer

STANDARD ACQUISITION CORP.

By:/S/ GORDIE BEITTENMILLER

Name: Gordie Beittenmiller

Title: President

STANDARD HEATING & AIR CONDITIONING COMPANY

By:/S/ THOMAS B. KIME

Name: Thomas B. Kime
Title: President

STOCKHOLDERS:

/S/ THOMAS B. KIME
Thomas B. Kime

/S/ CHRISTINE B. KIME
Christine B. Kime

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
STANDARD ACQUISITION CORP.

STANDARD HEATING & AIR CONDITIONING COMPANY

AND

THE STOCKHOLDERS NAMED THEREIN

CONSIDERATION TO BE PAID TO STOCKHOLDERS

Aggregate consideration to be paid to STOCKHOLDERS:

$4,736,173 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 291,457 shares of CSI Stock and $947,232 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

CONSIDERATION TO BE PAID TO EACH STOCKHOLDER:

STOCKHOLDER	SHARES OF COMMON STOCK OF CSI	CASH ($)
Thomas B. Kime	72,864	$236,808
Christine B. Kime	72,864	236,808
Thomas B. Kime and Christine B. Kime, joint tenants	145,729	473,616
TOTALS:	291,457	$947,232

MINIMUM VALUE: $2,914,568 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
STANDARD ACQUISITION CORP.

STANDARD HEATING & AIR CONDITIONING COMPANY

AND

THE STOCKHOLDERS NAMED THEREIN

STOCKHOLDERS AND STOCK OWNERSHIP OF THE COMPANY

The following is a list of the STOCKHOLDERS, their addresses and the number of shares of the COMPANY Stock held by each thereof:

STOCKHOLDER	ADDRESSES	NO. SHARES HELD
Thomas B. Kime	3616 Birchwood Circle Birmingham, AL 35243	100
Christine B. Kime	3616 Birchwood Circle Birmingham, AL 35243	100
Thomas B. Kime and Christine B. Kime, as joint tenants	3616 Birchwood Circle Birmingham, AL 35243	200
	Total Outstanding	400

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

TECH ACQUISITION I CORP.
TECH ACQUISITION II CORP.

(each a subsidiary of Comfort Systems USA, Inc.)

TECH HEATING AND AIR CONDITIONING, INC.
TECH MECHANICAL, INC.

and

the STOCKHOLDER named herein

TABLE OF CONTENTS

ANNEXES

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), TECH ACQUISITION I CORP., a Delaware corporation ("NEWCO I"), TECH ACQUISITION II CORP., a Delaware corporation ("NEWCO II") (collectively, "NEWCO", and individually, "each NEWCO"), TECH HEATING AND AIR CONDITIONING, INC., an Ohio corporation, TECH MECHANICAL, INC., an Ohio corporation (collectively the "COMPANY" or the "COMPANIES" and individually "each COMPANY") and BOB COOK (the "STOCKHOLDER"). The STOCKHOLDER is the only stockholder of each of the COMPANIES.

WHEREAS, each NEWCO is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on March 4, 1997, solely for the purpose of completing the transactions set forth herein, and is a wholly-owned subsidiary of CSI, a corporation organized and existing under the laws of the State of Delaware;

WHEREAS, the respective Boards of Directors of each NEWCO and each of the COMPANIES (which together are hereinafter collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that each NEWCO merge with and into each COMPANY, respectively, as set forth on Appendix I hereto, pursuant to this Agreement and the applicable provisions of the laws of the States of Delaware and Ohio;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDER and the Boards of Directors and the stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of CSI that are parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDER and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDER and the stockholders of each of the other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the Board of Directors of each COMPANY has approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean each NEWCO and each of the other Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Articles of Merger" shall mean those Articles or Certificates of Merger with respect to the Merger substantially in the forms attached as Annex I hereto or with such other changes therein as may be required by applicable state laws.

"Balance Sheet Date" shall mean December 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" and "COMPANIES" have the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock"means, collectively, the common stock of each COMPANY.

"Constituent Corporations" has the meaning set forth in the second recital of this Agreement.

"Effective Time of the Merger" shall mean the time as of which the Merger becomeseffective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation (formerly Atlas Interest, Inc.),

Contract Service, Inc., a Utah corporation,

Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation, Quality Air Heating & Cooling, Inc., a Michigan corporation, Seasonair, Inc., a Maryland corporation, Standard Heating & Air Conditioning Company, Inc., an Alabama corporation, S.M. Lawrence Company, Inc., a Tennessee corporation, and Lawrence

Service, Inc., a Tennessee corporation,

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and Tech

Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and Western

Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as referenced in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Merger" means the merger of each NEWCO with and into each COMPANY, respectively, as set forth on Appendix I hereto, pursuant to this Agreement and the applicable provisions of the laws of the State of Delaware and other applicable state laws.

"NEWCO" has the meaning set forth in the first paragraph of this Agreement.

"NEWCO STOCK" means, collectively, the common stock, par value $.01 per share, of each

NEWCO.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDER" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" and "Surviving Corporations" shall mean, respectively, each COMPANY as the surviving party in its respective Merger, and both COMPANIES as the surviving parties in the Merger.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE MERGER

1.1 DELIVERY AND FILING OF ARTICLES OF MERGER. The Constituent Corporations will cause the Articles of Merger to be signed, verified and filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of Ohio and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE MERGER. At the Effective Time of the Merger, each NEWCO shall be merged with and into each COMPANY, respectively, as set forth on Appendix I hereto, in accordance with the Articles of Merger, the separate existence of each NEWCO shall cease, the COMPANY into which each such NEWCO merged shall be the surviving party in the Merger and each such COMPANY is sometimes hereinafter referred to as the Surviving Corporation. The Merger will be effected in a single transaction.

1.3 CERTIFICATE OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF EACH SURVIVING CORPORATION. At the Effective Time of the Merger:

(i) the Certificate of Incorporation of each COMPANY then in effect shall be the Certificate of Incorporation of the respective Surviving Corporation until changed as provided by law;

(ii) the By-laws of NEWCO then in effect shall become the By-laws of the respective Surviving Corporation, with such changes as may be required by the laws of the State of Ohio; and subsequent to the Effective Time of the Merger, such By-laws shall be the By-laws of such Surviving Corporation until they shall thereafter be duly amended;

(iii) the Board of Directors of each COMPANY shall remain the Board of Directors of its respective Surviving Corporation after the Effective Time of the Merger, provided that Gordie Beittenmiller shall be elected as a director of each Surviving Corporation effective as of each Effective Time of the Merger; the Board of Directors of each Surviving Corporation shall hold office subject to the provisions of the laws of the State of Ohio and of the Certificate of Incorporation and By-laws of such Surviving Corporation; and

(iv) the officers of each COMPANY immediately prior to the Effective Time of the Merger shall continue as the officers of the respective Surviving Corporation in the same capacity or capacities, and effective upon the Effective Time of the Merger Gordie Beittenmiller shall be appointed as a vice president of each Surviving Corporation and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of each Surviving Corporation, each of such officers to serve, subject to the provisions of the Certificate of Incorporation and By-laws of each Surviving Corporation, until his or her successor is duly elected and qualified.

1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF EACH COMPANY,CSI AND EACH NEWCO. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of each COMPANY, CSI and each NEWCO as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of each COMPANY is as set forth on Schedule 5.3 hereto;

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50,000,000 shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5,000,000 shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement; and

(iii) as of the date of this Agreement, the authorized capital stock of each NEWCO consists of 1,000 shares of common stock, par value $.01 per share, of which one hundred (100) shares are issued and outstanding. 1.5 EFFECT OF MERGER. At the Effective Time of the Merger, the effect of the Merger shall

be as provided in the applicable provisions of the General Corporation Law of the State of Delaware (the "Delaware GCL") and the law of the State of Ohio. Except as herein specifically set forth, the

identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of each COMPANY shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of each NEWCO shall be merged with and into each COMPANY, respectively, as set forth on Annex I hereto, and each COMPANY, as the respective Surviving Corporation, shall be fully vested therewith. At the Effective Time of the Merger, the separate existence of each NEWCO shall cease and, in accordance with the terms of this Agreement, the respective Surviving Corporation shall possess all the rights, privileges, immunities and franchises, of a public, as well as of a private, nature, and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all taxes, including those due and owing and those accrued, and all other choses in action, and all and every other interest of or belonging to or due to the respective COMPANY and NEWCO shall be taken and deemed to be transferred to, and vested in, the respective Surviving Corporation without further act or deed; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of such Surviving Corporation as they were of the respective COMPANY and NEWCO; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of the state of incorporation vested in the respective COMPANY and NEWCO, shall not revert or be in any way impaired by reason of the Merger. Except as otherwise provided herein, each Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the respective COMPANY and NEWCO and any claim existing, or action or proceeding pending, by or against the respective COMPANY or NEWCO may be prosecuted as if the Merger had not taken place, or such Surviving Corporation may be substituted in their place. Neither the rights of creditors nor any liens upon the property of any COMPANY or NEWCO shall be impaired by the Merger, and all debts, liabilities and duties of each COMPANY and each NEWCO shall attach to the respective Surviving Corporation, and may be enforced against such Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by such Surviving Corporation.

2. CONVERSION OF STOCK

2.1 MANNER OF CONVERSION. The manner of converting the shares of (i) outstanding COMPANY Stock and (ii) NEWCO Stock, issued and outstanding immediately prior to the Effective Time of the Merger, respectively, into shares of (x) CSI Stock and (y) common stock of the respective Surviving Corporation, respectively, shall be as follows:

As of the Effective Time of the Merger:

(i) all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, automatically shall be deemed to represent (1) the right to receive the number of shares of CSI Stock set forth on Annex III hereto with respect to such holder and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to such holder;

(ii) all shares of COMPANY Stock that are held by the COMPANY as treasury stock shall be canceled and retired and no shares of CSI Stock or other consideration shall be delivered or paid in exchange therefor; and

(iii) each share of NEWCO Stock issued and outstanding immediately prior to the Effective Time of the Merger, shall, by virtue of the Merger and without any action on the part of CSI, automatically be converted into one fully paid and non-assessable share of common stock of the respective Surviving Corporation which shall constitute all of the issued and outstanding shares of common stock of such Surviving Corporation immediately after the Effective Time of the Merger.

All CSI Stock received by the STOCKHOLDER pursuant to this Agreement shall, except for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDER shall be fully exercisable by the STOCKHOLDER and the

STOCKHOLDER shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Merger, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF MERGER CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDER, who is the sole holder of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDER shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDER, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the STOCKHOLDER'S expense, affixed and canceled. The STOCKHOLDER agrees promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Merger (including, if permitted by applicable state law, the filing with the appropriate state authorities of the Articles of Merger which shall become effective at the Effective Time of the Merger) and (ii) effect the conversion and delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Merger or the conversion and delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, CSI hereby

covenants and agrees to do all things required by Delaware law and all things which counsel for the COMPANY advise CSI are required by applicable laws of the State of Ohio in order to rescind the merger effected by the filing of the Articles of Merger as described in this Section. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Articles of Merger shall be or shall have been filed with the appropriate state authorities so that they shall be or, as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, shall become effective and the Merger shall thereby be effected, (y) all transactions contemplated by this Agreement, including the conversion and delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDER shall be entitled to receive pursuant to the Merger referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12, hereof during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF EACH COMPANY AND STOCKHOLDER

(A) REPRESENTATIONS AND WARRANTIES OF EACH COMPANY AND STOCKHOLDER. Each COMPANY and the STOCKHOLDER jointly and severally represent and warrant that

all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding

and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to each of the COMPANIES and their subsidiaries, if any, and references to a particular Annex or Schedule number shall be deemed to refer to the respective COMPANY's Annex or Schedule or applicable portion thereof.

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of the COMPANY (the "Charter

Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDER which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement and the Merger, subject to any required approval of the shareholders and the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the COMPANY is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the COMPANY are owned by the STOCKHOLDER in the amount set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the COMPANY have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the STOCKHOLDER and further, such shares were offered, issued, sold and delivered by the COMPANY in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of

any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the COMPANY nor the relative ownership of shares among any of its respective stockholders has been altered or changed in contemplation of the Merger and/or the CSI Plan of Organization. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Merger or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except as set forth on Schedule 5.6, the COMPANY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's audited Balance Sheets as of December 31, 1996 and 1995 and Statements of Operations, Shareholders' Equity and Cash Flows for each of the years in the two-year period ended December 31, 1996 (December 31, 1996 being hereinafter referred to as the "Balance Sheet Date"). Such Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets as of December 31, 1996 and 1995 present fairly in all material respects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Operations, Shareholders' Equity and Cash Flows present fairly in all material respects the results of operations for the periods indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the case of those contingent liabilities related to pending or threatened litigation, or other liabilities

which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following:
(a) copies of all relevant documentation relating thereto;
(b) amounts claimed and any other action or relief sought; and
(c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDER. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses, franchises, permits and other governmental authorizations, including permits, titles (including motor

vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13, and except where any failure to comply or action would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law); (ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary

to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or disposed of Hazardous Wastes and Hazardous Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY, CSI or NEWCO for any clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; and (v) to the knowledge of the COMPANY, the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other personal property owned by the COMPANY with an individual value in excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by STOCKHOLDER, relatives of STOCKHOLDER, or Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY

pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section 5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof, and all other real property, if any, used by the COMPANY in the conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date. True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by STOCKHOLDER or affiliates of the COMPANY or STOCKHOLDER is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the COMPANY, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i)

the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its employees nor has the COMPANY experienced any labor interruptions over the past three years.

The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDER have delivered to CSI an accurate schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act

of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither STOCKHOLDER, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has engaged in any transaction prohibited

under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDER further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions, suits

or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules 5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The

STOCKHOLDER made valid elections under the provisions of Subchapter S of the Code with respect to each Company and the COMPANY has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The COMPANY has a taxable year ended December 31 and has not made an election to retain a fiscal year other than December 31 under Section 444 of the Code. The COMPANY's methods of accounting have not changed in the past five years. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY, CSI or NEWCO of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely providing services to any other customer or potential customer of the COMPANY, CSI, NEWCO or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDER, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDER and their affiliates;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDER or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the COMPANY is a party;

(xiii) any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business.

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of: (i) the name of each financial institution in which the COMPANY has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto.

Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the COMPANY and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which the STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for government office nor has it otherwise taken any action which would cause the COMPANY to be in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which the STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, together with the other information furnished to CSI by the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by CSI. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDER become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDER in this Agreement, in any material respect, the COMPANY and the STOCKHOLDER shall immediately give notice of such fact or circumstance to CSI. However,

subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDER of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDER at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDER acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the COMPANY, the STOCKHOLDER or any other person affiliated or associated with the COMPANY for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDER to enter into this Agreement, or to vote in favor of or consent to the proposed Merger, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDER

The STOCKHOLDER represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the representations

and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDER owns beneficially and of record all of the shares of the COMPANY stock identified on Annex IV as being owned by such STOCKHOLDER, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. The STOCKHOLDER is not under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI AND NEWCO

CSI and NEWCO jointly and severally represent and warrant that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on

a timely basis, and solely to the extent that in connection with the IPO, any of the STOCKHOLDERS actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 6, the term "NEWCO" shall mean and refer to each of the NEWCOs, and references to a particular Annex or Schedule number shall be deemed to refer to the respective NEWCO's Annex or Schedule or applicable portion thereof.

6.1 DUE ORGANIZATION. CSI and NEWCO are each corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of CSI and NEWCO (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The respective representatives of CSI and NEWCO executing this Agreement have the authority to enter into and bind CSI and NEWCO to the terms of this Agreement and (ii) CSI and NEWCO have the full legal right, power and authority to enter into this Agreement and the Merger.

6.3 CAPITAL STOCK OF CSI AND NEWCO. The authorized capital stock of CSI and NEWCO is as set forth in Sections 1.4(ii) and (iii), respectively. All of the issued and outstanding shares of the capital stock of NEWCO are owned by CSI and all of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI and NEWCO have been duly authorized and validly issued, are fully paid and nonassessable, are owned

of record and beneficially by CSI and the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI and NEWCO in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI or NEWCO.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates CSI or NEWCO to issue any of their respective authorized but unissued capital stock; and (ii) neither CSI nor NEWCO has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list, accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. NEWCO has no subsidiaries. CSI has no subsidiaries except for NEWCO and each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, neither CSI nor NEWCO presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and neither CSI nor NEWCO, directly or indirectly, is a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance

with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date, and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI and NEWCO have no material liabilities, contingent or otherwise, except as set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, neither CSI nor NEWCO is in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI or NEWCO, threatened against or affecting, CSI or NEWCO, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI and NEWCO have conducted and are conducting their respective businesses in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and are not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. Neither CSI nor NEWCO is in violation of any CSI Charter Document. None of CSI, NEWCO, or, to the knowledge of CSI and NEWCO, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI or

NEWCO is a party, or by which CSI or NEWCO, or any of their respective properties, are bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI and NEWCO under the CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDER pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDER pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. Neither CSI nor NEWCO has entered or will enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding

Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. Neither CSI nor NEWCO has conducted any material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Neither CSI nor NEWCO owns or has at any time owned any real property or any material personal property or is a party to any other agreement, except as listed on Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business;

(xii) any other distribution of property or assets by CSI other than in the ordinary course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, each COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of such COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of such COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. Each COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, NEWCO, the STOCKHOLDER and each

COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of each COMPANY access to all of CSI's and NEWCO's sites, properties, books and records and will furnish each COMPANY with such additional financial and operating data and other information as to the business and properties of CSI and NEWCO as such COMPANY may from time to time reasonably request. CSI and NEWCO will cooperate with each COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. Each COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, each COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with such COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments except as permitted by Section 10.6, without the knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to such COMPANY as the instruments being replaced; and

(viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices. 7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Funding and Consummation Date, neither COMPANY will, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted by Section 10.6, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem

or otherwise acquire or retire for value any shares of its stock (provided that the COMPANY may declare and pay dividends pursuant to Section 10.6 hereof);

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of such COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the STOCKHOLDER, either COMPANY, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, such COMPANY or a merger, consolidation or business combination of such COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, each COMPANY shall satisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDER and each COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between such COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between such COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDER and each COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or

non-occurrence of which would be likely to cause any representation or warranty of such COMPANY or the STOCKHOLDER contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of the STOCKHOLDER or each COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI and each NEWCO shall give prompt notice to such COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of CSI or such NEWCO contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI or such NEWCO to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.7 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by either COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANIES consent to such amendment or supplement; and provided

further, that no amendment or supplement to a Schedule prepared by CSI or any NEWCO that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI and a majority of the Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent (provided that consent shall be deemed given if any COMPANY consents), the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that any COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI or any NEWCO seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. Each COMPANY and STOCKHOLDER shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning such COMPANY and the STOCKHOLDER required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). Each COMPANY and the STOCKHOLDER agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be delivered under the Securities Act, any information contained in the prospectus concerning such COMPANY or the STOCKHOLDER becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates solely to each COMPANY or the STOCKHOLDER, such COMPANY represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to such COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. Each COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited consolidated balance sheets of such COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of such COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of such COMPANY or the results of its operations from the financial statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such

financial statements, all of such financial statements will present fairly the results of operations of each COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDER and each COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI and each NEWCO shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDER AND COMPANY

The obligations of STOCKHOLDER and the COMPANY (it being understood and agreed that, for purposes of this Section 8, the term "COMPANY" means both COMPANIES, which shall, for the purposes of this Section 8, act only in unison) with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDER and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date, if any of such conditions has not been satisfied, the Stockholders (acting in unison) shall have the right to terminate this Agreement or, in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any condition, not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI and NEWCO contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI and NEWCO contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI and NEWCO on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDER.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be reasonably satisfactory to the COMPANY and its counsel. The STOCKHOLDER and the COMPANY shall be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDER shall have failed to inform CSI in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of the COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDER is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken

any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI and NEWCO each shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which CSI or NEWCO is authorized to do business, showing that each of CSI and NEWCO is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI and NEWCO, respectively, for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI or NEWCO which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI and of NEWCO, certifying the truth and correctness of attached copies of the CSI's and NEWCO's respective Certificates of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the boards of directors and, if required, the stockholders of CSI and NEWCO approving CSI's and NEWCO's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDER shall have received an opinion of Arthur Andersen L.L.P. or another tax advisor reasonably acceptable to the STOCKHOLDERS that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code, and that the STOCKHOLDERS will not recognize gain to the extent the STOCKHOLDERS

exchange stock of the COMPANY for CSI Stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI AND NEWCO

The obligations of CSI and NEWCO with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI and NEWCO with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDER and the COMPANY contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDER and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDER shall have delivered to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of CSI

as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of each COMPANY, certifying the truth and correctness of attached copies of such COMPANY's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the STOCKHOLDER approving such COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to either COMPANY which would constitute a Material Adverse Effect, and neither COMPANY shall have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of such COMPANY to conduct its business.

9.5 STOCKHOLDER'S RELEASE. The STOCKHOLDER shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the STOCKHOLDER against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDER, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the STOCKHOLDER, (y) continuing obligations to STOCKHOLDER relating to his employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between either COMPANY and the STOCKHOLDER shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDER, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. Each COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in such COMPANY's state of incorporation and, unless waived by CSI, in each state in which such COMPANY is authorized to do business, showing such COMPANY is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for such COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. The STOCKHOLDER shall have delivered to CSI a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

10. COVENANTS OF CSI AND THE STOCKHOLDER AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDER released from any and all guarantees on any indebtedness that he personally guaranteed and from any and all pledges of assets that he pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such guaranteed indebtedness on or prior to 120 days subsequent to the Funding and Consummation Date, CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired, CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDER.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDER shall file or

cause to be filed all separate federal income Tax Returns (and any State and local Tax Returns filed on the basis similar to that of S corporations under federal income Tax rules) of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. The STOCKHOLDER shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, NEWCO, CSI and the STOCKHOLDER shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under

Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the draft of the Registration Statement shall be as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On the Funding and Consummation Date, the employees of each COMPANY will be the employees of the respective Surviving Corporation (provided that this provision is for purposes of clarifying that the Merger, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of such Surviving Corporation or CSI to assess workforce needs and make appropriate adjustments as necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. If the COMPANY is an S corporation, the COMPANY may pay to each STOCKHOLDER as a dividend the full amount of his or her "accumulated adjustments account" (as defined in Section 1368(e) of the Code) as of the Balance Sheet Date, and may also pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings taxable to such STOCKHOLDERS for the period after the Balance Sheet Date to the Funding and Consummation Date. If the COMPANY is a C corporation, the COMPANY may pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings for the period after the Balance Sheet Date

to the Funding and Consummation Date. The COMPANY may borrow funds to the extent necessary to make the payments contemplated by this Section 10.6 and to the extent necessary to ensure that the COMPANY has cash on hand to adequately fund operations on the Funding and Consummation Date.

11. INDEMNIFICATION

The STOCKHOLDER, CSI and NEWCO each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDER. The STOCKHOLDER covenants and agrees that he will indemnify, defend, protect and hold harmless CSI, NEWCO, the COMPANY and the Surviving Corporation at all times, from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI, NEWCO, the COMPANY or the Surviving Corporation as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDER or either COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDER or either COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to either COMPANY or the STOCKHOLDER, and provided to CSI or its counsel by either COMPANY or the STOCKHOLDER (but in the case of the STOCKHOLDER, only if such statement was provided in writing) contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to either COMPANY or the STOCKHOLDER required to be stated therein or necessary to make the statements therein

not misleading, provided, however, that such indemnity shall not inure to the benefit of CSI, NEWCO, the COMPANY or the Surviving Corporation to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDER provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDER at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the STOCKHOLDER as a result of or arising from (i) any breach by CSI or NEWCO of their representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI or NEWCO under this Agreement, (iii) any liabilities which the STOCKHOLDER may incur due to CSI's or NEWCO's failure to be responsible for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI or NEWCO has claims against the STOCKHOLDER by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to CSI, NEWCO or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or NEWCO or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such

participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided

that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. None of CSI, any NEWCO, any Surviving Corporation nor any other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall assert any claim for indemnification hereunder against the STOCKHOLDER until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDER shall exceed the greater of 1.0% of the sum of the cash paid to STOCKHOLDER plus the value of the CSI Stock delivered to STOCKHOLDER (calculated as provided in this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDER shall not assert any claim for indemnification hereunder against CSI or any NEWCO until such time as, and solely to the extent that, the aggregate of all claims which STOCKHOLDER may have against CSI or any or all NEWCOs shall exceed $50,000.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Merger. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price as set forth in the Registration Statement. It is hereby understood and agreed that a STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Merger, valued as described immediately above.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION. This Agreement may be terminated (it being understood and agreed that, for purposes of this Section 12, the term "COMPANY" means both of the COMPANIES which

shall, for purposes of this Section 12, at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the COMPANY;

(ii) by the STOCKHOLDER or the COMPANY (acting through its board of directors), the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDER or COMPANY, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the STOCKHOLDERS, or the COMPANY, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable, or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or

(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The STOCKHOLDER will not, for a period of five (5) years following the Funding and Consummation Date, for any reason whatsoever, directly or indirectly, for himself or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any heating, ventilating or air conditioning services business in direct competition with CSI or any of the subsidiaries thereof, within 100 miles of where the COMPANY or any of its subsidiaries conducted business prior to the effectiveness of the Merger (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of CSI (including the subsidiaries thereof) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of CSI (including the subsidiaries thereof), provided that the STOCKHOLDER shall be permitted to call upon and hire any member of his immediate family;

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Funding and Consummation Date, a customer of CSI (including the subsidiaries thereof), of the COMPANY or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with CSI within the Territory;

(iv) call upon any prospective acquisition candidate, on the STOCKHOLDER'S own behalf or on behalf of any competitor in the heating, ventilation or air conditioning services business, which candidate, to the actual knowledge of the STOCKHOLDER after due inquiry, was called upon by CSI (including the subsidiaries thereof) or for which, to the actual knowledge of such

STOCKHOLDER after due inquiry, CSI (or any subsidiary thereof) made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of the COMPANY to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the COMPANY has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit the STOCKHOLDER from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange or over-the-counter.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to CSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to CSI for which it would have no other adequate remedy, the STOCKHOLDER agrees that the foregoing covenant may be enforced by CSI in the event of breach by the STOCKHOLDER, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the STOCKHOLDER in light of the activities and business of CSI (including the subsidiaries thereof) on the date of the execution of this Agreement and the current plans of CSI.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of the STOCKHOLDER against CSI (including the subsidiaries thereof), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by CSI of such covenants. It is specifically agreed that the period of five (5) years stated at the beginning of this Section 13, during which the agreements and covenants of the STOCKHOLDER made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which the STOCKHOLDER is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The COMPANY and the STOCKHOLDER hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDER. The STOCKHOLDER recognizes and acknowledges that he had in the past, currently has, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. The STOCKHOLDER agrees that he will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDER as is required in the course of performing his duties for CSI or the Surviving Corporation and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes

known to the public generally through no fault of the STOCKHOLDER, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDER shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by the STOCKHOLDER of the provisions of this Section, CSI shall be entitled to an injunction restraining the STOCKHOLDER from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, STOCKHOLDER shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI AND NEWCO. CSI and NEWCO recognize and acknowledge that they had in the past and currently have access to certain confidential information of the COMPANY, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI and NEWCO agree that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI or NEWCO, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI and NEWCO shall, if possible, give prior written notice thereof to the COMPANY and the

STOCKHOLDER and provide the COMPANY and the STOCKHOLDER with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI or NEWCO of the provisions of this Section, the COMPANY and the STOCKHOLDER shall be entitled to an injunction restraining CSI and NEWCO from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDER from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDER or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, the STOCKHOLDER shall not sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDER in the Merger. The certificates

evidencing the CSI Stock delivered to the STOCKHOLDER pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate:

THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDER acknowledges that the shares of CSI Stock to be delivered to the STOCKHOLDER pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the Act. The CSI Stock to be acquired by the STOCKHOLDER pursuant to this Agreement is being acquired solely for his own account, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The STOCKHOLDER covenants, warrants and represents that none of the shares of CSI Stock issued to the STOCKHOLDER will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the

applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The STOCKHOLDER is able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the proposed investment in the CSI Stock. The STOCKHOLDER has had an adequate opportunity to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business of CSI, the business, operations and financial condition of the Founding Companies other than the COMPANY, and any plans for additional acquisitions and the like. The STOCKHOLDER has asked any and all questions in the nature described in the preceding sentence and all questions have been answered to his satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give the STOCKHOLDER prompt written notice of its intent to do so. Upon the written request of

the STOCKHOLDER given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to the STOCKHOLDER pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which the STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than CSI is greater than the number of such shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each such offering made by CSI after the IPO, such reduction shall be made first by reducing the number of shares to be sold by persons other than CSI, the STOCKHOLDER and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDER and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the

shares of CSI Stock issued to the STOCKHOLDER pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from the STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective date of such registration unless CSI is no longer proceeding diligently to effect such registration; provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection

with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by the STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to the STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. Each COMPANY, STOCKHOLDER, CSI and NEWCO shall each deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. Each COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of such COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit

of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDER.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDER, each COMPANY, each NEWCO and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDER, each COMPANY, each NEWCO and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that each COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement,

including the fees and expenses of Arthur Andersen LLP, Bracewell & Patterson, L.L.P., and any other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. The STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Merger, other than Transfer Taxes, if any, imposed by the State of Delaware. The STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, the STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of the STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI, or any NEWCO, addressed to them at:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDER, addressed to him at his address set forth on
Annex IV, with copies to:

Christopher S. Collins
Andrews & Kurth, L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(c) If to any COMPANY, addressed to it at:

30300 Bruce Industrial Parkway
Solon, Ohio 44139
Attn: Bob Cook

and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or

remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, each NEWCO, each COMPANY and the STOCKHOLDER. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Merger and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:/S/ FRED FERREIRA
Name: Fred Ferreira
Title: Chief Executive Officer

TECH ACQUISITION I CORP.

By:/S/ GORDIE BEITTENMILLER
Name: Gordie Beittenmiller
Title: President

TECH ACQUISITION II CORP.

By:/S/ GORDIE BEITTENMILLER
Name: Gordie Beittenmiller
Title: President

TECH HEATING AND AIR CONDITIONING, INC.

By:/S/ BOB COOK
Name: Bob Cook
Title: President

TECH MECHANICAL, INC.

By:/S/ BOB COOK
Name: Bob Cook
Title: President

STOCKHOLDER:

/S/ BOB COOK
BOB COOK

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
TECH ACQUISITION I CORP., TECH ACQUISITION II CORP.,

TECH HEATING AND AIR CONDITIONING, INC.
TECH MECHANICAL, INC., AND BOB COOK

CONSIDERATION TO BE PAID TO STOCKHOLDER

Aggregate consideration to be paid to STOCKHOLDER:

$13,323,284 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 717,408 shares of CSI Stock and $3,996,980 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

CONSIDERATION TO BE PAID TO EACH STOCKHOLDER:

STOCKHOLDER	Shares of Common STOCK OF CSI	Cash ($)
Bob Cook	717,408	$3,996,980

MINIMUM VALUE: $8,198,944 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
TECH ACQUISITION I CORP., TECH ACQUISITION II CORP.,

TECH HEATING AND AIR CONDITIONING, INC.
TECH MECHANICAL, INC., AND BOB COOK

STOCKHOLDER AND STOCK OWNERSHIP OF THE COMPANIES

TECH HEATING AND AIR CONDITIONING, INC.

STOCKHOLDER	ADDRESS	NO. SHARES HELD
Bob Cook	_____	All outstanding share

TECH MECHANICAL, INC.

STOCKHOLDER	ADDRESS	NO. SHARES HELD
Bob Cook	[same]	All outstanding shares

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

TRI-CITY ACQUISITION CORP.
(a subsidiary of Comfort Systems USA, Inc.)

TRI-CITY MECHANICAL, INC.

and

the STOCKHOLDERS named herein

TABLE OF CONTENTS

ANNEXES

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), TRI-CITY ACQUISITION CORP., a Delaware corporation ("NEWCO"), TRICITY MECHANICAL, INC., an Arizona corporation (the "COMPANY"), MICHAEL NOTHUM & JEWEL NOTHUM, as Trustees of the Nothum Family Trust under a Trust Agreement dated December 15, 1978, MICHAEL NOTHUM, JR., MICHAEL NOTHUM, as Trustee of the Michael D. Nothum Irrevocable Trust under a Trust Agreement dated February 26, 1997, and MICHAEL NOTHUM, as Trustee of the Cassandra J. Nothum Irrevocable Trust under a Trust Agreement dated February 26, 1997 (the "STOCKHOLDERS"). The STOCKHOLDERS are all the stockholders of the COMPANY.

WHEREAS, NEWCO is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on March 4, 1997, solely for the purpose of completing the transactions set forth herein, and is a wholly-owned subsidiary of CSI, a corporation organized and existing under the laws of the State of Delaware;

WHEREAS, the respective Boards of Directors of NEWCO and the COMPANY (which together are hereinafter collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that NEWCO merge with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the States of Delaware and Arizona;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the Other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDERS and the Boards of Directors and the stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of CSI that are parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDERS and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDERS and the stockholders of each of the Other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the Board of Directors of the COMPANY has approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement: "1933 Act" means the Securities Act of 1933, as amended. "1934 Act" means the Securities Exchange Act of 1934, as amended. "Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean NEWCO and each of the other Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Articles of Merger" shall mean those Articles or Certificates of Merger with respect to the Merger substantially in the forms attached as Annex I hereto or with such other changes therein as may be required by applicable state laws.

"Balance Sheet Date" shall mean December 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" has the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock" has the meaning set forth in Section 2.1.

"Constituent Corporations" has the meaning set forth in the second recital of this Agreement.

"Effective Time of the Merger" shall mean the time as of which the Merger becomes effective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation (formerly Atlas Interest, Inc.),

Contract Service, Inc., a Utah corporation,

Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation,

Quality Air Heating & Cooling, Inc., a Michigan corporation,

Seasonair, Inc., a Maryland corporation,

Standard Heating & Air Conditioning Company, Inc., an Alabama corporation,

S.M. Lawrence Company, Inc., a Tennessee corporation, and Lawrence Service, Inc., a Tennessee corporation,

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and Tech Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and

Western Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement.

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as referenced in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Merger" means the merger of NEWCO with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the State of Delaware and other applicable state laws.

"NEWCO" has the meaning set forth in the first paragraph of this Agreement.

"NEWCO STOCK" means the common stock, par value $.01 per share, of NEWCO.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDERS" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" shall mean the COMPANY as the surviving party in the Merger.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE MERGER

1.1 DELIVERY AND FILING OF ARTICLES OF MERGER. The Constituent Corporations will cause the Articles of Merger to be signed, verified and filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of Arizona and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE MERGER. At the Effective Time of the Merger, NEWCO shall be merged with and into the COMPANY in accordance with the Articles of Merger, the separate existence of NEWCO shall cease, the COMPANY shall be the surviving party in the Merger and the

COMPANY is sometimes hereinafter referred to as the Surviving Corporation. The Merger will be effected in a single transaction.

1.3 ARTICLES OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF SURVIVING CORPORATION. At the Effective Time of the Merger:

(i) the Articles of Incorporation of the COMPANY then in effect shall be the Articles of Incorporation of the Surviving Corporation until changed as provided by law;

(ii) the By-laws of NEWCO then in effect shall become the By-laws of the Surviving Corporation; and subsequent to the Effective Time of the Merger, such By-laws shall be the By-laws of the Surviving Corporation until they shall thereafter be duly amended;

(iii) the Board of Directors of the Surviving Corporation shall consist of the persons who are on the Board of Directors of the COMPANY immediately prior to the Effective Time of the Merger, provided that Gordie Beittenmiller shall be elected as a director of the Surviving Corporation effective as of the Effective Time of the Merger; the Board of Directors of the Surviving Corporation shall hold office subject to the provisions of the laws of the State of Arizona and of the Articles of Incorporation and By-laws of the Surviving Corporation; and

(iv) the officers of the COMPANY immediately prior to the Effective Time of the Merger shall continue as the officers of the Surviving Corporation in the same capacity or capacities, and effective upon the Effective Time of the Merger Gordie Beittenmiller shall be appointed as a vice president of the Surviving Corporation and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of the Surviving Corporation, each of such officers to serve, subject to the provisions of the Articles of Incorporation and By-laws of the Surviving Corporation, until his or her successor is duly elected and qualified. 1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY, CSI AND NEWCO. The respective designations and numbers of outstanding shares and voting rights of

each class of outstanding capital stock of the COMPANY, CSI and NEWCO as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the COMPANY is as set forth on Schedule 5.3 hereto;

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50,000,000 shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5,000,000 shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement; and

(iii) as of the date of this Agreement, the authorized capital stock of NEWCO consists of 1,000 shares of NEWCO Stock, of which one hundred (100) shares are issued and outstanding.

1.5 EFFECT OF MERGER. At the Effective Time of the Merger, the effect of the Merger shall be as provided in the applicable provisions of the General Corporation Law of the State of Delaware (the "Delaware GCL") and the law of the State of Arizona. Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of the COMPANY shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of NEWCO shall be merged with and into the COMPANY, and the COMPANY, as the Surviving Corporation, shall be fully vested therewith. At the Effective Time of the Merger, the separate existence of NEWCO shall cease and, in accordance with the terms of this Agreement, the Surviving Corporation shall possess all the rights, privileges, immunities and franchises, of a public, as well as of a private, nature, and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all taxes, including those due and owing and those accrued, and all other choses in action, and all and every other interest of or belonging to or due to the COMPANY and NEWCO shall be taken and deemed to be transferred to, and vested in, the Surviving Corporation without further act or deed; and all property, rights and

privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the COMPANY and NEWCO; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of the state of incorporation vested in the COMPANY and NEWCO, shall not revert or be in any way impaired by reason of the Merger. Except as otherwise provided herein, the Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the COMPANY and NEWCO and any claim existing, or action or proceeding pending, by or against the COMPANY or NEWCO may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in their place. Neither the rights of creditors nor any liens upon the property of the COMPANY or NEWCO shall be impaired by the Merger, and all debts, liabilities and duties of the COMPANY and NEWCO shall attach to the Surviving Corporation, and may be enforced against such Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by such Surviving Corporation.

2. CONVERSION OF STOCK

2.1 MANNER OF CONVERSION. The manner of converting the shares of (i) outstanding capital stock of the COMPANY ("COMPANY Stock") and (ii) NEWCO Stock, issued and outstanding immediately prior to the Effective Time of the Merger, respectively, into shares of (x) CSI Stock and (y) common stock of the Surviving Corporation, respectively, shall be as follows:

As of the Effective Time of the Merger:

(i) all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, automatically shall be deemed to represent (1) the right to receive the number of shares of CSI Stock set forth on Annex III hereto with respect to such holder and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to such holder;

(ii) all shares of COMPANY Stock that are held by the COMPANY as treasury stock shall be canceled and retired and no shares of CSI Stock or other consideration shall be delivered or paid in exchange therefor; and

(iii) each share of NEWCO Stock issued and outstanding immediately prior to the Effective Time of the Merger, shall, by virtue of the Merger and without any action on the part of CSI, automatically be converted into one fully paid and non-assessable share of common stock of the Surviving Corporation which shall constitute all of the issued and outstanding shares of common stock of the Surviving Corporation immediately after the Effective Time of the Merger. All CSI Stock received by the STOCKHOLDERS pursuant to this Agreement shall, except for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDERS shall be fully exercisable by the STOCKHOLDERS and the STOCKHOLDERS shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Merger, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF MERGER CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDERS, who are the holders of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the respective number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDERS shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDERS, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the STOCKHOLDERS' expense, affixed and canceled. The STOCKHOLDERS agree promptly to cure

any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Merger (including, if permitted by applicable state law, the filing with the appropriate state authorities of the Articles of Merger which shall become effective at the Effective Time of the Merger) and (ii) effect the conversion and delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Merger or the conversion and delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, CSI hereby covenants and agrees to do all things required by Delaware law and all things which counsel for the COMPANY advise CSI are required by applicable laws of the State of Arizona in order to rescind the merger effected by the filing of the Articles of Merger as described in this Section. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Articles of Merger shall be or shall have been filed with the appropriate state authorities so that they shall be or, as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, shall become effective and the Merger shall thereby be effected, (y) all transactions contemplated by this Agreement, including the conversion and delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDERS shall be entitled to receive pursuant to the Merger referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs

shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12 hereof, during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS

(A) REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS.

Each of the COMPANY and the STOCKHOLDERS jointly and severally represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to the COMPANY and all of its subsidiaries, if any.

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite power and

authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Articles of Incorp oration and By-laws, each as amended, of the COMPANY (the "Charter Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDERS which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement and the Merger, subject to any required approval of the shareholders and the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the COMPANY is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the COMPANY are owned by the STOCKHOLDERS in the amounts set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the COMPANY have been duly authorized and validly

issued, are fully paid and nonassessable, are owned of record and beneficially by the STOCKHOLDERS and further, such shares were offered, issued, sold and delivered by the COMPANY in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the COMPANY nor the relative ownership of shares among any of its respective stockholders has been altered or changed in contemplation of the Merger and/or the CSI Plan of Organization. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Merger or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except as set forth on Schedule 5.6, the COMPANY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's audited Balance Sheets as of December 31, 1996 and 1995 and Statements of Operations, Shareholders' Equity and Cash Flows for each of the years in the three-year period ended December 31, 1996 (December 31, 1996 being hereinafter referred to as the "Balance Sheet Date"). Such Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets as of December 31, 1996 and 1995 present fairly in all material aspects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Operations, Shareholders' Equity and Cash Flows present fairly in all material aspects the results of operations for the periods indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and

(ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the case of those contingent liabilities related to pending or threatened litigation, or other liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following:

(a) copies of all relevant documentation relating thereto;

(b) amounts claimed and any other action or relief sought; and

(c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDERS. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses, franchises, permits and other governmental authorizations, including permits, titles (including motor vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13 , and except where any failure to comply or action would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without

limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law); (ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or disposed of Hazardous Wastes and Hazardous Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY, CSI or NEWCO for any clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; and (v) to the knowledge of the COMPANY, the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other personal property owned by the COMPANY with an individual value in excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently

owned, or were formerly owned, by STOCKHOLDERS, relatives of STOCKHOLDERS, or

Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section 5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition

of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof and all other real property, if any, used by the COMPANY in the conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date.

True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by STOCKHOLDERS or affiliates of the COMPANY or STOCKHOLDERS is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the COMPANY, listing all employment agreements with

such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its employees nor has the COMPANY experienced any labor interruptions over the past three years.

The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDERS have delivered to CSI an accurate schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess

benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.19, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof that have been filed for tax years 1994 and 1995 are included as part of Schedule 5.19 hereof. Neither STOCKHOLDERS, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has

engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDERS further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions,

suits or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, vari ances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules 5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The STOCKHOLDERS made a valid election under the provisions of Subchapter S of the Code and the

COMPANY has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The COMPANY has a taxable year ended December 31 and has not made an election to retain a fiscal year other than December 31 under Section 444 of the Code. The COMPANY's methods of accounting have not changed in the past five years. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY, CSI or NEWCO of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely providing services to any other customer or potential customer of the COMPANY, CSI, NEWCO or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDERS, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDERS and their affiliates;

(viii)any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDERS or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY or

requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the COMPANY is a party;

(xiii)any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business.

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the COMPANY has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto. Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly authorized by the Board of Directors of the COMPANY and this Agreement has been duly and

validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for government office nor has it otherwise taken any action which would cause the COMPANY to be in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, together with the other information furnished to CSI by the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by CSI. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDERS become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDERS in this Agreement in any material respect, the COMPANY and the STOCKHOLDERS shall immediately give notice of such fact or circumstance to CSI. However, subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDERS of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDERS

at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDERS acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the COMPANY, the STOCKHOLDERS or any other person affiliated or associated with the COMPANY for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDERS to enter into this Agreement, or to vote in favor of or consent to the proposed Merger, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS

Each STOCKHOLDER severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the representations and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDER owns beneficially and of record all

of the shares of the COMPANY Stock identified on Annex IV as being owned by such STOCKHOLDER, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. No STOCKHOLDER is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI AND NEWCO

CSI and NEWCO jointly and severally represent and warrant that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the STOCKHOLDERS actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

6.1 DUE ORGANIZATION. CSI and NEWCO are each corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of CSI and NEWCO (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The respective representatives of CSI and NEWCO executing this Agreement have the authority to enter into and bind CSI and NEWCO to the terms of this Agreement and (ii) CSI and NEWCO have the full legal right, power and authority to enter into this Agreement and the Merger.

6.3 CAPITAL STOCK OF CSI AND NEWCO. The authorized capital stock of CSI and NEWCO is as set forth in Sections 1.4(ii) and (iii), respectively. All of the issued and outstanding shares of the capital stock of NEWCO are owned by CSI and all of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI and NEWCO have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by CSI and the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI and NEWCO in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI or NEWCO.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates CSI or NEWCO to issue any of their respective

authorized but unissued capital stock; and (ii) neither CSI nor NEWCO has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list, accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. NEWCO has no subsidiaries. CSI has no subsidiaries except for NEWCO and each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, neither CSI nor NEWCO presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and neither CSI nor NEWCO, directly or indirectly, is a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date, and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI and NEWCO have no material liabilities, contingent or otherwise, except as set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, neither CSI nor NEWCO is in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI or NEWCO, threatened against or affecting, CSI or NEWCO, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI and NEWCO have conducted and are conducting their respective businesses in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and are not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. Neither CSI nor NEWCO is in violation of any CSI Charter Document. None of CSI, NEWCO, or, to the knowledge of CSI and NEWCO, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI or NEWCO is a party, or by which CSI or NEWCO, or any of their respective properties, are bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI and NEWCO under the CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation

of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDERS pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. Neither CSI nor NEWCO has entered or will enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. Neither CSI nor NEWCO has conducted any material business since the date of its inception, except in connection with this Agreement, the Other Agreements and the IPO. Neither CSI nor NEWCO owns or has at any time owned any real property or any material personal property or is a party to any other agreement, except as listed on Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii) ny plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business; (xii) any other distribution of property or assets by CSI other than in the ordinary course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any

of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of the COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of the COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. The COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, NEWCO, the STOCKHOLDERS and the COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of the COMPANY access to all of CSI's and NEWCO's sites, properties, books and records and will furnish the COMPANY with such additional financial and operating data and other information as to the business and properties of CSI and NEWCO as the COMPANY may from time to time reasonably request. CSI and NEWCO will cooperate with the COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials

required by this Agreement. The COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments except as permitted by Section 10.6, without the knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to the COMPANY as the instruments being replaced; and

(viii)maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Funding and Consummation Date, the COMPANY will not, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted by Section 10.6 declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock (provided that the COMPANY may declare and pay dividends pursuant to Section 10.6 hereof);

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of the COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the STOCKHOLDERS, the COMPANY, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the COMPANY or a merger, consolidation or business combination of the COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, the COMPANY shall satisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDERS and the COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between the COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDERS and the COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of the COMPANY or the STOCKHOLDERS contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any STOCKHOLDER or the COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI and NEWCO shall give prompt notice to the COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of CSI or NEWCO contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI or NEWCO to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.7 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have

been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANY consent to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by CSI or NEWCO that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI and a majority of the Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent, the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that the COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI or NEWCO seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this

Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The COMPANY and STOCKHOLDERS shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning the COMPANY and the STOCKHOLDERS required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The COMPANY and the STOCKHOLDERS agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be delivered under the Securities Act, any information contained in the prospectus concerning the COMPANY or the STOCKHOLDERS becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates solely to the COMPANY or the STOCKHOLDERS, the COMPANY represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. The COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited consolidated balance sheets of the COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of the COMPANY or the results of its operations from the financial

statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDERS and the COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI and NEWCO shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date if any of such conditions has not been satisfied, the Stockholders (acting in unison) shall have the right to terminate this Agreement, or in the alternative, waive any condition not so satisfied. Any act or action of the Stockholders in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any conditions not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI and NEWCO contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI and NEWCO contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI and NEWCO on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDERS.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be reasonably satisfactory to the COMPANY and its counsel. The STOCKHOLDERS and the COMPANY shall

be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDERS shall have failed to inform CSI in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of the COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDERS is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI and NEWCO each shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly

issued by the Delaware Secretary of State and in each state in which CSI or NEWCO is authorized to do business, showing that each of CSI and NEWCO is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI and NEWCO, respectively, for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI or NEWCO which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI and of NEWCO, certifying the truth and correctness of attached copies of the CSI's and NEWCO's respective Certificates of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the boards of directors and, if required, the stockholders of CSI and NEWCO approving CSI's and NEWCO's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDERS shall have received an opinion of Arthur Andersen LLP or another tax advisor reasonably acceptable to the STOCKHOLDERS that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code, and that the STOCKHOLDERS will not recognize gain to the extent the STOCKHOLDERS exchange stock of the COMPANY for CSI stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI AND NEWCO

The obligations of CSI and NEWCO with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI and NEWCO with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDERS and the COMPANY contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDERS and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDERS shall have delivered to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of the COMPANY, certifying the truth and correctness of attached copies of the COMPANY's Articles of Incorporation (including amendments thereto), By-Laws (including

amendments thereto), and resolutions of the board of directors and the STOCKHOLDERS approving the COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the COMPANY which would constitute a Material Adverse Effect, and the COMPANY shall not have suffered any material loss or damages to any of its properties or assets, whether or not covered by insurance, which change, loss or damage materially affects or impairs the ability of the COMPANY to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The STOCKHOLDERS shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the STOCKHOLDERS against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDERS, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the STOCKHOLDERS, (y) continuing obligations to STOCKHOLDERS relating to their employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the COMPANY and the STOCKHOLDERS shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDERS, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on

Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the COMPANY's state of incorporation and, unless waived by CSI, in each state in which the COMPANY is authorized to do business, showing the COMPANY is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each STOCKHOLDER shall have delivered to CSI a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

10. COVENANTS OF CSI AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDERS released from any and all guarantees on any indebtedness that they personally guaranteed and from any and all pledges of assets that they pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such

guaranteed indebtedness on or prior to 60 days subsequent to the Funding and Consummation Date, CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired, CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDERS.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDERS shall file or cause to be filed all separate federal income Tax Returns (and any State and local Tax Returns filed on the basis similar to that of S corporations under federal income Tax rules) of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Each STOCKHOLDER shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, NEWCO, CSI and each STOCKHOLDER shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code. 10.4 DIRECTORS. The persons named in the draft of the Registration Statement (including Michael Nothum, Jr.) shall be appointed as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in

effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On the Funding and Consummation Date, the employees of the COMPANY will be the employees of the Surviving Corporation (provided that this provision is for purposes of clarifying that the Merger, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of the Surviving Corporation or CSI to assess workforce needs and make appropriate adjustments as necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. If the COMPANY is an S corporation, the COMPANY may pay to each STOCKHOLDER as a dividend the full amount of his or her "accumulated adjustments account" (as defined in Section 1368(e) of the Code) as of the Balance Sheet Date, and may also pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings taxable to such STOCKHOLDERS for the period after the Balance Sheet Date to the Funding and Consummation Date. If the COMPANY is a C corporation, the COMPANY may pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings for the period after the Balance Sheet Date to the Funding and Consummation Date. The COMPANY may borrow funds to the extent necessary to make the payments contemplated by this Section 10.6 and to the extent necessary to ensure that the COMPANY has cash on hand to adequately fund operations on the Funding and Consummation Date.

11. INDEMNIFICATION

The STOCKHOLDERS, CSI and NEWCO each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The STOCKHOLDERS covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless

CSI, NEWCO, the COMPANY and the Surviving Corporation at all times, from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI, NEWCO, the COMPANY or the Surviving Corporation as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDERS or the COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDERS or the COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to the COMPANY or the STOCKHOLDERS, and provided to CSI or its counsel by the COMPANY or the STOCKHOLDERS (but in the case of the STOCKHOLDERS, only if such statement was provided in writing) contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the COMPANY or the STOCKHOLDERS required to be stated therein or necessary to make the statements therein not misleading, provided, however, that such indemnity shall not inure to the benefit of CSI, NEWCO, the COMPANY or the Surviving Corporation to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDERS provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no STOCKHOLDER shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent attributable to a breach of any representation, warranty or agreement made herein individually by any other STOCKHOLDER.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDERS at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits,

proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the STOCKHOLDERS as a result of or arising from (i) any breach by CSI or NEWCO of their representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI or NEWCO under this Agreement, (iii) any liabilities which the STOCKHOLDERS may incur due to CSI's or NEWCO's failure to be responsible for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI or NEWCO has claims against the STOCKHOLDERS by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to CSI, NEWCO or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or NEWCO or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying Party shall not settle any criminal proceeding without the written consent of the Indemnified Party.

If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification

hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. CSI, NEWCO, the Surviving Corporation and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the STOCKHOLDERS until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDERS shall exceed the greater of (a) 1.0% of the sum of the cash paid to STOCKHOLDERS plus the value of the CSI Stock delivered to STOCKHOLDERS (calculated as provided in this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDERS shall not assert any claim for indemnification hereunder against CSI or NEWCO until such time as, and solely to the extent that, the aggregate of all claims which STOCKHOLDERS may have against CSI or NEWCO shall exceed $50,000.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Merger. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price as set forth in the Registration Statement. It is hereby understood and agreed that a STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Merger, valued as described immediately above.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION.This Agreement may be terminated at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the COMPANY;

(ii) by the STOCKHOLDERS or the COMPANY (acting through its board of directors), on the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDERS or COMPANY, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the STOCKHOLDERS or the COMPANY, if the conditions set forth in Section 8 hereof have not been

satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable, or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or

(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The STOCKHOLDERS will not, for a period of five (5) years following the Funding and Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any heating, ventilating or air conditioning services business in direct competition with CSI or any of the subsidiaries thereof, within 100 miles of where the COMPANY or any of its subsidiaries conducted business prior to the effectiveness of the Merger (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of CSI (including the subsidiaries thereof) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of CSI (including the subsidiaries thereof), provided that each STOCKHOLDER shall be permitted to call upon and hire any member of his or her immediate family;

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Funding and Consummation Date, a customer of CSI (including the subsidiaries thereof), of the COMPANY or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with CSI within the Territory;

(iv) call upon any prospective acquisition candidate, on any STOCKHOLDER's own behalf or on behalf of any competitor in the heating, ventilation or air conditioning services business, which candidate, to the actual knowledge of such STOCKHOLDER after due inquiry, was called upon by CSI (including the subsidiaries thereof) or for which, to the actual knowledge of such STOCKHOLDER after due inquiry, CSI (or any subsidiary thereof) made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of the COMPANY to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the COMPANY has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit any STOCKHOLDER from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange or over-the-counter.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to CSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to CSI for which it would have no other adequate remedy, each STOCKHOLDER agrees that the foregoing covenant may be enforced by CSI in the event of breach by such STOCKHOLDER, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the STOCKHOLDERS in light of the activities

and business of CSI (including the subsidiaries thereof) on the date of the execution of this Agreement and the current plans of CSI.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of any STOCKHOLDER against CSI (including the subsidiaries thereof), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by CSI of such covenants. It is specifically agreed that the period of five (5) years stated at the beginning of this Section 13, during which the agreements and covenants of each STOCKHOLDER made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such STOCKHOLDER is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The COMPANY and the STOCKHOLDERS hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The STOCKHOLDERS recognize and acknowledge that they

had in the past, currently have, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the

COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. The STOCKHOLDERS agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDERS as is required in the course of performing their duties for CSI or the Surviving Corporation and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the STOCKHOLDERS, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDERS shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the STOCKHOLDERS of the provisions of this Section, CSI shall be entitled to an injunction restraining such STOCKHOLDERS from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, STOCKHOLDERS shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI AND NEWCO. CSI and NEWCO recognize and acknowledge that they had in the past and currently have access to certain confidential information of the COMPANY, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI and NEWCO agree that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other

advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI or NEWCO, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI and NEWCO shall, if possible, give prior written notice thereof to the COMPANY and the STOCKHOLDERS and provide the COMPANY and the STOCKHOLDERS with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI or NEWCO of the provisions of this Section, the COMPANY and the STOCKHOLDERS shall be entitled to an injunction restraining CSI and NEWCO from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDERS from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDERS or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, none of the STOCKHOLDERS shall sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDERS in the Merger. The certificates evidencing the CSI Stock delivered to the STOCKHOLDERS pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate: THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDERS acknowledge that the shares of CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and therefore may not be resold without compliance with the Act. The CSI Stock to be acquired by such STOCKHOLDERS pursuant to this Agreement is being acquired solely for their own respective accounts, for investment

purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The STOCKHOLDERS covenant, warrant and represent that none of the shares of CSI Stock issued to such STOCKHOLDERS will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement: THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The STOCKHOLDERS are able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the proposed investment in the CSI Stock. The STOCKHOLDERS party hereto have had an adequate opportunity to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business of CSI, the business, operations and financial condition of the Founding Companies other than the COMPANY, and any plans for additional acquisitions and the like. The STOCKHOLDERS have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give each of the STOCKHOLDERS prompt written notice of its intent to do so. Upon the written request of any of the STOCKHOLDERS given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which any such STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than CSI is greater than the number of such shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each such offering made by CSI after the IPO, such reduction shall be made first by reducing the number of shares to be sold by persons other than CSI, the STOCKHOLDERS and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDERS and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the shares of CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from any STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective date of such registration unless CSI is no longer proceeding diligently to effect such registration;

provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by any STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to such STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration. 18. GENERAL 18.1 COOPERATION. The COMPANY, STOCKHOLDERS, CSI and NEWCO shall each

deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of the COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit

of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDERS.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDERS, the COMPANY, NEWCO and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDERS, the COMPANY, NEWCO and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Bracewell & Patterson, L.L.P., and any

other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. Each STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Merger, other than Transfer Taxes, if any, imposed by the State of Delaware. Each STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of such STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI, or NEWCO, addressed to them at:
Comfort Systems USA, Inc.

4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDERS, addressed to them at their addresses set forth on Annex IV, with copies to:

John Furman
O'Connor & Cavenagh

One East Camelback Road
Suite 1100
Phoenix, Arizona 85012

(c) If to the COMPANY, addressed to it at:
Tri-City Mechanical, Inc.
1741 S. Holbrook Lane

Tempe, AZ 85281
Attn: Michael Nothum, Jr.

and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of

any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, NEWCO, the COMPANY and STOCKHOLDERS who hold or who will hold at least 50% of the CSI Stock issued or to be issued upon consummation of the Merger. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Merger and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By:/S/ FRED FERREIRA

Name: Fred Ferreira

Title: Chief Executive Officer

TRI-CITY ACQUISITION CORP.

By:/S/ GORDIE BEITTENMILLER

Name: Gordie Beittenmiller

Title: President

TRI-CITY MECHANICAL, INC.

By:/S/ MICHAEL NOTHUM, JR.

Name: Michael Nothum, Jr.

Title: President

STOCKHOLDERS:

/S/ MICHAEL NOTHUM & JEWEL NOTHUM
Michael Nothum & Jewel Nothum,
as Trustees of the Nothum Family Trust
U/T/A dated December 15, 1978

/S/ MICHAEL NOTHUM, JR.
Michael Nothum, Jr.

/S/ MICHAEL NOTHUM
Michael Nothum,
as Trustee of the Michael D. Nothum
Irrevocable Trust under a Trust
Agreement dated February 26, 1997

/S/ MICHAEL NOTHUM
Michael Nothum,
as Trustee of the Cassandra J. Nothum
Irrevocable Trust under a Trust
Agreement dated February 26, 1997

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
TRI-CITY ACQUISITION CORP.

TRI-CITY MECHANICAL, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

CONSIDERATION TO BE PAID TO STOCKHOLDERS

Aggregate consideration to be paid to STOCKHOLDERS:

$28,933,580 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 1,557,962 shares of CSI Stock and $8,680,074 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

CONSIDERATION TO BE PAID TO EACH STOCKHOLDER:

	SHARES OF COMMON STOCK OF CSI	CASH $
Michael Nothum & Jewel Nothum as Trustees of the Nothum Family Trust U/T/A dated December 15, 1978	778,981	$ 4,340,037
Michael Nothum, Jr.	760,287	4,235,877
Michael Nothum, as Trustee of the Michael D. Nothum Irrevocable Trust under a Trust Agreement dated February 26, 1997	9,347	52,080
Michael Nothum, as Trustee of the Cassandra J. Nothum Irrevocable Trust under a Trust Agreement dated February 26, 1997	9,347	52,080
TOTALS:	1,557,962	$ 8,680,074

MINIMUM VALUE: $17,805,280 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
TRI-CITY ACQUISITION CORP.

TRI-CITY MECHANICAL, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

STOCKHOLDERS AND STOCK OWNERSHIP OF THE COMPANY

The following is a list of the STOCKHOLDERS, their addresses and the number of shares of the COMPANY Stock held by each thereof:

STOCKHOLDER	ADDRESSES	NO. SHARES HELD
Michael Nothum & Jewel Nothum as Trustees of the Nothum Family Trust U/T/A dated December 15, 1978	----------	1,250
Michael Nothum, Jr.	----------	1,220
Michael Nothum, as Trustee of the Michael D. Nothum Irrevocable Trust under a Trust Agreement dated February 26, 1997		15
Michael Nothum, as Trustee of the Cassandra J. Nothum Irrevocable Trust under a Trust Agreement dated February 26, 1997		15
TOTAL:		2,500

EXHIBIT 2.12

AGREEMENT AND PLAN OF ORGANIZATION

dated as of the 18th day of March, 1997

by and among

COMFORT SYSTEMS USA, INC.

WESTERN BUILDING ACQUISITION CORP.
(a subsidiary of Comfort Systems USA, Inc.)

WESTERN BUILDING SERVICES, INC.

and

the STOCKHOLDERS named herein

TABLE OF CONTENTS

AGREEMENT AND PLAN OF ORGANIZATION

THIS AGREEMENT AND PLAN OF ORGANIZATION (the "Agreement") is made as of the 18th day of March, 1997, by and among COMFORT SYSTEMS USA, Inc., a Delaware corporation ("CSI"), WESTERN BUILDING ACQUISITION CORP., a Delaware corporation ("NEWCO"), WESTERN BUILDING SERVICES, INC., a Colorado corporation (the "COMPANY"), CHARLES W. KLAPPERICH, MICHAEL A. TANNER, BRIAN M. SMYTHE, ROBERT M. FIUMARA, and JAMES H. LINE (the "STOCKHOLDERS"). The STOCKHOLDERS are all the stockholders of the COMPANY.

WHEREAS, NEWCO is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on March 4, 1997, solely for the purpose of completing the transactions set forth herein, and is a wholly-owned subsidiary of CSI, a corporation organized and existing under the laws of the State of Delaware;

WHEREAS, the respective Boards of Directors of NEWCO and the COMPANY (which together are hereinafter collectively referred to as "Constituent Corporations") deem it advisable and in the best interests of the Constituent Corporations and their respective stockholders that NEWCO merge with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the States of Delaware and Colorado;

WHEREAS, CSI is entering into other separate agreements substantially similar to this Agreement (the "Other Agreements"), each of which is entitled "Agreement and Plan of Organization," with each of the other Founding Companies (as defined herein) and their respective stockholders in order to acquire additional heating, ventilating, air conditioning and related services companies;

WHEREAS, this Agreement, the Other Agreements and the IPO of CSI Stock constitute the "CSI Plan of Organization;"

WHEREAS, the STOCKHOLDERS and the Boards of Directors and the stockholders of CSI, each of the Other Founding Companies and each of the subsidiaries of CSI that are parties to the Other Agreements have approved and adopted the CSI Plan of Organization as an integrated plan pursuant to which the STOCKHOLDERS and the stockholders of each of the other Founding Companies will transfer the capital stock of each of the Founding Companies to CSI and the STOCKHOLDERS and the stockholders of each of the other Founding Companies and the public will acquire the stock of CSI (but not cash or other property) as a tax-free transfer of property under Section 351 of the Internal Revenue Code of 1986, as amended;

WHEREAS, in consideration of the agreements of the Other Founding Companies pursuant to the Other Agreements, the Board of Directors of the COMPANY has approved this Agreement as part of the CSI Plan of Organization in order to transfer the capital stock of the COMPANY to CSI;

WHEREAS, unless the context otherwise requires, capitalized terms used in this Agreement or in any schedule attached hereto and not otherwise defined shall have the following meanings for all purposes of this Agreement:

"1933 Act" means the Securities Act of 1933, as amended.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acquired Party" means the COMPANY, any subsidiary and any member of a Relevant Group.

"Acquisition Companies" shall mean NEWCO and each of the other Delaware companies wholly-owned by CSI prior to the Funding and Consummation Date.

"Affiliates" has the meaning set forth in Section 5.8.

"Articles of Merger" shall mean those Articles or Certificates of Merger with respect to the Merger substantially in the forms attached as Annex I hereto or with such other changes therein as may be required by applicable state laws.

"Balance Sheet Date" shall mean December 31, 1996.

"Closing" has the meaning set forth in Section 4.

"Closing Date" has the meaning set forth in Section 4.

"COMPANY" has the meaning set forth in the first paragraph of this Agreement.

"COMPANY Stock" has the meaning set forth in Section 2.1.

"Constituent Corporations" has the meaning set forth in the second recital of this Agreement.

"Effective Time of the Merger" shall mean the time as of which the Merger becomes effective, which shall, in any case, occur on the Funding and Consummation Date.

"Environmental Laws" has the meaning set forth in Section 5.13.

"Expiration Date" has the meaning set forth in Section 5(A).

"Founding Companies" means:

Accurate Air Systems, Inc., a Texas corporation,

Atlas Comfort Services USA, Inc., a Texas corporation (formerly Atlas Interest, Inc.),

Contract Service, Inc., a Utah corporation,

Eastern Heating & Cooling, Inc., a New York corporation, and Eastern Refrigeration Co., Inc., a New York corporation,

Freeway Heating & Air Conditioning, Inc., a Utah corporation,

Quality Air Heating & Cooling, Inc., a Michigan corporation,

Seasonair, Inc., a Maryland corporation,

Standard Heating & Air Conditioning Company, Inc., an Alabama corporation,

S.M. Lawrence Company, Inc., a Tennessee corporation, and Lawrence Service, Inc., a Tennessee corporation,

Tech Heating and Air Conditioning, Inc., an Ohio corporation, and Tech Mechanical, Inc., an Ohio corporation,

Tri-City Mechanical, Inc., an Arizona corporation, and

Western Building Services, Inc., a Colorado corporation.

"Funding and Consummation Date" has the meaning set forth in Section 4.

"CSI" has the meaning set forth in the first paragraph of this Agreement.

"CSI Charter Documents" has the meaning set forth in Section 6.1.

"CSI Stock" means the common stock, par value $.01 per share, of CSI.

"IPO" means the initial public offering of CSI Stock pursuant to the Registration Statement as referenced in Section 9.13.

"Material Adverse Effect" has the meaning set forth in Section 5.1.

"Material Documents" has the meaning set forth in Section 5.23.

"Merger" means the merger of NEWCO with and into the COMPANY pursuant to this Agreement and the applicable provisions of the laws of the State of Delaware and other applicable state laws.

"NEWCO" has the meaning set forth in the first paragraph of this Agreement.

"NEWCO STOCK" means the common stock, par value $.01 per share, of NEWCO.

"Other Founding Companies" means all of the Founding Companies other than the Company.

"Plans" has the meaning set forth in Section 5.19.

"Pricing" means the date of determination by CSI and the Underwriters of the public offering price of the shares of CSI Stock in the IPO; the parties hereto contemplate that the Pricing shall take place on the Closing Date.

"Qualified Plans" has the meaning set forth in Section 5.20.

"Registration Statement" means that certain registration statement on Form S-1 to be filed with the SEC covering the shares of CSI Stock to be issued in the IPO.

"Relevant Group" means the COMPANY and any affiliated, combined, consolidated, unitary or similar group of which the COMPANY is or was a member.

"Returns" means any returns, reports or statements (including any information returns) required to be filed for purposes of a particular Tax.

"Schedule" means each Schedule attached hereto, which shall reference the relevant sections of this Agreement, on which parties hereto disclose information as part of their respective representations, warranties and covenants.

"SEC" means the United States Securities and Exchange Commission.

"STOCKHOLDERS" has the meaning set forth in the first paragraph of this Agreement.

"Surviving Corporation" shall mean the COMPANY as the surviving party in the Merger.

"Tax" or "Taxes" means all federal, state, local or foreign net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add on minimum, or other taxes, assessments, duties, fees, levies or other governmental charges of any nature whatever, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Underwriters" means the prospective underwriters identified in the Registration Statement.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements, representations, warranties, provisions and covenants herein contained, the parties hereto hereby agree as follows:

1. THE MERGER

1.1 DELIVERY AND FILING OF ARTICLES OF MERGER. The Constituent Corporations will cause the Articles of Merger to be signed, verified and filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of Colorado and stamped receipt copies of each such filing to be delivered to CSI on or before the Funding and Consummation Date.

1.2 EFFECTIVE TIME OF THE MERGER. At the Effective Time of the Merger, NEWCO shall be merged with and into the COMPANY in accordance with the Articles of Merger, the separate

existence of NEWCO shall cease, the COMPANY shall be the surviving party in the Merger and the COMPANY is sometimes hereinafter referred to as the Surviving Corporation. The Merger will be effected in a single transaction.

1.3 CERTIFICATE OF INCORPORATION, BY-LAWS AND BOARD OF DIRECTORS OF SURVIVING CORPORATION. At the Effective Time of the Merger:

(i) the Certificate of Incorporation of the COMPANY then in effect shall be the Certificate of Incorporation of the Surviving Corporation until changed as provided by law;

(ii) the By-laws of NEWCO then in effect shall become the By-laws of the Surviving Corporation; and subsequent to the Effective Time of the Merger, such By-laws shall be the By-laws of the Surviving Corporation until they shall thereafter be duly amended;

(iii) the Board of Directors of the Surviving Corporation shall consist of the persons who are on the Board of Directors of the COMPANY immediately prior to the Effective Time of the Merger, provided that Gordie Beittenmiller shall be elected as a director of the Surviving Corporation effective as of the Effective Time of the Merger; the Board of Directors of the Surviving Corporation shall hold office subject to the provisions of the laws of the State of Colorado and of the Certificate of Incorporation and By-laws of the Surviving Corporation; and

(iv) the officers of the COMPANY immediately prior to the Effective Time of the Merger shall continue as the officers of the Surviving Corporation in the same capacity or capacities, and effective upon the Effective Time of the Merger Gordie Beittenmiller shall be appointed as a vice president of the Surviving Corporation and Milburn E. Honeycutt shall be appointed as an Assistant Secretary of the Surviving Corporation, each of such officers to serve, subject to the provisions of the Certificate of Incorporation and By-laws of the Surviving Corporation, until his or her successor is duly elected and qualified.

1.4 CERTAIN INFORMATION WITH RESPECT TO THE CAPITAL STOCK OF THE COMPANY, CSI AND NEWCO. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of the COMPANY, CSI and NEWCO as of the date of this Agreement are as follows:

(i) as of the date of this Agreement, the authorized and outstanding capital stock of the COMPANY is as set forth on Schedule 5.3 hereto;

(ii) immediately prior to the Funding and Consummation Date, the authorized capital stock of CSI will consist of 50,000,000 shares of CSI Stock, of which the number of issued and outstanding shares will be set forth in the Registration Statement, and 5,000,000 shares of preferred stock, $.01 par value, of which no shares will be issued and outstanding and 2,969,912 shares of Restricted Voting Common Stock, $.01 par value, all of which will be issued and outstanding except as otherwise set forth in the Registration Statement; and

(iii) as of the date of this Agreement, the authorized capital stock of NEWCO consists of 1,000 shares of NEWCO Stock, of which one hundred (100) shares are issued and outstanding.

1.5 EFFECT OF MERGER. At the Effective Time of the Merger, the effect of the Merger shall be as provided in the applicable provisions of the General Corporation Law of the State of Delaware (the "Delaware GCL") and the law of the State of Colorado. Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights and immunities of the COMPANY shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of NEWCO shall be merged with and into the COMPANY, and the COMPANY, as the Surviving Corporation, shall be fully vested therewith. At the Effective Time of the Merger, the separate existence of NEWCO shall cease and, in accordance with the terms of this Agreement, the Surviving Corporation shall possess all the rights, privileges, immunities and franchises, of a public, as well as of a private, nature, and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all taxes, including those

due and owing and those accrued, and all other choses in action, and all and every other interest of or belonging to or due to the COMPANY and NEWCO shall be taken and deemed to be transferred to, and vested in, the Surviving Corporation without further act or deed; and all property, rights and privileges, powers and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the COMPANY and NEWCO; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of the state of incorporation vested in the COMPANY and NEWCO, shall not revert or be in any way impaired by reason of the Merger. Except as otherwise provided herein, the Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the COMPANY and NEWCO and any claim existing, or action or proceeding pending, by or against the COMPANY or NEWCO may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in their place. Neither the rights of creditors nor any liens upon the property of the COMPANY or NEWCO shall be impaired by the Merger, and all debts, liabilities and duties of the COMPANY and NEWCO shall attach to the Surviving Corporation, and may be enforced against such Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by such Surviving Corporation.

2. CONVERSION OF STOCK

2.1 MANNER OF CONVERSION. The manner of converting the shares of (i) outstanding capital stock of the COMPANY ("COMPANY Stock") and (ii) NEWCO Stock, issued and outstanding immediately prior to the Effective Time of the Merger, respectively, into shares of (x) CSI Stock and (y) common stock of the Surviving Corporation, respectively, shall be as follows:

As of the Effective Time of the Merger:

(i) all of the shares of COMPANY Stock issued and outstanding immediately prior to the Effective Time of the Merger, by virtue of the Merger and without any action on the part of the holder thereof, automatically shall be deemed to represent (1) the right to

receive the number of shares of CSI Stock set forth on Annex III hereto with respect to such holder and (2) the right to receive the amount of cash set forth on Annex III hereto with respect to such holder;

(ii) all shares of COMPANY Stock that are held by the COMPANY as treasury stock shall be canceled and retired and no shares of CSI Stock or other consideration shall be delivered or paid in exchange therefor; and

(iii) each share of NEWCO Stock issued and outstanding immediately prior to the Effective Time of the Merger, shall, by virtue of the Merger and without any action on the part of CSI, automatically be converted into one fully paid and non-assessable share of common stock of the Surviving Corporation which shall constitute all of the issued and outstanding shares of common stock of the Surviving Corporation immediately after the Effective Time of the Merger.

All CSI Stock received by the STOCKHOLDERS pursuant to this Agreement shall, except for restrictions on resale or transfer described in Sections 15 and 16 hereof, have the same rights as all the other shares of outstanding CSI Stock by reason of the provisions of the Certificate of Incorporation of CSI or as otherwise provided by the Delaware GCL. All voting rights of such CSI Stock received by the STOCKHOLDERS shall be fully exercisable by the STOCKHOLDERS and the STOCKHOLDERS shall not be deprived nor restricted in exercising those rights. At the Effective Time of the Merger, CSI shall have no class of capital stock issued and outstanding other than the CSI Stock.

3. DELIVERY OF MERGER CONSIDERATION

3.1 On the Funding and Consummation Date the STOCKHOLDERS, who are the holders of all outstanding certificates representing shares of COMPANY Stock, shall, upon surrender of such certificates, receive the respective number of shares of CSI Stock and the amount of cash set forth on Annex III hereto, said cash to be payable by certified check.

3.2 The STOCKHOLDERS shall deliver to CSI at the Closing the certificates representing COMPANY Stock, duly endorsed in blank by the STOCKHOLDERS, or accompanied by blank stock powers, and with all necessary transfer tax and other revenue stamps, acquired at the STOCKHOLDERS' expense, affixed and canceled. The STOCKHOLDERS agree promptly to cure any deficiencies with respect to the endorsement of the stock certificates or other documents of conveyance with respect to such COMPANY Stock or with respect to the stock powers accompanying any COMPANY Stock.

4. CLOSING

At or prior to the Pricing, the parties shall take all actions necessary to prepare to (i) effect the Merger (including, if permitted by applicable state law, the filing with the appropriate state authorities of the Articles of Merger which shall become effective at the Effective Time of the Merger) and (ii) effect the conversion and delivery of shares referred to in Section 3 hereof; provided, that such actions shall not include the actual completion of the Merger or the conversion and delivery of the shares and certified check(s) referred to in Section 3 hereof, each of which actions shall only be taken upon the Funding and Consummation Date as herein provided. In the event that there is no Funding and Consummation Date and this Agreement terminates, CSI hereby covenants and agrees to do all things required by Delaware law and all things which counsel for the COMPANY advise CSI are required by applicable laws of the State of Colorado in order to rescind the merger effected by the filing of the Articles of Merger as described in this Section. The taking of the actions described in clauses (i) and (ii) above (the "Closing") shall take place on the closing date (the "Closing Date") at the offices of Bracewell & Patterson, L.L.P., South Tower Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002. On the Funding and Consummation Date (x) the Articles of Merger shall be or shall have been filed with the appropriate state authorities so that they shall be or, as of 8:00 a.m. EASTERN STANDARD TIME on the Funding and Consummation Date, shall become effective and the Merger shall thereby be effected, (y) all

transactions contemplated by this Agreement, including the conversion and delivery of shares, the delivery of a certified check or checks in an amount equal to the cash portion of the consideration which the STOCKHOLDERS shall be entitled to receive pursuant to the Merger referred to in Section 3 hereof and (z) the closing with respect to the IPO shall occur and be deemed to be completed. The date on which the actions described in the preceding clauses (x), (y) and (z) occurs shall be referred to as the "Funding and Consummation Date." Except as otherwise provided in Section 12 hereof during the period from the Closing Date to the Funding and Consummation Date, this Agreement may only be terminated by the parties if the underwriting agreement in respect of the IPO is terminated pursuant to the terms of such agreement. This Agreement shall in any event terminate if the Funding and Consummation Date has not occurred within 15 business days of the Closing Date. Time is of the essence.

5. REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS

(A) REPRESENTATIONS AND WARRANTIES OF COMPANY AND STOCKHOLDERS.

Each of the COMPANY and the STOCKHOLDERS jointly and severally represent and warrant that all of the following representations and warranties in this Section 5(A) are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 5.22 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 5.22 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.1(iii) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, CSI actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or

state securities laws, the representations and warranties set forth herein shall survive until the expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes. For purposes of this Section 5, the term COMPANY shall mean and refer to the COMPANY and all of its subsidiaries, if any.

5.1 DUE ORGANIZATION. The COMPANY is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation, and has the requisite power and authority to carry on its business as it is now being conducted. The COMPANY is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except (i) as set forth on Schedule 5.1 or (ii) where the failure to be so authorized or qualified would not have a material adverse effect on the business, operations, properties, assets or condition (financial or otherwise), of the COMPANY taken as a whole (as used herein with respect to the COMPANY, or with respect to any other person, a "Material Adverse Effect"). Schedule 5.1 sets forth the jurisdiction in which the COMPANY is incorporated and contains a list of all jurisdictions in which the COMPANY is authorized or qualified to do business. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of the COMPANY (the "Charter Documents") are all attached hereto as Schedule 5.1. The stock records of the COMPANY, as heretofore made available to CSI, are correct and complete in all material respects. There are no minutes in the possession of the COMPANY or the STOCKHOLDERS which have not been made available to CSI, and all of such minutes are correct and complete in all respects. The most recent minutes of the COMPANY, which are dated no earlier than ten business days prior to the date hereof, affirm and ratify all prior acts of the COMPANY, and of its officers and directors on behalf of the COMPANY.

5.2 AUTHORIZATION. (i) The representatives of the COMPANY executing this Agreement have the authority to enter into and bind the COMPANY to the terms of this Agreement and (ii) the COMPANY has the full legal right, power and authority to enter into this Agreement and the

Merger, subject to any required approval of the shareholders and the Board of Directors of the Company described on Schedule 5.2, executed copies of which are attached thereto.

5.3 CAPITAL STOCK OF THE COMPANY. The authorized capital stock of the COMPANY is as set forth on Schedule 5.3. All of the issued and outstanding shares of the capital stock of the COMPANY are owned by the STOCKHOLDERS in the amounts set forth in Annex IV and further, except as set forth on Schedule 5.3, are owned free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of the COMPANY have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by the STOCKHOLDERS and further, such shares were offered, issued, sold and delivered by the COMPANY in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of any preemptive rights of any past or present stockholder.

5.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except as set forth on Schedule 5.4, the COMPANY has not acquired any COMPANY Stock since January 1, 1995. Except as set forth on Schedule 5.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates the COMPANY to issue any of its authorized but unissued capital stock; (ii) the COMPANY has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof; and (iii) neither the voting stock structure of the COMPANY nor the relative ownership of shares among any of its respective stockholders has been altered or changed in contemplation of the Merger and/or the CSI Plan of Organization. Schedule 5.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list of all outstanding options, warrants or other rights to acquire shares of the COMPANY's stock.

5.5 NO BONUS SHARES. Except as set forth on Schedule 5.5, none of the shares of COMPANY Stock was issued pursuant to awards, grants or bonuses in contemplation of the Merger or the CSI Plan of Organization.

5.6 SUBSIDIARIES. Except as set forth on Schedule 5.6, the COMPANY has no subsidiaries. Except as set forth in Schedule 5.6 and except for any corporations or entities with respect to which the COMPANY owns less than 1% of the issued and outstanding stock, the COMPANY does not presently own, of record or beneficially, or control, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity nor is the COMPANY, directly or indirectly, a participant in any joint venture, partnership or other non-corporate entity.

5.7 PREDECESSOR STATUS; ETC. Set forth in Schedule 5.7 is a listing of all names of all predecessor companies of the COMPANY, including the names of any entities acquired by the COMPANY (by stock purchase, merger or otherwise) or owned by the COMPANY or from whom the COMPANY previously acquired material assets, in any case, from the earliest date upon which any STOCKHOLDER acquired his or her stock in any COMPANY. Except as disclosed on Schedule 5.7, the COMPANY has not been, within such period of time, a subsidiary or division of another corporation or a part of an acquisition which was later rescinded.

5.8 SPIN-OFF BY THE COMPANY. Except as set forth on Schedule 5.8, there has not been any sale, spin-off or split-up of material assets of either the COMPANY or any other person or entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the COMPANY ("Affiliates") since January 1, 1995.

5.9 FINANCIAL STATEMENTS. Attached hereto as Schedule 5.9 are copies of the following financial statements (the "COMPANY Financial Statements") of the COMPANY: the COMPANY's audited Balance Sheets as of December 31, 1996 and 1995, and Statements of Operations, Shareholders' Equity and Cash Flows for each of the years then ended (December 31, 1996 being hereinafter referred to as the "Balance Sheet Date"). Such Financial Statements have been prepared

in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 5.9). Except as set forth on Schedule 5.9, such Balance Sheets as of December 31, 1996 and 1995 present fairly in all material respects the financial position of the COMPANY as of the dates indicated thereon, and such Statements of Operations, Shareholders' Equity and Cash Flows present fairly in all material respects the results of operations for the periods indicated thereon.

5.10 LIABILITIES AND OBLIGATIONS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.10) as of the Balance Sheet Date of (i) all material liabilities of the COMPANY which are not reflected on the balance sheet of the COMPANY at the Balance Sheet Date or otherwise reflected in the COMPANY Financial Statements at the Balance Sheet Date which by their nature would be required in accordance with GAAP to be reflected in the balance sheet, and (ii) all loan agreements, indemnity or guaranty agreements, bonds, mortgages, liens, pledges or other security agreements. Except as set forth on Schedule 5.10, since the Balance Sheet Date the COMPANY has not incurred any material liabilities of any kind, character and description, whether accrued, absolute, secured or unsecured, contingent or otherwise, other than liabilities incurred in the ordinary course of business. The COMPANY has also delivered to CSI on Schedule 5.10, in the case of those contingent liabilities related to pending or threatened litigation, or other liabilities which are not fixed or otherwise accrued or reserved, a good faith and reasonable estimate of the maximum amount which the COMPANY reasonably expects will be payable. For each such contingent liability or liability for which the amount is not fixed or is contested, the COMPANY has provided to CSI the following information:

(i) a summary description of the liability together with the following:

(a) copies of all relevant documentation relating thereto;

(b) amounts claimed and any other action or relief sought; and

(c) name of claimant and all other parties to the claim, suit or proceeding;

(ii) the name of each court or agency before which such claim, suit or proceeding is pending; and

(iii) the date such claim, suit or proceeding was instituted; and

(iv) a good faith and reasonable estimate of the maximum amount, if any, which

is likely to become payable with respect to each such liability. If no estimate is provided, the estimate shall for purposes of this Agreement be deemed to be zero.

5.11 ACCOUNTS AND NOTES RECEIVABLE. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.11) of the accounts and notes receivable of the COMPANY, as of the Balance Sheet Date, including any such amounts which are not reflected in the balance sheet as of the Balance Sheet Date, and including receivables from and advances to employees and the STOCKHOLDERS. Except to the extent reflected on Schedule 5.11, such accounts, notes and other receivables are collectible in the amounts shown on Schedule 5.11, net of reserves reflected in the balance sheet as of the Balance Sheet Date.

5.12 PERMITS AND INTANGIBLES. The COMPANY and its employees hold all licenses, franchises, permits and other governmental authorizations the absence of any of which could have a Material Adverse Effect on the Company's business and the COMPANY has delivered to CSI an accurate list and summary description (which is set forth on Schedule 5.12) of all such licenses, franchises, permits and other governmental authorizations, including permits, titles (including motor vehicle titles and current registrations), fuel permits, licenses, franchises, certificates, trademarks, trade names, patents, patent applications and copyrights owned or held by the COMPANY or any of its employees (including interests in software or other technology systems, programs and intellectual property) (it being understood and agreed that a list of all environmental permits and other environmental approvals is set forth on Schedule 5.13). To the knowledge of the COMPANY, the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 are valid, and the COMPANY has not received any notice that any governmental authority intends to cancel, terminate or not renew any such license, franchise, permit or other governmental

authorization. The COMPANY has conducted and is conducting its business in compliance with the requirements, standards, criteria and conditions set forth in the licenses, franchises, permits and other governmental authorizations listed on Schedules 5.12 and 5.13 and is not in violation of any of the foregoing except where such non-compliance or violation would not have a Material Adverse Effect on the COMPANY. Except as specifically provided in Schedule 5.12, the transactions contemplated by this Agreement will not result in a default under or a breach or violation of, or adversely affect the rights and benefits afforded to the COMPANY by, any such licenses, franchises, permits or government authorizations.

5.13 ENVIRONMENTAL MATTERS. Except as set forth on Schedule 5.13, and except where any failure to comply would not have a Material Adverse Effect, (i) the COMPANY has complied with and is in compliance with all Federal, state, local and foreign statutes (civil and criminal), laws, ordinances, regulations, rules, notices, permits, judgments, orders and decrees applicable to any of them or any of their respective properties, assets, operations and businesses relating to environmental protection (collectively "Environmental Laws") including, without limitation, Environmental Laws relating to air, water, land and the generation, storage, use, handling, transportation, treatment or disposal of Hazardous Wastes and Hazardous Substances including petroleum and petroleum products (as such terms are defined in any applicable Environmental Law); (ii) the COMPANY has obtained and adhered to all necessary permits and other approvals necessary to treat, transport, store, dispose of and otherwise handle Hazardous Wastes and Hazardous Substances, a list of all of which permits and approvals is set forth on Schedule 5.13, and have reported to the appropriate authorities, to the extent required by all Environmental Laws, all past and present sites owned and operated by the COMPANY where Hazardous Wastes or Hazardous Substances have been treated, stored, disposed of or otherwise handled; (iii) there have been no releases or threats of releases (as defined in Environmental Laws) at, from, in or on any property owned or operated by the COMPANY except as permitted by Environmental Laws; (iv) the COMPANY knows of no on-site or off-site location to which the COMPANY has transported or disposed of Hazardous Wastes and Hazardous

Substances or arranged for the transportation of Hazardous Wastes and Hazardous Substances, which site is the subject of any Federal, state, local or foreign enforcement action or any other investigation which is reasonably likely to lead to any claim against the COMPANY, CSI or NEWCO for any clean-up cost, remedial work, damage to natural resources, property damage or personal injury, including, but not limited to, any claim under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; and (v) to the knowledge of the COMPANY, the COMPANY has no contingent liability in connection with any release of any Hazardous Waste or Hazardous Substance into the environment.

5.14 PERSONAL PROPERTY. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.14) of (x) all personal property included (or that will be included) in "depreciable plant, property and equipment" on the balance sheet of the COMPANY, (y) all other personal property owned by the COMPANY with an individual value in excess of $50,000 (i) as of the Balance Sheet Date and (ii) acquired since the Balance Sheet Date and (z) all leases and agreements in respect of personal property, including, in the case of each of (x), (y) and (z), (1) true, complete and correct copies of all such leases and (2) an indication as to which assets are currently owned, or were formerly owned, by STOCKHOLDERS, relatives of STOCKHOLDERS, or Affiliates of the COMPANY. Except as set forth on Schedule 5.14, (i) all material personal property used by the COMPANY in its business is either owned by the COMPANY or leased by the COMPANY pursuant to a lease included on Schedule 5.14, (ii) all of the personal property listed on Schedule 5.14 is in good working order and condition, ordinary wear and tear excepted and (iii) all leases and agreements included on Schedule 5.14 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.15 SIGNIFICANT CUSTOMERS; MATERIAL CONTRACTS AND COMMITMENTS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.15) of (i) all significant customers, it being understood and agreed that a "significant customer," for purposes of this Section

5.15, means a customer (or person or entity) representing 5% or more of the COMPANY's annual revenues as of the Balance Sheet Date. Except to the extent set forth on Schedule 5.15, none of the COMPANY's significant customers have canceled or substantially reduced or, to the knowledge of the COMPANY, are currently attempting or threatening to cancel a contract or substantially reduce utilization of the services provided by the COMPANY.

The COMPANY has listed on Schedule 5.15 all material contracts, commitments and similar agreements to which the COMPANY is a party or by which it or any of its properties are bound (including, but not limited to, contracts with significant customers, joint venture or partnership agreements, contracts with any labor organizations, strategic alliances and options to purchase land), other than agreements listed on Schedule 5.10, 5.14 or 5.16, (a) in existence as of the Balance Sheet Date and (b) entered into since the Balance Sheet Date, and in each case has delivered true, complete and correct copies of such agreements to CSI. The COMPANY has complied with all material commitments and obligations pertaining to it, and is not in default under any contracts or agreements listed on Schedule 5.15 and no notice of default under any such contract or agreement has been received. The COMPANY has also indicated on Schedule 5.15 a summary description of all plans or projects involving the opening of new operations, expansion of existing operations, the acquisition of any personal property, business or assets requiring, in any event, the payment of more than $50,000 by the COMPANY.

5.16 REAL PROPERTY. Schedule 5.16 includes a list of all real property owned or leased by the COMPANY at the date hereof and all other real property, if any, used by the COMPANY in the conduct of its business. Any such real property owned by the COMPANY will be sold by the COMPANY and leased back by the COMPANY on terms no less favorable to the COMPANY than those available from an unaffiliated party and otherwise reasonably acceptable to CSI at or prior to the Closing Date. True, complete and correct copies of all leases and agreements in respect of such real property leased by the COMPANY are attached to Schedule 5.16, and an indication as to which such properties, if any, are currently owned, or were formerly owned, by STOCKHOLDERS or

affiliates of the COMPANY or STOCKHOLDERS is included in Schedule 5.16. Except as set forth on Schedule 5.16, all of such leases included on Schedule 5.16 are in full force and effect and constitute valid and binding agreements of the parties (and their successors) thereto in accordance with their respective terms.

5.17 INSURANCE. The COMPANY has delivered to CSI (i) an accurate list as of the Balance Sheet Date of all insurance policies carried by the COMPANY, (ii) an accurate list of all insurance loss runs or workers compensation claims received for the past three (3) policy years and (iii) true, complete and correct copies of all insurance policies currently in effect. Such insurance policies evidence all of the insurance that the COMPANY is required to carry pursuant to all of its contracts and other agreements and pursuant to all applicable laws. All of such insurance policies are currently in full force and effect and shall remain in full force and effect through the Funding and Consummation Date. Since January 1, 1994, no insurance carried by the COMPANY has been canceled by the insurer and the COMPANY has not been denied coverage.

5.18 COMPENSATION; EMPLOYMENT AGREEMENTS; ORGANIZED LABOR MATTERS. The COMPANY has delivered to CSI an accurate list (which is set forth on Schedule 5.18) showing all officers, directors and key employees of the COMPANY, listing all employment agreements with such officers, directors and key employees and the rate of compensation (and the portions thereof attributable to salary, bonus and other compensation, respectively) of each of such persons as of (i) the Balance Sheet Date and (ii) the date hereof. The COMPANY has provided to CSI true, complete and correct copies of any employment agreements for persons listed on Schedule 5.18. Since the Balance Sheet Date, there have been no increases in the compensation payable or any special bonuses to any officer, director, key employee or other employee, except ordinary salary increases implemented on a basis consistent with past practices.

Except as set forth on Schedule 5.18, (i) the COMPANY is not bound by or subject to (and none of its respective assets or properties is bound by or subject to) any arrangement with any labor union, (ii) no employees of the COMPANY are represented by any labor union or covered

by any collective bargaining agreement, (iii) to the knowledge of the COMPANY, no campaign to establish such representation is in progress and (iv) there is no pending or, to the best of the COMPANY's knowledge, threatened labor dispute involving the COMPANY and any group of its employees nor has the COMPANY experienced any labor interruptions over the past three years. The COMPANY believes its relationship with employees to be good.

5.19 EMPLOYEE PLANS. The STOCKHOLDERS have delivered to CSI an accurate schedule (Schedule 5.19) showing all employee benefit plans of COMPANY (including COMPANY's Subsidiaries), including all employment agreements and other agreements or arrangements containing "golden parachute" or other similar provisions, and deferred compensation agreements, together with true, complete and correct copies of such plans, agreements and any trusts related thereto, and classifications of employees covered thereby as of the Balance Sheet Date. Except for the employee benefit plans, if any, described on Schedule 5.19, COMPANY (including the COMPANY's Subsidiaries) does not sponsor, maintain or contribute to any plan program, fund or arrangement that constitutes an "employee pension benefit plan," nor has COMPANY or any Subsidiary any obligation to contribute to or accrue or pay any benefits under any deferred compensation or retirement funding arrangement on behalf of any employee or employees (such as, for example, and without limitation, any individual retirement account or annuity, any "excess benefit plan" (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any non-qualified deferred compensation arrangement). For the purposes of this Agreement, the term "employee pension benefit plan" shall have the same meaning as is given that term in Section 3(2) of ERISA. Neither COMPANY nor any Subsidiary has sponsored, maintained or contributed to any employee pension benefit plan other than the plans set forth on Schedule 5.19, nor is COMPANY or any Subsidiary required to contribute to any retirement plan pursuant to the provisions of any collective bargaining agreement establishing the terms and conditions or employment of any of COMPANY's or any Subsidiary's employees.

Neither the COMPANY nor any Subsidiary is now, or can as a result of its past activities become, liable to the Pension Benefit Guaranty Corporation or to any multiemployer employee pension benefit plan under the provisions of Title IV of ERISA.

All employee benefit plans listed on Schedule 5.19 and the administration thereof are in substantial compliance with their terms and all applicable provisions of ERISA and the regulations issued thereunder, as well as with all other applicable federal, state and local statutes, ordinances and regulations.

All accrued contribution obligations of COMPANY or any Subsidiary with respect to any plan listed on Schedule 5.19 have either been fulfilled in their entirety or are fully reflected on the balance sheet of the COMPANY as of the Balance Sheet Date.

5.20 COMPLIANCE WITH ERISA. All such plans listed on Schedule 5.19 that are intended to qualify (the "Qualified Plans") under Section 401(a) of the Code are, and have been so qualified and have been determined by the Internal Revenue Service to be so qualified, and copies of such determination letters are included as part of Schedule 5.19 hereof. Except as disclosed on Schedule 5.20, all reports and other documents required to be filed with any governmental agency or distributed to plan participants or beneficiaries (including, but not limited to, actuarial reports, audits or tax returns) have been timely filed or distributed, and copies thereof are included as part of Schedule 5.19 hereof. Neither STOCKHOLDERS, any such plan listed in Schedule 5.19, nor COMPANY (including the COMPANY's Subsidiaries) has engaged in any transaction prohibited under the provisions of Section 4975 of the Code or Section 406 of ERISA. No such Plan listed in Schedule 5.19 has incurred an accumulated funding deficiency, as defined in Section 412(a) of the Code and Section 302(1) of ERISA; and COMPANY (including the COMPANY's Subsidiaries) has not incurred any liability for excise tax or penalty due to the Internal Revenue Service nor any liability to the Pension Benefit Guaranty Corporation. The STOCKHOLDERS further represent that:

(i) there have been no terminations, partial terminations or discontinuance of contributions to any such Qualified Plan intended to qualify under Section 401(a) of the Code without notice to and approval by the Internal Revenue Service;

(ii) no such plan listed in Schedule 5.19 subject to the provisions of Title IV of ERISA has been terminated;

(iii) there have been no "reportable events" (as that phrase is defined in Section 4043 of ERISA) with respect to any such plan listed in Schedule 5.19;

(iv) COMPANY (including the COMPANY's Subsidiaries) has not incurred liability under Section 4062 of ERISA; and

(v) No circumstances exist pursuant to which the COMPANY could have any direct or indirect liability whatsoever (including, but not limited to, any liability to any multiemployer plan or the PBGC under Title IV of ERISA or to the Internal Revenue Service for any excise tax or penalty, or being subject to any statutory lien to secure payment of any such liability) with respect to any plan now or heretofore maintained or contributed to by any entity other than the COMPANY that is, or at any time was, a member of a "controlled group" (as defined in Section 412(n)(6)(B) of the Code) that includes the COMPANY.

5.21 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 5.21 or 5.13, the COMPANY is not in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them which would have a Material Adverse Effect; and except to the extent set forth on Schedule 5.10 or 5.13, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of the COMPANY, threatened against or affecting, the COMPANY, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over any of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. The COMPANY has conducted and is conducting its business in

substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, vari ances, rules and regulations, including all such permits, licenses, orders and other governmental approvals set forth on Schedules 5.12 and 5.13, and is not in violation of any of the foregoing which would have a Material Adverse Effect.

5.22 TAXES. COMPANY (including the COMPANY's Subsidiaries) has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 5.22, there are no examinations in progress or claims against any of them for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by the COMPANY, any of the COMPANY's Subsidiaries, any member of an affiliated or consolidated group which includes or included the COMPANY or any of the COMPANY's Subsidiaries, or with respect to any payment made or deemed made by the COMPANY or any of the COMPANY's Subsidiaries herein been paid. The amounts shown as accruals for taxes on the COMPANY Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of (i) any tax examinations, (ii) extensions of statutory limitations and (iii) the federal and local income tax returns and franchise tax returns of COMPANY (including the COMPANY Subsidiaries) for their last three (3) fiscal years, or such shorter period of time as any of them shall have existed, are attached hereto as Schedule 5.22. The STOCKHOLDERS made a valid election under the provisions of Subchapter S of the Code and the COMPANY has not, within the past five years, been taxed under the provisions of Subchapter C of the Code. The COMPANY has a taxable year ended December 31 and has not made an election to retain a fiscal year other than December 31 under Section 444 of the Code. The COMPANY's

methods of accounting have not changed in the past five years. The COMPANY is not an investment company as defined in Section 351(e)(1) of the Code.

5.23 NO VIOLATIONS. The COMPANY is not in violation of any Charter Document. Neither the COMPANY nor, to the knowledge of the COMPANY, any other party thereto, is in material default under any lease, instrument, agreement, license, or permit set forth on Schedule 5.12, 5.13, 5.14, 5.15 or 5.16, or any other material agreement to which it is a party or by which its properties are bound (the "Material Documents"); and, except as set forth in Schedule 5.23, (a) the rights and benefits of the COMPANY under the Material Documents will not be materially adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or breach or constitute a default under, any of the terms or provisions of the Material Documents or the Charter Documents. Except as set forth on Schedule 5.23, none of the Material Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit. Except as set forth on Schedule 5.23, none of the Material Documents prohibits the use or publication by the COMPANY, CSI or NEWCO of the name of any other party to such Material Document, and none of the Material Documents prohibits or restricts the COMPANY from freely providing services to any other customer or potential customer of the COMPANY, CSI, NEWCO or any Other Founding Company.

5.24 GOVERNMENT CONTRACTS. Except as set forth on Schedule 5.24, the COMPANY is not now a party to any governmental contracts subject to price redetermination or renegotiation.

5.25 ABSENCE OF CHANGES. Since the Balance Sheet Date, except as set forth on Schedule 5.25, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of the COMPANY;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the COMPANY;

(iii) any change in the authorized capital of the COMPANY or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of the COMPANY (except for dividends which COMPANY may declare and pay pursuant to Section 10.6 hereof);

(v) any increase in the compensation, bonus, sales commissions or fee arrangement payable or to become payable by the COMPANY to any of its officers, directors, STOCKHOLDERS, employees, consultants or agents, except for ordinary and customary bonuses and salary increases for employees in accordance with past practice;

(vi) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of the COMPANY;

(vii) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of COMPANY to any person, including, without limitation, the STOCKHOLDERS and their affiliates;

(viii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to the COMPANY, including without limitation any indebtedness or obligation of any STOCKHOLDERS or any affiliate thereof;

(ix) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of the COMPANY or

requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(x) any purchase or acquisition of, or agreement, plan or arrangement to purchase or acquire, any property, rights or assets outside of the ordinary course of the COMPANY's business;

(xi) any waiver of any material rights or claims of the COMPANY;

(xii) any amendment or termination of any material contract, agreement, license, permit or other right to which the COMPANY is a party;

(xiii)any transaction by the COMPANY outside the ordinary course of its respective businesses;

(xiv) any cancellation or termination of a material contract with a customer or client prior to the scheduled termination date; or

(xv) any other distribution of property or assets by the COMPANY other than in the ordinary course of business.

5.26 DEPOSIT ACCOUNTS; POWERS OF ATTORNEY. The COMPANY has delivered to CSI an accurate schedule (which is set forth on Schedule 5.26) as of the date of the Agreement of:

(i) the name of each financial institution in which the COMPANY has accounts or safe deposit boxes;

(ii) the names in which the accounts or boxes are held;

(iii) the type of account and account number; and

(iv) the name of each person authorized to draw thereon or have access thereto. Schedule 5.26 also sets forth the name of each person, corporation, firm or other entity holding a general or special power of attorney from the COMPANY and a description of the terms of such power.

5.27 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by the COMPANY and the performance of the transactions contemplated herein have been duly and validly

authorized by the Board of Directors of the COMPANY and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of the COMPANY.

5.28 RELATIONS WITH GOVERNMENTS. Except for political contributions made in a lawful manner which, in the aggregate, do not exceed $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, the COMPANY has not made, offered or agreed to offer anything of value to any governmental official, political party or candidate for government office nor has it otherwise taken any action which would cause the COMPANY to be in violation of the Foreign Corrupt Practices Act of 1977, as amended or any law of similar effect. If political contributions made by the COMPANY have exceeded $10,000 per year for each year in which any STOCKHOLDER has been a stockholder of the COMPANY, each contribution in the amount of $5,000 or more shall be described on Schedule 5.28.

5.29 DISCLOSURE. (a) This Agreement, including the Annexes and Schedules hereto, together with the other information furnished to CSI by the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein and therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by CSI. If, prior to the 25th day after the date of the final prospectus of CSI utilized in connection with the IPO, the COMPANY or the STOCKHOLDERS become aware of any fact or circumstance which would affect the accuracy of a representation or warranty of COMPANY or STOCKHOLDERS in this Agreement, in any material respect, the COMPANY and the STOCKHOLDERS shall immediately give notice of such fact or circumstance to CSI. However, subject to the provisions of Section 7.8, such notification shall not relieve either the COMPANY or the STOCKHOLDERS of their respective obligations under this Agreement, and, subject to the provisions of Section 7.8, at the sole option of CSI, the truth and accuracy of any and all warranties

and representations of the COMPANY, or on behalf of the COMPANY and of STOCKHOLDERS at the date of this Agreement and on the Closing Date and on the Funding and Consummation Date, shall be a precondition to the consummation of this transaction.

(b) The COMPANY and the STOCKHOLDERS acknowledge and agree (i) that there exists no firm commitment, binding agreement, or promise or other assurance of any kind, whether express or implied, oral or written, that a Registration Statement will become effective or that the IPO pursuant thereto will occur at a particular price or within a particular range of prices or occur at all; (ii) that neither CSI or any of its officers, directors, agents or representatives nor any Underwriter shall have any liability to the COMPANY, the STOCKHOLDERS or any other person affiliated or associated with the COMPANY for any failure of the Registration Statement to become effective, the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (iii) that the decision of STOCKHOLDERS to enter into this Agreement, or to vote in favor of or consent to the proposed Merger, has been or will be made independent of, and without reliance upon, any statements, opinions or other communications, or due diligence investigations which have been or will be made or performed by any prospective Underwriter, relative to CSI or the prospective IPO.

5.30 PROHIBITED ACTIVITIES. Except as set forth on Schedule 5.30, the COMPANY has not, between the Balance Sheet Date and the date hereof, taken any of the actions (Prohibited Activities) set forth in Section 7.3.

(B) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS

Each STOCKHOLDER severally represents and warrants that the representations and warranties set forth below are true as of the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and on the Funding and Consummation Date, and that the representations and warranties set forth in Sections 5.31 and 5.32 shall survive until the first anniversary of the Funding and Consummation Date, which shall be the Expiration Date for purposes of Sections 5.31 and 5.32.

5.31 AUTHORITY; OWNERSHIP. Such STOCKHOLDER has the full legal right, power and authority to enter into this Agreement. Such STOCKHOLDER owns beneficially and of record all of the shares of the COMPANY stock identified on Annex IV as being owned by such STOCKHOLDER, and, except as set forth on Schedule 5.31, such COMPANY Stock is owned free and clear of all liens, encumbrances and claims of every kind.

5.32 PREEMPTIVE RIGHTS. Such STOCKHOLDER does not have, or hereby waives, any preemptive or other right to acquire shares of COMPANY Stock or CSI Stock that such STOCKHOLDER has or may have had other than rights of any STOCKHOLDER to acquire CSI Stock pursuant to (i) this Agreement or (ii) any option granted by CSI.

5.33 NO INTENTION TO DISPOSE OF CSI STOCK. No STOCKHOLDER is under any binding commitment or contract to sell, exchange or otherwise dispose of shares of CSI Stock received as described in Section 3.1.

6. REPRESENTATIONS OF CSI AND NEWCO

CSI and NEWCO jointly and severally represent and warrant that all of the following representations and warranties in this Section 6 are true at the date of this Agreement and, subject to Section 7.8 hereof, shall be true at the time of Closing and the Funding and Consummation Date, and that such representations and warranties shall survive the Funding and Consummation Date for a period of twelve months (the last day of such period being the "Expiration Date"), except that (i) the warranties and representations set forth in Section 6.14 hereof shall survive until such time as the limitations period has run for all tax periods ended on or prior to the Funding and Consummation Date, which shall be deemed to be the Expiration Date for Section 6.14 and (ii) solely for purposes of determining whether a claim for indemnification under Section 11.2(iv) hereof has been made on a timely basis, and solely to the extent that in connection with the IPO, any of the STOCKHOLDERS actually incurs liability under the 1933 Act, the 1934 Act, or any other Federal or state securities laws, the representations and warranties set forth herein shall survive until the

expiration of any applicable limitations period, which shall be deemed to be the Expiration Date for such purposes.

6.1 DUE ORGANIZATION. CSI and NEWCO are each corporations duly organized, validly existing and in good standing under the laws of the state of Delaware, and each has the requisite power and authority to carry on its business as it is now being conducted. CSI and NEWCO are each qualified to do business and are each in good standing in each jurisdiction in which the nature of its business makes such qualification necessary, except where the failure to be so authorized or qualified would not have a Material Adverse Effect. True, complete and correct copies of the Certificate of Incorporation and By-laws, each as amended, of CSI and NEWCO (the "CSI Charter Documents") are all attached hereto as Annex II.

6.2 AUTHORIZATION. (i) The respective representatives of CSI and NEWCO executing this Agreement have the authority to enter into and bind CSI and NEWCO to the terms of this Agreement and (ii) CSI and NEWCO have the full legal right, power and authority to enter into this Agreement and the Merger.

6.3 CAPITAL STOCK OF CSI AND NEWCO. The authorized capital stock of CSI and NEWCO is as set forth in Sections 1.4(ii) and (iii), respectively. All of the issued and outstanding shares of the capital stock of NEWCO are owned by CSI and all of the issued and outstanding shares of the capital stock of CSI are owned by the persons set forth on Annex V hereof, in each case, free and clear of all liens, security interests, pledges, charges, voting trusts, restrictions, encumbrances and claims of every kind. All of the issued and outstanding shares of the capital stock of CSI and NEWCO have been duly authorized and validly issued, are fully paid and nonassessable, are owned of record and beneficially by CSI and the persons set forth on Annex V, respectively, and further, such shares were offered, issued, sold and delivered by CSI and NEWCO in compliance with all applicable state and Federal laws concerning the issuance of securities. Further, none of such shares were issued in violation of the preemptive rights of any past or present stockholder of CSI or NEWCO.

6.4 TRANSACTIONS IN CAPITAL STOCK, ORGANIZATION ACCOUNTING. Except for the Other Agreements and except as set forth on Schedule 6.4, (i) no option, warrant, call, conversion right or commitment of any kind exists which obligates CSI or NEWCO to issue any of their respective authorized but unissued capital stock; and (ii) neither CSI nor NEWCO has any obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interests therein or to pay any dividend or make any distribution in respect thereof. Schedule 6.4 also includes complete and accurate copies of all stock option or stock purchase plans, including a list, accurate as of the date hereof, of all outstanding options, warrants or other rights to acquire shares of the stock of CSI.

6.5 SUBSIDIARIES. NEWCO has no subsidiaries. CSI has no subsidiaries except for NEWCO and each of the companies identified as "NEWCO" in each of the Other Agreements. Except as set forth in the preceding sentence, neither CSI nor NEWCO presently owns, of record or beneficially, or controls, directly or indirectly, any capital stock, securities convertible into capital stock or any other equity interest in any corporation, association or business entity, and neither CSI nor NEWCO, directly or indirectly, is a participant in any joint venture, partnership or other non-corporate entity.

6.6 FINANCIAL STATEMENTS. Attached hereto as Schedule 6.6 are copies of the following financial statements (the "CSI Financial Statements") of CSI, which reflect the results of its operations from inception in December 1996: CSI's audited Balance Sheet as of December 31, 1996 and Statements of Income, Cash Flows and Retained Earnings for the period from December 12, 1996 through December 31, 1996. Such CSI Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted thereon or on Schedule 6.6). Except as set forth on Schedule 6.6, such Balance Sheet as of December 31, 1996 presents fairly the financial position of CSI as of such date, and such Statements of Income, Cash Flows and Retained Earnings present fairly the results of operations for the period indicated.

6.7 LIABILITIES AND OBLIGATIONS. Except as set forth on Schedule 6.7, CSI and NEWCO have no material liabilities, contingent or otherwise, except as set forth in or contemplated by this Agreement and the Other Agreements and except for fees incurred in connection with the transactions contemplated hereby and thereby.

6.8 CONFORMITY WITH LAW; LITIGATION. Except to the extent set forth on Schedule 6.8, neither CSI nor NEWCO is in violation of any law or regulation or any order of any court or Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them which would have a Material Adverse Effect; and except to the extent set forth in Schedule 6.8, there are no material claims, actions, suits or proceedings, pending or, to the knowledge of CSI or NEWCO, threatened against or affecting, CSI or NEWCO, at law or in equity, or before or by any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over either of them and no notice of any claim, action, suit or proceeding, whether pending or threatened, has been received. CSI and NEWCO have conducted and are conducting their respective businesses in substantial compliance with the requirements, standards, criteria and conditions set forth in applicable Federal, state and local statutes, ordinances, permits, licenses, orders, approvals, variances, rules and regulations and are not in violation of any of the foregoing which would have a Material Adverse Effect.

6.9 NO VIOLATIONS. Neither CSI nor NEWCO is in violation of any CSI Charter Document. None of CSI, NEWCO, or, to the knowledge of CSI and NEWCO, any other party thereto, is in default under any lease, instrument, agreement, license, or permit to which CSI or NEWCO is a party, or by which CSI or NEWCO, or any of their respective properties, are bound (collectively, the "CSI Documents"); and (a) the rights and benefits of CSI and NEWCO under the CSI Documents will not be adversely affected by the transactions contemplated hereby and (b) the execution of this Agreement and the performance of the obligations hereunder and the consummation of the transactions contemplated hereby will not result in any material violation or

breach or constitute a default under, any of the terms or provisions of the CSI Documents or the CSI Charter Documents. Except as set forth on Schedule 6.9, none of the CSI Documents requires notice to, or the consent or approval of, any governmental agency or other third party with respect to any of the transactions contemplated hereby in order to remain in full force and effect and consummation of the transactions contemplated hereby will not give rise to any right to termination, cancellation or acceleration or loss of any right or benefit.

6.10 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the respective Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.11 CSI STOCK. At the time of issuance thereof, the CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement will constitute valid and legally issued shares of CSI, fully paid and nonassessable, and with the exception of restrictions upon resale set forth in Sections 15 and 16 hereof, will be identical in all substantive respects (which do not include the form of certificate upon which it is printed or the presence or absence of a CUSIP number on any such certificate) to the CSI Stock issued and outstanding as of the date hereof by reason of the provisions of the Delaware GCL. The shares of CSI Stock to be issued to the STOCKHOLDERS pursuant to this Agreement will not be registered under the 1933 Act, except as provided in Section 17 hereof.

6.12 NO SIDE AGREEMENTS. Neither CSI nor NEWCO has entered or will enter into any agreement with any of the Founding Companies or any of the stockholders of the Founding Companies or CSI other than the Other Agreements and the agreements contemplated by each of the Other Agreements, including the employment agreements and leases referred to therein.

6.13 BUSINESS; REAL PROPERTY; MATERIAL AGREEMENTS. CSI was formed in December 1996 and has conducted limited operations since that time. Neither CSI nor NEWCO has conducted any material business since the date of its inception, except in connection with this Agreement, the

Other Agreements and the IPO. Neither CSI nor NEWCO owns or has at any time owned any real property or any material personal property or is a party to any other agreement, except as listed on Schedule 6.13 and except that CSI is a party to the Other Agreements and the agreements contemplated thereby and to such agreements as will be filed as Exhibits to the Registration Statement.

6.14 TAXES. CSI has timely filed all requisite federal, state and other tax returns or extension requests for all fiscal periods ended on or before the Balance Sheet Date; and except as set forth on Schedule 6.14, there are no examinations in progress or claims against CSI for federal, state and other taxes (including penalties and interest) for any period or periods prior to and including the Balance Sheet Date and no notice of any claim for taxes, whether pending or threatened, has been received. All tax, including interest and penalties (whether or not shown on any tax return) owed by CSI, any member of an affiliated or consolidated group which includes or included CSI, or with respect to any payment made or deemed made by CSI herein has been paid. The amounts shown as accruals for taxes on CSI Financial Statements are sufficient for the payment of all taxes of the kinds indicated (including penalties and interest) for all fiscal periods ended on or before that date. Copies of any (i) tax examinations, (ii) extensions of statutory limitations and (iii) federal and local income tax returns and franchise tax returns of CSI for the year ended December 31, 1996, are attached hereto as Schedule 6.14. CSI is not an investment company as defined in Section 351(e)(1) of the Code.

6.15 ABSENCE OF CHANGES. Since December 31, 1996, except as set forth in the drafts of the Registration Statement delivered to the Stockholders, and except as contemplated by this Agreement and the Other Agreements, there has not been:

(i) any material adverse change in the financial condition, assets, liabilities (contingent or otherwise), income or business of CSI;

(ii) any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of CSI;

(iii) any change in the authorized capital of CSI or its outstanding securities or any change in its ownership interests or any grant of any options, warrants, calls, conversion rights or commitments;

(iv) any declaration or payment of any dividend or distribution in respect of the capital stock or any direct or indirect redemption, purchase or other acquisition of any of the capital stock of CSI;

(v) any work interruptions, labor grievances or claims filed, or any event or condition of any character, materially adversely affecting the business of CSI;

(vi) any sale or transfer, or any agreement to sell or transfer, any material assets, property or rights of CSI to any person;

(vii) any cancellation, or agreement to cancel, any indebtedness or other obligation owing to CSI;

(viii) any plan, agreement or arrangement granting any preferential rights to purchase or acquire any interest in any of the assets, property or rights of CSI or requiring consent of any party to the transfer and assignment of any such assets, property or rights;

(ix) any waiver of any material rights or claims of CSI;

(x) any amendment or termination of any material contract, agreement, license, permit or other right to which CSI is a party;

(xi) any transaction by CSI outside the ordinary course of its business;

(xii) any other distribution of property or assets by CSI other than in the ordinary course of business.

6.16 VALIDITY OF OBLIGATIONS. The execution and delivery of this Agreement by CSI and NEWCO and the performance of the transactions contemplated herein have been duly and validly authorized by the Boards of Directors of CSI and NEWCO and this Agreement has been duly and validly authorized by all necessary corporate action and is a legal, valid and binding obligation of CSI and NEWCO.

6.17 DISCLOSURE. The most recent draft of the Registration Statement delivered to the COMPANY and the STOCKHOLDERS, together with this Agreement and the information furnished to the COMPANY and the STOCKHOLDERS in connection herewith, does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing does not apply to statements contained in or omitted from any of such documents made or omitted in reliance upon information furnished by the COMPANY or the STOCKHOLDERS.

7. COVENANTS PRIOR TO CLOSING

7.1 ACCESS AND COOPERATION; DUE DILIGENCE. (a) Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will afford to the officers and authorized representatives of CSI and the Other Founding Companies access to all of the COMPANY's sites, properties, books and records and will furnish CSI with such additional financial and operating data and other information as to the business and properties of the COMPANY as CSI or the Other Founding Companies may from time to time reasonably request. The COMPANY will cooperate with CSI and the Other Founding Companies, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. CSI, NEWCO, the STOCKHOLDERS and the COMPANY will treat all information obtained in connection with the negotiation and performance of this Agreement or the due diligence investigations conducted with respect to the Other Founding Companies as confidential in accordance with the provisions of Section 14 hereof. In addition, CSI will cause each of the Other Founding Companies to enter into a provision similar to this Section 7.1 requiring each such Other Founding Company, its stockholders, directors, officers, representatives, employees and agents to keep confidential any information obtained by such Other Founding Company.

(b) Between the date of this Agreement and the Funding and Consummation Date, CSI will afford to the officers and authorized representatives of the COMPANY access to all of CSI's and NEWCO's sites, properties, books and records and will furnish the COMPANY with such additional financial and operating data and other information as to the business and properties of CSI and NEWCO as the COMPANY may from time to time reasonably request. CSI and NEWCO will cooperate with the COMPANY, its representatives, auditors and counsel in the preparation of any documents or other material which may be required in connection with any documents or materials required by this Agreement. The COMPANY will cause all information obtained in connection with the negotiation and performance of this Agreement to be treated as confidential in accordance with the provisions of Section 14 hereof.

7.2 CONDUCT OF BUSINESS PENDING CLOSING. Between the date of this Agreement and the Funding and Consummation Date, the COMPANY will, except as set forth on Schedule 7.2:

(i) carry on its respective businesses in substantially the same manner as it has heretofore and not introduce any material new method of management, operation or accounting;

(ii) maintain its respective properties and facilities, including those held under leases, in as good working order and condition as at present, ordinary wear and tear excepted;

(iii) perform in all material respects all of its respective obligations under agreements relating to or affecting its respective assets, properties or rights;

(iv) use all reasonable efforts to keep in full force and effect present insurance policies or other comparable insurance coverage;

(v) use its reasonable efforts to maintain and preserve its business organization intact, retain its respective present key employees and maintain its respective relationships with suppliers, customers and others having business relations with the COMPANY;

(vi) maintain compliance with all material permits, laws, rules and regulations, consent orders, and all other orders of applicable courts, regulatory agencies and similar governmental authorities;

(vii) maintain present debt and lease instruments and not enter into new or amended debt or lease instruments except as permitted by Section 10.6, without the knowledge and consent of CSI (which consent shall not be unreasonably withheld), provided that debt and/or lease instruments may be replaced without the consent of CSI if such replacement instruments are on terms at least as favorable to the COMPANY as the instruments being replaced; and

(viii) maintain or reduce present salaries and commission levels for all officers, directors, employees and agents except for ordinary and customary bonus and salary increases for employees in accordance with past practices.

7.3 PROHIBITED ACTIVITIES. Except as disclosed on Schedule 7.3, between the date hereof and the Funding and Consummation Date, the COMPANY will not, without prior written consent of CSI:

(i) make any change in its Articles of Incorporation or By-laws;

(ii) issue any securities, options, warrants, calls, conversion rights or commitments relating to its securities of any kind other than in connection with the exercise of options or warrants listed in Schedule 5.4;

(iii) except as permitted by Section 10.6, declare or pay any dividend, or make any distribution in respect of its stock whether now or hereafter outstanding, or purchase, redeem or otherwise acquire or retire for value any shares of its stock (provided that the COMPANY may declare and pay dividends pursuant to Section 10.6 hereof);

(iv) enter into any contract or commitment or incur or agree to incur any liability or make any capital expenditures, except if it is in the normal course of business (consistent with past practice) or involves an amount not in excess of $100,000;

(v) create, assume or permit to exist any mortgage, pledge or other lien or encumbrance upon any assets or properties whether now owned or hereafter acquired, except (1) with respect to purchase money liens incurred in connection with the acquisition of equipment with an aggregate cost not in excess of $50,000 necessary or desirable for the conduct of the businesses of the COMPANY, (2) (A) liens for taxes either not yet due or being contested in good faith and by appropriate proceedings (and for which contested taxes adequate reserves have been established and are being maintained) or (B) materialmen's, mechanics', workers', repairmen's, employees' or other like liens arising in the ordinary course of business (the liens set forth in clause (2) being referred to herein as "Statutory Liens"), or (3) liens set forth on Schedule 5.10 and/or 5.15 hereto;

(vi) sell, assign, lease or otherwise transfer or dispose of any property or equipment except in the normal course of business;

(vii) negotiate for the acquisition of any business or the start-up of any new business;

(viii) merge or consolidate or agree to merge or consolidate with or into any other corporation;

(ix) waive any material rights or claims of the COMPANY, provided that the COMPANY may negotiate and adjust bills in the course of good faith disputes with customers in a manner consistent with past practice, provided, further, that such adjustments shall not be deemed to be included in Schedule 5.11 unless specifically listed thereon;

(x) commit a material breach or amend or terminate any material agreement, permit, license or other right of the COMPANY; or

(xi) enter into any other transaction outside the ordinary course of its business or prohibited hereunder.

7.4 NO SHOP. None of the STOCKHOLDERS, the COMPANY, nor any agent, officer, director, trustee or any representative of any of the foregoing will, during the period commencing

on the date of this Agreement and ending with the earlier to occur of the Funding and Consummation Date or the termination of this Agreement in accordance with its terms, directly or indirectly:

(i) solicit or initiate the submission of proposals or offers from any person for,

(ii) participate in any discussions pertaining to, or

(iii) furnish any information to any person other than CSI or its authorized agents relating to, any acquisition or purchase of all or a material amount of the assets of, or any equity interest in, the COMPANY or a merger, consolidation or business combination of the COMPANY.

7.5 NOTICE TO BARGAINING AGENTS. Prior to the Closing Date, the COMPANY shall satisfy any requirement for notice of the transactions contemplated by this Agreement under applicable collective bargaining agreements, and shall provide CSI on Schedule 7.5 with proof that any required notice has been sent.

7.6 AGREEMENTS. The STOCKHOLDERS and the COMPANY shall terminate (i) any stockholders agreements, voting agreements, voting trusts, options, warrants and employment agreements between the COMPANY and any employee listed on Schedule 9.12 hereto and (ii) any existing agreement between the COMPANY and any STOCKHOLDER, on or prior to the Funding and Consummation Date. Such termination agreements are listed on Schedule 7.6 and copies thereof shall be attached thereto.

7.7 NOTIFICATION OF CERTAIN MATTERS. The STOCKHOLDERS and the COMPANY shall give prompt notice to CSI of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be likely to cause any representation or warranty of the COMPANY or the STOCKHOLDERS contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of any STOCKHOLDER or the COMPANY to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such person hereunder. CSI and NEWCO shall give prompt notice to the COMPANY of (i) the occurrence or non-occurrence of any event the occurrence or non-occurrence of which would be

likely to cause any representation or warranty of CSI or NEWCO contained herein to be untrue or inaccurate in any material respect at or prior to the Closing and (ii) any material failure of CSI or NEWCO to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder. The delivery of any notice pursuant to this Section 7.7 shall not be deemed to (i) modify the representations or warranties hereunder of the party delivering such notice, which modification may only be made pursuant to Section 7.8, (ii) modify the conditions set forth in Sections 8 and 9, or (iii) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.8 AMENDMENT OF SCHEDULES. Each party hereto agrees that, with respect to the representations and warranties of such party contained in this Agreement, such party shall have the continuing obligation until 24 hours prior to the anticipated effectiveness of the Registration Statement to supplement or amend promptly the Schedules hereto with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Schedules, provided however, that supplements and amendments to Schedules 5.10, 5.11, 5.14 and 5.15 shall only have to be delivered at the Closing Date, unless such Schedule is to be amended to reflect an event occurring other than in the ordinary course of business. Notwithstanding the foregoing sentence, no amendment or supplement to a Schedule prepared by the COMPANY that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless CSI and a majority of the Founding Companies other than the COMPANY consent to such amendment or supplement; and provided further, that no amendment or supplement to a Schedule prepared by CSI or NEWCO that constitutes or reflects an event or occurrence that would have a Material Adverse Effect may be made unless a majority of the Founding Companies consent to such amendment or supplement. For all purposes of this Agreement, including without limitation for purposes of determining whether the conditions set forth in Sections 8.1 and 9.1 have been fulfilled, the Schedules hereto shall be deemed to be the Schedules as amended or supplemented pursuant to this Section 7.8. In the event that one of the Other

Founding Companies seeks to amend or supplement a Schedule pursuant to Section 7.8 of one of the Other Agreements, and such amendment or supplement constitutes or reflects an event or occurrence that would have a Material Adverse Effect on such Other Founding Company, CSI shall give the COMPANY notice promptly after it has knowledge thereof. If CSI and a majority of the Founding Companies consent to such amendment or supplement, which consent shall have been deemed given by CSI or any Founding Company if no response is received within 24 hours following receipt of notice of such amendment or supplement (or sooner if required by the circumstances under which such consent is requested), but the COMPANY does not give its consent, the COMPANY may terminate this Agreement pursuant to Section 12.1(iv) hereof. In the event that the COMPANY seeks to amend or supplement a Schedule pursuant to this Section 7.8, and CSI and a majority of the Other Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. In the event that CSI or NEWCO seeks to amend or supplement a Schedule pursuant to this Section 7.8 and a majority of the Founding Companies do not consent to such amendment or supplement, this Agreement shall be deemed terminated by mutual consent as set forth in Section 12.1(i) hereof. No party to this Agreement shall be liable to any other party if this Agreement shall be terminated pursuant to the provisions of this Section 7.8. No amendment of or supplement to a Schedule shall be made later than 24 hours prior to the anticipated effectiveness of the Registration Statement.

7.9 COOPERATION IN PREPARATION OF REGISTRATION STATEMENT. The COMPANY and STOCKHOLDERS shall furnish or cause to be furnished to CSI and the Underwriters all of the information concerning the COMPANY and the STOCKHOLDERS required for inclusion in, and will cooperate with CSI and the Underwriters in the preparation of, the Registration Statement and the prospectus included therein (including audited and unaudited financial statements, prepared in accordance with generally accepted accounting principles, in form suitable for inclusion in the Registration Statement). The COMPANY and the STOCKHOLDERS agree promptly to advise CSI if at any time during the period in which a prospectus relating to the offering is required to be

delivered under the Securities Act, any information contained in the prospectus concerning the COMPANY or the STOCKHOLDERS becomes incorrect or incomplete in any material respect, and to provide the information needed to correct such inaccuracy. Insofar as the information relates solely to the COMPANY or the STOCKHOLDERS, the COMPANY represents and warrants as to such information with respect to itself, and each Stockholder represents and warrants, as to such information with respect to the COMPANY and himself or herself, that the Registration Statement will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.10 FINAL FINANCIAL STATEMENTS. The COMPANY shall provide prior to the Funding and Consummation Date, and CSI shall have had sufficient time to review the unaudited consolidated balance sheets of the COMPANY as of the end of all fiscal quarters following the Balance Sheet Date, and the unaudited consolidated statement of income, cash flows and retained earnings of the COMPANY for all fiscal quarters ended after the Balance Sheet Date, disclosing no material adverse change in the financial condition of the COMPANY or the results of its operations from the financial statements as of the Balance Sheet Date. Such financial statements shall have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as noted therein). Except as noted in such financial statements, all of such financial statements will present fairly the results of operations of the COMPANY for the periods indicated therein.

7.11 FURTHER ASSURANCES. The parties hereto agree to execute and deliver, or cause to be executed and delivered, such further instruments or documents or take such other action as may be reasonably necessary or convenient to carry out the transactions contemplated hereby.

7.12 AUTHORIZED CAPITAL. CSI shall maintain its authorized capital stock as set forth in the Registration Statement filed with the SEC except for such changes in authorized capital stock

as are made to respond to comments made by the SEC or requirements of any exchange or automated trading system for which application is made to register the CSI Stock.

7.13 COMPLIANCE WITH THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976 (THE "HART-SCOTT ACT"). All parties to this Agreement hereby recognize that one or more filings under the Hart-Scott Act may be required in connection with the transactions contemplated herein. If it is determined by the parties to this Agreement that filings under the Hart-Scott Act are required, then: (i) each of the parties hereto agrees to cooperate and use its best efforts to comply with the Hart-Scott Act, (ii) such compliance by the STOCKHOLDERS and the COMPANY shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 9 of this Agreement, and such compliance by CSI and NEWCO shall be deemed a condition precedent in addition to the conditions precedent set forth in Section 8 of this Agreement, and (iii) the parties agree to cooperate and use their best efforts to cause all filings required under the Hart-Scott Act to be made. If filings under the Hart-Scott Act are required, the costs and expenses thereof (including filing fees) shall be borne by CSI.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF STOCKHOLDERS AND COMPANY

The obligations of STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of the STOCKHOLDERS and the COMPANY with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12. As of the Closing Date or, with respect to the conditions set forth in Sections 8.1, 8.5, 8.8, 8.9 and 8.12, as of the Funding and Consummation Date, if any of such conditions has not been satisfied, the Stockholders (acting in unison) shall have the right to terminate this Agreement or, in the alternative, waive any condition not so satisfied. Any act or

action of the Stockholders in consummating the Closing or delivering certificates representing COMPANY Stock as of the Funding and Consummation Date shall constitute a waiver of any condition, not so satisfied. However, no such waiver shall be deemed to affect the survival of the representations and warranties of CSI and NEWCO contained in Section 6 hereof.

8.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All representations and warranties of CSI and NEWCO contained in Section 6 shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date as though such representations and warranties had been made as of that time; all of the terms, covenants and conditions of this Agreement to be complied with and performed by CSI and NEWCO on or before the Closing Date and the Funding and Consummation Date shall have been duly complied with and performed in all material respects; and certificates to the foregoing effect dated the Closing Date and the Funding and Consummation Date, respectively, and signed by the President or any Vice President of CSI shall have been delivered to the STOCKHOLDERS.

8.2 SATISFACTION. All actions, proceedings, instruments and documents required to carry out this Agreement or incidental hereto and all other related legal matters shall be reasonably satisfactory to the COMPANY and its counsel. The STOCKHOLDERS and the COMPANY shall be satisfied that the Registration Statement and the prospectus forming a part thereof, including any amendments thereof or supplements thereto, shall not contain any untrue statement of a material fact, or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided that the condition contained in this sentence shall be deemed satisfied if the COMPANY or STOCKHOLDERS shall have failed to inform CSI in writing prior to the effectiveness of the Registration Statement of the existence of an untrue statement of a material fact or the omission of such a statement of a material fact.

8.3 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of the

COMPANY as a result of which the management of the COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.4 OPINION OF COUNSEL. The COMPANY shall have received an opinion from counsel for CSI, dated the Funding and Consummation Date, in the form annexed hereto as Annex VI.

8.5 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC and the underwriters named therein shall have agreed to acquire on a firm commitment basis, subject to the conditions set forth in the underwriting agreement, on terms such that the aggregate value of the cash and the number of shares of CSI Stock to be received by the STOCKHOLDERS is not less than the Minimum Value set forth on Annex III.

8.6 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transaction contemplated herein shall have been obtained and made and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of COMPANY as a result of which COMPANY deems it inadvisable to proceed with the transactions hereunder.

8.7 GOOD STANDING CERTIFICATES. CSI and NEWCO each shall have delivered to the COMPANY a certificate, dated as of a date no later than ten days prior to the Closing Date, duly issued by the Delaware Secretary of State and in each state in which CSI or NEWCO is authorized to do business, showing that each of CSI and NEWCO is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for CSI and NEWCO, respectively, for all periods prior to the Closing have been filed and paid.

8.8 NO MATERIAL ADVERSE CHANGE. No event or circumstance shall have occurred with respect to CSI or NEWCO which would constitute a Material Adverse Effect.

8.9 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

8.10 SECRETARY'S CERTIFICATE. The COMPANY shall have received a certificate or certificates, dated the Closing Date and signed by the secretary of CSI and of NEWCO, certifying the truth and correctness of attached copies of the CSI's and NEWCO's respective Certificates of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the boards of directors and, if required, the stockholders of CSI and NEWCO approving CSI's and NEWCO's entering into this Agreement and the consummation of the transactions contemplated hereby.

8.11 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall have been afforded the opportunity to enter into an employment agreement substantially in the form of Annex VIII hereto.

8.12 TAX MATTERS. The STOCKHOLDERS shall have received an opinion of Arthur Andersen L.L.P. or another tax advisor reasonably acceptable to the STOCKHOLDERS that the CSI Plan of Organization should qualify as a tax-free transfer of property under Section 351 of the Code, and that the STOCKHOLDERS will not recognize gain to the extent the STOCKHOLDERS exchange stock of the COMPANY for CSI Stock (but not cash or other property) pursuant to the CSI Plan of Organization.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF CSI AND NEWCO

The obligations of CSI and NEWCO with respect to actions to be taken on the Closing Date are subject to the satisfaction or waiver on or prior to the Closing Date of all of the following conditions. The obligations of CSI and NEWCO with respect to actions to be taken on the Funding and Consummation Date are subject to the satisfaction or waiver on or prior to the Funding and Consummation Date of the conditions set forth in Sections 9.1, 9.4 and 9.13. As of the Closing Date or, with respect to the conditions set forth in Sections 9.1, 9.4 and 9.13, as of the Funding and Consummation Date, all conditions not satisfied shall be deemed to have been waived, except that

no such waiver shall be deemed to affect the survival of the representations and warranties of the COMPANY contained in Section 5 hereof.

9.1 REPRESENTATIONS AND WARRANTIES; PERFORMANCE OF OBLIGATIONS. All the representations and warranties of the STOCKHOLDERS and the COMPANY contained in this Agreement shall be true and correct in all material respects as of the Closing Date and the Funding and Consummation Date with the same effect as though such representations and warranties had been made on and as of such date; all of the terms, covenants and conditions of this Agreement to be complied with or performed by the STOCKHOLDERS and the COMPANY on or before the Closing Date or the Funding and Consummation Date, as the case may be, shall have been duly performed or complied with in all material respects; and the STOCKHOLDERS shall have delivered to CSI certificates dated the Closing Date and the Funding and Consummation Date, respectively, and signed by them to such effect.

9.2 NO LITIGATION. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the Merger or the IPO and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which the management of CSI deems it inadvisable to proceed with the transactions hereunder.

9.3 SECRETARY'S CERTIFICATE. CSI shall have received a certificate, dated the Closing Date and signed by the secretary of the COMPANY, certifying the truth and correctness of attached copies of the COMPANY's Certificate of Incorporation (including amendments thereto), By-Laws (including amendments thereto), and resolutions of the board of directors and the STOCKHOLDERS approving the COMPANY's entering into this Agreement and the consummation of the transactions contemplated hereby.

9.4 NO MATERIAL ADVERSE EFFECT. No event or circumstance shall have occurred with respect to the COMPANY which would constitute a Material Adverse Effect, and the COMPANY shall not have suffered any material loss or damages to any of its properties or assets, whether or not

covered by insurance, which change, loss or damage materially affects or impairs the ability of the COMPANY to conduct its business.

9.5 STOCKHOLDERS' RELEASE. The STOCKHOLDERS shall have delivered to CSI an instrument dated the Closing Date releasing the COMPANY from (i) any and all claims of the STOCKHOLDERS against the COMPANY and CSI and (ii) obligations of the COMPANY and CSI to the STOCKHOLDERS, except for (x) items specifically identified on Schedules 5.10 and 5.15 as being claims of or obligations to the STOCKHOLDERS, (y) continuing obligations to STOCKHOLDERS relating to their employment by the COMPANY and (z) obligations arising under this Agreement or the transactions contemplated hereby.

9.6 SATISFACTION. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental hereto and all other related legal matters shall have been approved by counsel to CSI.

9.7 TERMINATION OF RELATED PARTY AGREEMENTS. Except as set forth on Schedule 9.7, all existing agreements between the COMPANY and the STOCKHOLDERS shall have been canceled effective prior to or as of the Funding and Consummation Date.

9.8 OPINION OF COUNSEL. CSI shall have received an opinion from Counsel to the COMPANY and the STOCKHOLDERS, dated the Closing Date, substantially in the form annexed hereto as Annex VII.

9.9 CONSENTS AND APPROVALS. All necessary consents of and filings with any governmental authority or agency relating to the consummation of the transactions contemplated herein shall have been obtained and made; all consents and approvals of third parties listed on Schedule 5.23 shall have been obtained; and no action or proceeding shall have been instituted or threatened to restrain or prohibit the Merger and no governmental agency or body shall have taken any other action or made any request of CSI as a result of which CSI deems it inadvisable to proceed with the transactions hereunder.

9.10 GOOD STANDING CERTIFICATES. The COMPANY shall have delivered to CSI a certificate, dated as of a date no earlier than ten days prior to the Closing Date, duly issued by the appropriate governmental authority in the COMPANY's state of incorporation and, unless waived by CSI, in each state in which the COMPANY is authorized to do business, showing the COMPANY is in good standing and authorized to do business and that all state franchise and/or income tax returns and taxes for the COMPANY for all periods prior to the Closing have been filed and paid.

9.11 REGISTRATION STATEMENT. The Registration Statement shall have been declared effective by the SEC.

9.12 EMPLOYMENT AGREEMENTS. Each of the persons listed on Schedule 9.12 shall enter into an employment agreement substantially in the form of Annex VIII hereto.

9.13 CLOSING OF IPO. The closing of the sale of the CSI Stock to the Underwriters in the IPO shall have occurred simultaneously with the Funding and Consummation Date hereunder.

9.14 FIRPTA CERTIFICATE. Each STOCKHOLDER shall have delivered to CSI a certificate to the effect that he is not a foreign person pursuant to Section 1.1445-2(b) of the Treasury regulations.

10. COVENANTS OF CSI AND THE STOCKHOLDERS AFTER CLOSING

10.1 RELEASE FROM GUARANTEES; REPAYMENT OF CERTAIN OBLIGATIONS. CSI shall use its best efforts to have the STOCKHOLDERS released from any and all guarantees on any indebtedness that they personally guaranteed and from any and all pledges of assets that they pledged to secure such indebtedness for the benefit of the COMPANY, with all such guarantees on indebtedness being assumed by CSI. In the event that CSI cannot obtain such releases from the lenders of any such guaranteed indebtedness on or prior to 120 days subsequent to the Funding and Consummation Date, CSI shall pay off or otherwise refinance or retire such indebtedness. From and after the Funding and Consummation Date and until such time as all of such indebtedness is paid off, refinanced or retired,

CSI shall maintain unencumbered funds in amounts sufficient to provide for such pay off, refinancing or retirement, provided that CSI may use such funds for other purposes, in its sole discretion, with the prior written consent of each STOCKHOLDER who has not as of that time been released from his or her guarantee as described above and whose indebtedness as described above has not as of that time been paid off, refinanced or retired.

10.2 PRESERVATION OF TAX AND ACCOUNTING TREATMENT. Except as contemplated by this Agreement or the Registration Statement, after the Funding and Consummation Date, CSI shall not and shall not permit any of its subsidiaries to undertake any act that would jeopardize the tax-free status of the organization, including without limitation:

(a) the retirement or reacquisition, directly or indirectly, of all or part of the CSI Stock issued in connection with the transactions contemplated hereby; or

(b) the entering into of financial arrangements for the benefit of the STOCKHOLDERS.

10.3 PREPARATION AND FILING OF TAX RETURNS.

(i) The COMPANY shall, if possible, file or cause to be filed all separate Returns of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Notwithstanding the foregoing, the STOCKHOLDERS shall file or cause to be filed all separate federal income Tax Returns (and any State and local Tax Returns filed on the basis similar to that of S corporations under federal income Tax rules) of any Acquired Party for all taxable periods that end on or before the Funding and Consummation Date. Each STOCKHOLDER shall pay or cause to be paid all Tax liabilities (in excess of all amounts already paid with respect thereto or properly accrued or reserved with respect thereto on the COMPANY Financial Statements) shown by such Returns to be due.

(ii) CSI shall file or cause to be filed all separate Returns of, or that include, any Acquired Party for all taxable periods ending after the Funding and Consummation Date.

(iii) Each party hereto shall, and shall cause its subsidiaries and affiliates to, provide to each of the other parties hereto such cooperation and information as any of them reasonably may request in filing any Return, amended Return or claim for refund, determining a liability for Taxes or a right to refund of Taxes or in conducting any audit or other proceeding in respect of Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Returns, together with relevant accompanying schedules and relevant work papers, relevant documents relating to rulings or other determinations by Taxing Authorities and relevant records concerning the ownership and Tax basis of property, which such party may possess. Each party shall make its employees reasonably available on a mutually convenient basis at its cost to provide explanation of any documents or information so provided. Subject to the preceding sentence, each party required to file Returns pursuant to this Agreement shall bear all costs of filing such Returns.

(iv) Each of the COMPANY, NEWCO, CSI and each STOCKHOLDER shall comply with the tax reporting requirements of Section 1.351-3 of the Treasury Regulations promulgated under the Code, and treat the transaction as a tax-free contribution under Section 351(a) of the Code subject to gain, if any, recognized on the receipt of cash or other property under Section 351(b) of the Code.

10.4 DIRECTORS. The persons named in the draft of the Registration Statement shall be appointed as directors and elected as officers of CSI, as and to the extent set forth in the draft of the Registration Statement, promptly following the Funding and Consummation Date. This provision shall not imply that the STOCKHOLDERS have any power or duty to elect officers of CSI.

10.5 PRESERVATION OF EMPLOYEE BENEFIT PLANS. Following the Funding and Consummation Date, CSI shall not terminate any health insurance, life insurance or 401(k) plan in effect at the COMPANY until such time as CSI is able to replace such plan with a plan that is applicable to CSI and all of its then existing subsidiaries, provided that CSI shall have no obligation

to provide replacement plans that have the same terms and provisions as the existing plans, provided, further, that any new health insurance plan shall provide for coverage for preexisting conditions. On the Funding and Consummation Date, the employees of the COMPANY will be the employees of the Surviving Corporation (provided that this provision is for purposes of clarifying that the Merger, in and of itself, will not have any impact on the employment status of any employee and provided, further that this provision shall not in any way limit the management rights of the Surviving Corporation or CSI to assess workforce needs and make appropriate adjustments as necessary or desirable within their discretion subject to applicable laws and collective bargaining agreements).

10.6 DIVIDENDS. If the COMPANY is an S corporation, the COMPANY may pay to each STOCKHOLDER as a dividend the full amount of his or her "accumulated adjustments account" (as defined in Section 1368(e) of the Code) as of the Balance Sheet Date, and may also pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings taxable to such STOCKHOLDERS for the period after the Balance Sheet Date to the Funding and Consummation Date. If the COMPANY is a C corporation, the COMPANY may pay to the STOCKHOLDERS as a dividend the full amount of the COMPANY's earnings for the period after the Balance Sheet Date to the Funding and Consummation Date. The COMPANY may borrow funds to the extent necessary to make the payments contemplated by this Section 10.6 and to the extent necessary to ensure that the COMPANY has cash on hand to adequately fund operations on the Funding and Consummation Date.

11. INDEMNIFICATION

The STOCKHOLDERS, CSI and NEWCO each make the following covenants that are applicable to them, respectively:

11.1 GENERAL INDEMNIFICATION BY THE STOCKHOLDERS. The STOCKHOLDERS covenant and agree that they, jointly and severally, will indemnify, defend, protect and hold harmless CSI, NEWCO, the COMPANY and the Surviving Corporation at all times, from and after the date

of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by CSI, NEWCO, the COMPANY or the Surviving Corporation as a result of or arising from (i) any breach of the representations and warranties of the STOCKHOLDERS or the COMPANY set forth herein or on the schedules or certificates delivered in connection herewith, (ii) any breach of any agreement on the part of the STOCKHOLDERS or the COMPANY under this Agreement, or (iii) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to the COMPANY or the STOCKHOLDERS, and provided to CSI or its counsel by the COMPANY or the STOCKHOLDERS (but in the case of the STOCKHOLDERS, only if such statement was provided in writing) contained in the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to the COMPANY or the STOCKHOLDERS required to be stated therein or necessary to make the statements therein not misleading, provided, however, that such indemnity shall not inure to the benefit of CSI, NEWCO, the COMPANY or the Surviving Corporation to the extent that such untrue statement (or alleged untrue statement) was made in, or omission (or alleged omission) occurred in, any preliminary prospectus and the STOCKHOLDERS provided, in writing, corrected information to CSI counsel and to CSI for inclusion in the final prospectus, and such information was not so included or properly delivered, and provided further, that no STOCKHOLDER shall be liable for any indemnification obligation pursuant to this Section 11.1 to the extent attributable to a breach of any representation, warranty or agreement made herein individually by any other STOCKHOLDER.

11.2 INDEMNIFICATION BY CSI. CSI covenants and agrees that it will indemnify, defend, protect and hold harmless the STOCKHOLDERS at all times from and after the date of this Agreement until the Expiration Date, from and against all claims, damages, actions, suits,

proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) incurred by the STOCKHOLDERS as a result of or arising from (i) any breach by CSI or NEWCO of their representations and warranties set forth herein or on the schedules or certificates attached hereto, (ii) any nonfulfillment of any agreement on the part of CSI or NEWCO under this Agreement, (iii) any liabilities which the STOCKHOLDERS may incur due to CSI's or NEWCO's failure to be responsible for the liabilities and obligations of the COMPANY as provided in Section 1 hereof (except to the extent that CSI or NEWCO has claims against the STOCKHOLDERS by reason of such liabilities); or (iv) any liability under the 1933 Act, the 1934 Act or other Federal or state law or regulation, at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact relating to CSI, NEWCO or any of the Other Founding Companies contained in any preliminary prospectus, the Registration Statement or any prospectus forming a part thereof, or any amendment thereof or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein a material fact relating to CSI or NEWCO or any of the Other Founding Companies required to be stated therein or necessary to make the statements therein not misleading.

11.3 THIRD PERSON CLAIMS. Promptly after any party hereto (hereinafter the "Indemnified Party") has received notice of or has knowledge of any claim by a person not a party to this Agreement ("Third Person"), or the commencement of any action or proceeding by a Third Person, the Indemnified Party shall, as a condition precedent to a claim with respect thereto being made against any party obligated to provide indemnification pursuant to Section 11.1 or 11.2 hereof (hereinafter the "Indemnifying Party"), give the Indemnifying Party written notice of such claim or the commencement of such action or proceeding. Such notice shall state the nature and the basis of such claim and a reasonable estimate of the amount thereof. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel, any such matter so long as the Indemnifying Party pursues the same in good faith and diligently, provided that the Indemnifying

Party shall not settle any criminal proceeding without the written consent of the Indemnified Party. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in the defense thereof and in any settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records or information reasonably requested by the Indemnifying Party that are in the Indemnified Party's possession or control. All Indemnified Parties shall use the same counsel, which shall be the counsel selected by Indemnifying Party, provided that if counsel to the Indemnifying Party shall have a conflict of interest that prevents counsel for the Indemnifying Party from representing Indemnified Party, Indemnified Party shall have the right to participate in such matter through counsel of its own choosing and Indemnifying Party will reimburse the Indemnified Party for the reasonable expenses of its counsel. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability, except (i) as set forth in the preceding sentence and (ii) to the extent such participation is requested by the Indemnifying Party, in which event the Indemnified Party shall be reimbursed by the Indemnifying Party for reasonable additional legal expenses and out-of-pocket expenses. If the Indemnifying Party desires to accept a final and complete settlement of any such Third Person claim and the Indemnified Party refuses to consent to such settlement, then the Indemnifying Party's liability under this Section with respect to such Third Person claim shall be limited to the amount so offered in settlement by said Third Person. Upon agreement as to such settlement between said Third Person and the Indemnifying Party, the Indemnifying Party shall, in exchange for a complete release from the Indemnified Party, promptly pay to the Indemnified Party the amount agreed to in such settlement and the Indemnified Party shall, from that moment on, bear full responsibility for any additional costs of defense which it subsequently incurs with respect to

such claim and all additional costs of settlement or judgment. If the Indemnifying Party does not undertake to defend such matter to which the Indemnified Party is entitled to indemnification hereunder, or fails diligently to pursue such defense, the Indemnified Party may undertake such defense through counsel of its choice, at the cost and expense of the Indemnifying Party, and the Indemnified Party may settle such matter, and the Indemnifying Party shall reimburse the Indemnified Party for the amount paid in such settlement and any other liabilities or expenses incurred by the Indemnified Party in connection therewith, provided, however, that under no circumstances shall the Indemnified Party settle any Third Person claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. All settlements hereunder shall effect a complete release of the Indemnified Party, unless the Indemnified Party otherwise agrees in writing. The parties hereto will make appropriate adjustments for insurance proceeds in determining the amount of any indemnification obligation under this Section.

11.4 EXCLUSIVE REMEDY. The indemnification provided for in this Section 11 shall (except as prohibited by ERISA) be the exclusive remedy in any action seeking damages or any other form of monetary relief brought by any party to this Agreement against another party, provided that, nothing herein shall be construed to limit the right of a party, in a proper case, to seek injunctive relief for a breach of this Agreement.

11.5 LIMITATIONS ON INDEMNIFICATION. CSI, NEWCO, the Surviving Corporation and the other persons or entities indemnified pursuant to Section 11.1 or 11.2 shall not assert any claim for indemnification hereunder against the STOCKHOLDERS until such time as, and solely to the extent that, the aggregate of all claims which such persons may have against such the STOCKHOLDERS shall exceed the greater of (a) 1.0% of the sum of the cash paid to STOCKHOLDERS plus the value of the CSI Stock delivered to STOCKHOLDERS (calculated as provided in this Section 11.5) or (b) $50,000 (the "Indemnification Threshold"). STOCKHOLDERS shall not assert any claim for indemnification hereunder against CSI or NEWCO until such time as, and solely to the extent that,

the aggregate of all claims which STOCKHOLDERS may have against CSI or NEWCO shall exceed $50,000.

No person shall be entitled to indemnification under this Section 11 if and to the extent that such person's claim for indemnification is directly or indirectly related to a breach by such person of any representation, warranty, covenant or other agreement set forth in this Agreement.

Notwithstanding any other term of this Agreement, no STOCKHOLDER shall be liable under this Section 11 for an amount which exceeds the amount of proceeds received by such STOCKHOLDER in connection with the Merger. For purposes of calculating the value of the CSI Stock received by a STOCKHOLDER, CSI Stock shall be valued at its initial public offering price as set forth in the Registration Statement. It is hereby understood and agreed that a STOCKHOLDER may satisfy an indemnification obligation through payment of a combination of stock and cash in proportion equal to the proportion of stock and cash received by such STOCKHOLDER in connection with the Merger, valued as described immediately above.

12. TERMINATION OF AGREEMENT

12.1 TERMINATION.This Agreement may be terminated at any time prior to the Funding and Consummation Date solely:

(i) by mutual consent of the boards of directors of CSI and the COMPANY;

(ii) by the STOCKHOLDERS or the COMPANY (acting through its board of directors), on the one hand, or by CSI (acting through its board of directors), on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by September 30, 1997, unless the failure of such transactions to be consummated is due to the willful failure of the party seeking to terminate this Agreement to perform any of its obligations under this Agreement to the extent required to be performed by it prior to or on the Funding and Consummation Date;

(iii) by the STOCKHOLDERS or COMPANY, on the one hand, or by CSI, on the other hand, if a material breach or default shall be made by the other party in the observance or in the due

and timely performance of any of the covenants or agreements contained herein, and the curing of such default shall not have been made on or before the Funding and Consummation Date or by the STOCKHOLDERS, or the COMPANY, if the conditions set forth in Section 8 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable, or by CSI, if the conditions set forth in Section 9 hereof have not been satisfied or waived as of the Closing Date or the Funding and Consummation Date, as applicable;

(iv) pursuant to Section 7.8 hereof; or

(v) pursuant to Section 4 hereof.

12.2 LIABILITIES IN EVENT OF TERMINATION. Except as provided in Section 7.8 hereof, the termination of this Agreement will in no way limit any obligation or liability of any party based on or arising from a breach or default by such party with respect to any of its representations, warranties, covenants or agreements contained in this Agreement including, but not limited to, legal and audit costs and out of pocket expenses.

13. NONCOMPETITION

13.1 PROHIBITED ACTIVITIES. The STOCKHOLDERS will not, for a period of five (5) years following the Funding and Consummation Date, for any reason whatsoever, directly or indirectly, for themselves or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, in any heating, ventilating or air conditioning services business in direct competition with CSI or any of the subsidiaries thereof, within 100 miles of where the COMPANY or any of its subsidiaries conducted business prior to the effectiveness of the Merger (the "Territory");

(ii) call upon any person who is, at that time, within the Territory, an employee of CSI (including the subsidiaries thereof) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of CSI (including the subsidiaries thereof), provided that each STOCKHOLDER shall be permitted to call upon and hire any member of his or her immediate family;

(iii) call upon any person or entity which is, at that time, or which has been, within one (1) year prior to the Funding and Consummation Date, a customer of CSI (including the subsidiaries thereof), of the COMPANY or of any of the Other Founding Companies within the Territory for the purpose of soliciting or selling products or services in direct competition with CSI within the Territory;

(iv) call upon any prospective acquisition candidate, on any STOCKHOLDER's own behalf or on behalf of any competitor in the heating, ventilation or air conditioning services business, which candidate, to the actual knowledge of such STOCKHOLDER after due inquiry, was called upon by CSI (including the subsidiaries thereof) or for which, to the actual knowledge of such STOCKHOLDER after due inquiry, CSI (or any subsidiary thereof) made an acquisition analysis, for the purpose of acquiring such entity; or

(v) disclose customers, whether in existence or proposed, of the COMPANY to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that the COMPANY has in the past disclosed such information to the public for valid business reasons.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit any STOCKHOLDER from acquiring as an investment not more than one percent (1%) of the capital stock of a competing business whose stock is traded on a national securities exchange or over-the-counter.

13.2 DAMAGES. Because of the difficulty of measuring economic losses to CSI as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that

could be caused to CSI for which it would have no other adequate remedy, each STOCKHOLDER agrees that the foregoing covenant may be enforced by CSI in the event of breach by such STOCKHOLDER, by injunctions and restraining orders.

13.3 REASONABLE RESTRAINT. It is agreed by the parties hereto that the foregoing covenants in this Section 13 impose a reasonable restraint on the STOCKHOLDERS in light of the activities and business of CSI (including the subsidiaries thereof) on the date of the execution of this Agreement and the current plans of CSI.

13.4 SEVERABILITY; REFORMATION. The covenants in this Section 13 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems reasonable, and the Agreement shall thereby be reformed.

13.5 INDEPENDENT COVENANT. All of the covenants in this Section 13 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of any STOCKHOLDER against CSI (including the subsidiaries thereof), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by CSI of such covenants. It is specifically agreed that the period of five (5) years stated at the beginning of this Section 13, during which the agreements and covenants of each STOCKHOLDER made in this Section 13 shall be effective, shall be computed by excluding from such computation any time during which such STOCKHOLDER is in violation of any provision of this Section 13. The covenants contained in Section 13 shall not be affected by any breach of any other provision hereof by any party hereto and shall have no effect if the transactions contemplated by this Agreement are not consummated.

13.6 MATERIALITY. The COMPANY and the STOCKHOLDERS hereby agree that this covenant is a material and substantial part of this transaction.

14. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

14.1 STOCKHOLDERS. The STOCKHOLDERS recognize and acknowledge that they had in the past, currently have, and in the future may possibly have, access to certain confidential information of the COMPANY, the Other Founding Companies, and/or CSI, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's, the Other Founding Companies' and/or CSI's respective businesses. The STOCKHOLDERS agree that they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of CSI, (b) following the Closing, such information may be disclosed by the STOCKHOLDERS as is required in the course of performing their duties for CSI or the Surviving Corporation and (c) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, unless (i) such information becomes known to the public generally through no fault of the STOCKHOLDERS, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), the STOCKHOLDERS shall, if possible, give prior written notice thereof to CSI and provide CSI with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party. In the event of a breach or threatened breach by any of the STOCKHOLDERS of the provisions of this Section, CSI shall be entitled to an injunction restraining such STOCKHOLDERS from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting CSI from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages. In the event the transactions contemplated by this Agreement are not consummated, STOCKHOLDERS shall have none of the above-mentioned restrictions on their ability to disseminate confidential information with respect to the COMPANY.

14.2 CSI AND NEWCO. CSI and NEWCO recognize and acknowledge that they had in the past and currently have access to certain confidential information of the COMPANY, such as operational policies, and pricing and cost policies that are valuable, special and unique assets of the COMPANY's business. CSI and NEWCO agree that, prior to the Closing, or if the Transactions contemplated by this Agreement are not consummated, they will not disclose such confidential information to any person, firm, corporation, association or other entity for any purpose or reason whatsoever, except (a) to authorized representatives of the COMPANY, (b) to counsel and other advisers, provided that such advisers (other than counsel) agree to the confidentiality provisions of this Section 14.1, (c) to the Other Founding Companies and their representatives pursuant to Section 7.1(a), unless (i) such information becomes known to the public generally through no fault of CSI or NEWCO, (ii) disclosure is required by law or the order of any governmental authority under color of law, provided, that prior to disclosing any information pursuant to this clause (ii), CSI and NEWCO shall, if possible, give prior written notice thereof to the COMPANY and the STOCKHOLDERS and provide the COMPANY and the STOCKHOLDERS with the opportunity to contest such disclosure, or (iii) the disclosing party reasonably believes that such disclosure is required in connection with the defense of a lawsuit against the disclosing party, and (d) to the public to the extent necessary or advisable in connection with the filing of the Registration Statement and the IPO and the securities laws applicable thereto and to the operation of CSI as a publicly held entity after the IPO. In the event of a breach or threatened breach by CSI or NEWCO of the provisions of this Section, the COMPANY and the STOCKHOLDERS shall be entitled to an injunction restraining CSI and NEWCO from disclosing, in whole or in part, such confidential information. Nothing herein shall be construed as prohibiting the COMPANY and the STOCKHOLDERS from pursuing any other available remedy for such breach or threatened breach, including the recovery of damages.

14.3 DAMAGES. Because of the difficulty of measuring economic losses as a result of the breach of the foregoing covenants in Section 14.1 and 14.2, and because of the immediate and

irreparable damage that would be caused for which they would have no other adequate remedy, the parties hereto agree that, in the event of a breach by any of them of the foregoing covenants, the covenant may be enforced against the other parties by injunctions and restraining orders.

14.4 SURVIVAL. The obligations of the parties under this Article 14 shall survive the termination of this Agreement for a period of five years from the Funding and Consummation Date.

15. TRANSFER RESTRICTIONS

15.1 TRANSFER RESTRICTIONS. Except for transfers to immediate family members who agree to be bound by the restrictions set forth in this Section 15.1 (or trusts for the benefit of the STOCKHOLDERS or family members, the trustees of which so agree), for a period of one year from the Closing, except pursuant to Section 17 hereof, none of the STOCKHOLDERS shall sell, assign, exchange, transfer, encumber, pledge, distribute, appoint, or otherwise dispose of any shares of CSI Stock as described in Section 3.1 received by the STOCKHOLDERS in the Merger. The certificates evidencing the CSI Stock delivered to the STOCKHOLDERS pursuant to Section 3 of this Agreement will bear a legend substantially in the form set forth below and containing such other information as CSI may deem necessary or appropriate: THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, EXCHANGED, TRANSFERRED, ENCUMBERED, PLEDGED, DISTRIBUTED, APPOINTED OR OTHERWISE DISPOSED OF, AND THE ISSUER SHALL NOT BE REQUIRED TO GIVE EFFECT TO ANY ATTEMPTED SALE, ASSIGNMENT, EXCHANGE, TRANSFER, ENCUMBRANCE, PLEDGE, DISTRIBUTION, APPOINTMENT OR OTHER DISPOSITION PRIOR TO THE FIRST ANNIVERSARY OF CLOSING DATE. UPON THE WRITTEN REQUEST OF THE HOLDER OF THIS CERTIFICATE, THE ISSUER AGREES TO REMOVE THIS RESTRICTIVE LEGEND (AND ANY STOP ORDER PLACED WITH THE TRANSFER AGENT) AFTER THE DATE SPECIFIED ABOVE.

16. FEDERAL SECURITIES ACT REPRESENTATIONS

16.1 COMPLIANCE WITH LAW. The STOCKHOLDERS acknowledge that the shares of CSI Stock to be delivered to the STOCKHOLDERS pursuant to this Agreement have not been and will not be registered under the Act (except as provided in Section 17 hereof) and may not be resold without compliance with the Act. The CSI Stock to be acquired by such STOCKHOLDERS pursuant to this Agreement is being acquired solely for their own respective accounts, for investment purposes only, and with no present intention of distributing, selling or otherwise disposing of it in connection with a distribution. The STOCKHOLDERS covenant, warrant and represent that none of the shares of CSI Stock issued to such STOCKHOLDERS will be offered, sold, assigned, pledged, hypothecated, transferred or otherwise disposed of except after full compliance with all of the applicable provisions of the Act and the rules and regulations of the SEC. All the CSI Stock shall bear the following legend in addition to the legend required under Section 15 of this Agreement: THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY ONLY BE SOLD OR OTHERWISE TRANSFERRED IF THE HOLDER HEREOF COMPLIES WITH THE ACT AND APPLICABLE SECURITIES LAW.

16.2 ECONOMIC RISK; SOPHISTICATION. The STOCKHOLDERS are able to bear the economic risk of an investment in the CSI Stock to be acquired pursuant to this Agreement and can afford to sustain a total loss of such investment and have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the proposed investment in the CSI Stock. The STOCKHOLDERS party hereto have had an adequate opportunity to ask questions and receive answers from the officers of CSI concerning any and all matters relating to the transactions described herein including, without limitation, the background and experience of the current and proposed officers and directors of CSI, the plans for the operations of the business of CSI, the business, operations and financial condition of the Founding Companies other than the

COMPANY, and any plans for additional acquisitions and the like. The STOCKHOLDERS have asked any and all questions in the nature described in the preceding sentence and all questions have been answered to their satisfaction.

17. REGISTRATION RIGHTS

17.1 PIGGYBACK REGISTRATION RIGHTS. At any time following the Closing, whenever CSI proposes to register any CSI Stock for its own or others account under the 1933 Act for a public offering, other than (i) any shelf registration of shares to be used as consideration for acquisitions of additional businesses by CSI and (ii) registrations relating to employee benefit plans, CSI shall give each of the STOCKHOLDERS prompt written notice of its intent to do so. Upon the written request of any of the STOCKHOLDERS given within 30 days after receipt of such notice, CSI shall cause to be included in such registration all of the CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) which any such STOCKHOLDER requests, provided that CSI shall have the right to reduce the number of shares included in such registration to the extent that inclusion of such shares could, in the opinion of tax counsel to CSI or its independent auditors, jeopardize the status of the transactions contemplated hereby and by the Registration Statement as a tax-free organization. In addition, if CSI is advised in writing in good faith by any managing underwriter of an underwritten offering of the securities being offered pursuant to any registration statement under this Section 17.1 that the number of shares to be sold by persons other than CSI is greater than the number of such shares which can be offered without adversely affecting the offering, CSI may reduce pro rata the number of shares offered for the accounts of such persons (based upon the number of shares held by such person) to a number deemed satisfactory by such managing underwriter, provided, that, for each such offering made by CSI after the IPO, such reduction shall be made first by reducing the number

of shares to be sold by persons other than CSI, the STOCKHOLDERS and the stockholders of the Other Founding Companies (collectively, the STOCKHOLDERS and the stockholders of the other Founding Companies being referred to herein as the "Founding Stockholders"), and thereafter, if a further reduction is required, by reducing the number of shares to be sold by the Founding Stockholders.

17.2 DEMAND REGISTRATION RIGHTS. At any time after the date one year after the Closing and prior to the date three years after the Closing, the holders of a majority of the shares of CSI Stock issued to the Founding Stockholders pursuant to this Agreement and the Other Agreements which have not been previously registered or sold and which are not entitled to be sold under Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act may request in writing that CSI file a registration statement under the 1933 Act covering the registration of the shares of CSI Stock issued to the STOCKHOLDERS pursuant to this Agreement and the Other Agreements (including any stock issued as (or issuable upon the conversion or exchange of any convertible security, warrant, right or other security which is issued by CSI as) a dividend or other distribution with respect to, or in exchange for, or in replacement of such CSI Stock) then held by such Founding Stockholders (a "Demand Registration"). Within ten (10) days of the receipt of such request, CSI shall give written notice of such request to all other Founding Stockholders and shall, as soon as practicable but in no event later than 45 days after notice from any STOCKHOLDER, file and use its best efforts to cause to become effective a registration statement covering all such shares. CSI shall be obligated to effect only one Demand Registration for all Founding Stockholders and will keep such Demand Registration current and effective for not less than 90 days (or such shorter period as is required to sell all of the shares registered thereby).

Notwithstanding the foregoing paragraph, following any such a demand, a majority of CSI's disinterested directors (i.e. directors who have not demanded or elected to sell shares in any such public offering) may defer the filing of the registration statement for up to a 30 day period after the

date on which CSI would otherwise be required to make such filing pursuant to the foregoing paragraph.

If at the time of any request by the Founding Stockholders for a Demand Registration CSI has fixed plans to file within 60 days after such request a registration statement covering the sale of any of its securities in a public offering under the 1933 Act, no registration of the Founding Stockholders' CSI Stock shall be initiated under this Section 17.2 until 90 days after the effective date of such registration unless CSI is no longer proceeding diligently to effect such registration; provided that CSI shall provide the Founding Stockholders the right to participate in such public offering pursuant to, and subject to, Section 17.1 hereof.

17.3 REGISTRATION PROCEDURES. All expenses incurred in connection with the registrations under this Article 17 (including all registration, filing, qualification, legal, printer and accounting fees, but excluding underwriting commissions and discounts), shall be borne by CSI. In connection with registrations under Sections 17.1 and 17.2, CSI shall (i) use its best efforts to prepare and file with the SEC as soon as reasonably practicable, a registration statement with respect to the CSI Stock and use its best efforts to cause such registration to promptly become and remain effective for a period of at least 90 days (or such shorter period during which holders shall have sold all CSI Stock which they requested to be registered); (ii) use its best efforts to register and qualify the CSI Stock covered by such registration statement under applicable state securities laws as the holders shall reasonably request for the distribution for the CSI Stock; and (iii) take such other actions as are reasonable and necessary to comply with the requirements of the 1933 Act and the regulations thereunder.

17.4 UNDERWRITING AGREEMENT. In connection with each registration pursuant to Sections 17.1 and 17.2 covering an underwritten registered offering, CSI and each participating holder agree to enter into a written agreement with the managing underwriters in such form and containing such provisions as are customary in the securities business for such an arrangement between such

managing underwriters and companies of CSI's size and investment stature, including indemnification.

17.5 AVAILABILITY OF RULE 144. CSI shall not be obligated to register shares of CSI Stock held by any STOCKHOLDER at any time when the resale provisions of Rule 144(k) (or any similar or successor provision) promulgated under the 1933 Act are available to such STOCKHOLDER.

17.6 RULE 144 REPORTING. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of CSI stock to the public without registration, CSI agrees to use its best efforts to:

(i) make and keep public information regarding CSI available as those terms are understood and defined in Rule 144 under the 1933 Act for a period of four years beginning 90 days following the effective date of the Registration Statement;

(ii) file with the SEC in a timely manner all reports and other documents required of CSI under the 1933 Act and the 1934 Act at any time after it has become subject to such reporting requirements; and

(iii) so long as a STOCKHOLDER owns any restricted CSI Common Stock, furnish to each STOCKHOLDER forthwith upon written request a written statement by CSI as to its compliance with the reporting requirements of Rule 144 (at any time from and after 90 days following the effective date of the Registration Statement, and of the 1933 Act and the 1934 Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of CSI, and such other reports and documents so filed as a STOCKHOLDER may reasonably request in availing itself of any rule or regulation of the SEC allowing a STOCKHOLDER to sell any such shares without registration.

18. GENERAL

18.1 COOPERATION. The COMPANY, STOCKHOLDERS, CSI and NEWCO shall each deliver or cause to be delivered to the other on the Funding and Consummation Date, and at such

other times and places as shall be reasonably agreed to, such additional instruments as the other may reasonably request for the purpose of carrying out this Agreement. The COMPANY will cooperate and use its reasonable efforts to have the present officers, directors and employees of the COMPANY cooperate with CSI on and after the Funding and Consummation Date in furnishing information, evidence, testimony and other assistance in connection with any tax return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to matters pertaining to all periods prior to the Funding and Consummation Date.

18.2 SUCCESSORS AND ASSIGNS. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties hereto, the successors of CSI, and the heirs and legal representatives of the STOCKHOLDERS.

18.3 ENTIRE AGREEMENT. This Agreement (including the schedules, exhibits and annexes attached hereto) and the documents delivered pursuant hereto constitute the entire agreement and understanding among the STOCKHOLDERS, the COMPANY, NEWCO and CSI and supersede any prior agreement and understanding relating to the subject matter of this Agreement. This Agreement, upon execution, constitutes a valid and binding agreement of the parties hereto enforceable in accordance with its terms and may be modified or amended only by a written instrument executed by the STOCKHOLDERS, the COMPANY, NEWCO and CSI, acting through their respective officers or trustees, duly authorized by their respective Boards of Directors. Any disclosure made on any Schedule delivered pursuant hereto shall be deemed to have been disclosed for purposes of any other Schedule required hereby, provided that the COMPANY shall make a good faith effort to cross reference disclosure, as necessary or advisable, between related Schedules.

18.4 COUNTERPARTS. This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

18.5 BROKERS AND AGENTS. Except as disclosed on Schedule 18.5, each party represents and warrants that it employed no broker or agent in connection with this transaction and agrees to indemnify the other parties hereto against all loss, cost, damages or expense arising out of claims for fees or commission of brokers employed or alleged to have been employed by such indemnifying party.

18.6 EXPENSES. Whether or not the transactions herein contemplated shall be consummated, CSI will pay the fees, expenses and disbursements of CSI and its agents, representatives, accountants and counsel incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance and compliance with all conditions to be performed by CSI under this Agreement, including the fees and expenses of Arthur Andersen, LLP, Bracewell & Patterson, L.L.P., and any other person or entity retained by CSI or by Notre Capital Ventures II, L.L.C., and the costs of preparing the Registration Statement. Each STOCKHOLDER shall pay all sales, use, transfer, real property transfer, recording, gains, stock transfer and other similar taxes and fees ("Transfer Taxes") imposed in connection with the Merger, other than Transfer Taxes, if any, imposed by the State of Delaware. Each STOCKHOLDER shall file all necessary documentation and Returns with respect to such Transfer Taxes. In addition, each STOCKHOLDER acknowledges that he, and not the COMPANY or CSI, will pay all taxes due upon receipt of the consideration payable pursuant to Section 2 hereof, and will assume all tax risks and liabilities of such STOCKHOLDER in connection with the transactions contemplated hereby.

18.7 NOTICES. All notices of communication required or permitted hereunder shall be in writing and may be given by depositing the same in United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or by delivering the same in person to an officer or agent of such party.

(a) If to CSI, or NEWCO, addressed to them at:
Comfort Systems USA, Inc.

4801 Woodway, Suite 300E
Houston, Texas 77056
Attn: Fred Ferreira

with copies to:

William D. Gutermuth
Bracewell & Patterson, L.L.P.
South Tower Pennzoil Place
711 Louisiana Street, Suite 2900
Houston, Texas 77002-2781

(b) If to the STOCKHOLDERS, addressed to them at their addresses set forth on Annex IV, with copies to:

Christopher S. Collins
Andrews & Kurth, L.L.P.
4200 Texas Commerce Tower
Houston, Texas 77002

(c) If to the COMPANY, addressed to it at:

Western Building Services, Inc.
6820 N. Broadway, #G
Denver, CO 80221-2850
Attn: Charles W. Klapperich

and marked "Personal and Confidential"

with copies to:

Comfort Systems USA, Inc.
4801 Woodway, Suite 300E
Houston, TX 77056
Attn: Gordie Beittenmiller

or to such other address or counsel as any party hereto shall specify pursuant to this Section 18.7 from time to time.

18.8 GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware.

18.9 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements of the parties made herein and at the time of the Closing or in writing delivered pursuant to the provisions of this Agreement shall survive the consummation of the transactions contemplated hereby and any examination on behalf of the parties until the Expiration Date.

18.10 EXERCISE OF RIGHTS AND REMEDIES. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

18.11 TIME. Time is of the essence with respect to this Agreement.

18.12 REFORMATION AND SEVERABILITY. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

18.13 REMEDIES CUMULATIVE. No right, remedy or election given by any term of this Agreement shall be deemed exclusive but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

18.14 CAPTIONS. The headings of this Agreement are inserted for convenience only, shall not constitute a part of this Agreement or be used to construe or interpret any provision hereof.

18.15 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived only with the written consent of CSI, NEWCO, the COMPANY and STOCKHOLDERS who hold or who will hold at least 50% of the CSI Stock issued or to be issued upon consummation of the Merger. Any amendment or waiver effected in accordance with this Section 18.15 shall be binding upon each of the parties hereto, any other person receiving CSI Stock in connection with the Merger and each future holder of such CSI Stock.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

COMFORT SYSTEMS USA, INC.

By: /S/ FRED FERREIRA
Name: Fred Ferreira
Title: Chief Executive Officer

WESTERN BUILDING ACQUISITION CORP.

By:/S/ GORDIE BEITTENMILLER
Name: Gordie Beittenmiller
Title: President

WESTERN BUILDING SERVICES, INC.

By:/S/ CHARLES W. KLAPPERICH
Name: Charles W. Klapperich
Title: President

STOCKHOLDERS:

/S/ CHARLES W. KLAPPERICH
Charles W. Klapperich

/S/ MICHAEL A. TANNER
Michael A. Tanner

/S/ BRIAN M. SMYTHE
Brian M. Smythe

/S/ ROBERT M. FIUMARA
Robert M. Fiumara

/S/ JAMES H. LINE
James H. Line

ANNEX III

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
WESTERN BUILDING ACQUISITION CORP.

WESTERN BUILDING SERVICES, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

CONSIDERATION TO BE PAID TO STOCKHOLDERS

Aggregate consideration to be paid to STOCKHOLDERS:

$6,740,292 in cash and the value of outstanding Common Stock of CSI (assuming an offering price of $13.00 per share), consisting of 362,939 shares of CSI Stock and $2,022,085 in cash, it being agreed that the actual amount of all cash payments described in this Annex III will depend on the actual initial offering price of the Common Stock of CSI in the IPO, and may be more or less than $13.00 per share; provided, however that such price shall not be less than $8.00 per share.

Consideration to be paid to each STOCKHOLDER:

Stockholder	Shares of Common Stock of Csi	Cash ($)
Charles W. Klapperich ..	255,401	$1,422,958
Michael A. Tanner	13,442	74,892
Brian M. Smythe	13,442	74,892
Robert M. Fiumara	67,211	374,462
James H. Line	13,442	74,892
TOTALS:	362,939	$2,022,085

MINIMUM VALUE: $4,147,872 (based on a price of $8.00 per share)

ANNEX IV

TO THAT CERTAIN
AGREEMENT AND PLAN OF ORGANIZATION

DATED AS OF MARCH 18, 1997
BY AND AMONG

COMFORT SYSTEMS USA, INC.
WESTERN BUILDING ACQUISITION CORP.

WESTERN BUILDING SERVICES, INC.

AND

THE STOCKHOLDERS NAMED THEREIN

STOCKHOLDERS AND STOCK OWNERSHIP OF THE COMPANY

The following is a list of the STOCKHOLDERS, their addresses and the number of shares of the COMPANY Stock held by each thereof:

Stockholder	Addresses	No. Shares Held
Charles W. Klapperich	9650 W. 92nd Pl. Arvada, CO 80005	1,900
Michael A. Tanner	5261 Geddes Place Littleton, CO 80123	100
Brian M. Smythe	1586 S. Xenon Ct. Lakewood, CO 80228	100
Robert M. Fiumara	2067 E. 129th Ave. Thornton, CO 80241	500
James H. Line	8671 W. 93rd Pl. Westminster, CO 80021	100
TOTAL		2,700

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

COMFORT SYSTEMS USA, INC.

The undersigned, Fred M. Ferreira, President, and Reagan Busbee, Assistant Secretary of Comfort Systems USA, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), do hereby certify as follows:

FIRST: The name of the Corporation is

Comfort Systems USA, Inc.

SECOND: The Certificate of Incorporation of the Corporation was filed in the Office of the Secretary of State of the State of Delaware on December 12, 1996.

THIRD: This Amended and Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 242 and 245 of the Delaware General Corporation Law, the Board of Directors having duly adopted resolutions setting forth and declaring advisable this Amended and Restated Certificate of Incorporation, and in lieu of a meeting of the stockholders, written consent to this Amended and Restated Certificate of Incorporation having been given by the holders of a majority of the outstanding stock of the Corporation in accordance with Section 228 of the General Corporation Law of the state of Delaware.

FOURTH: This Amended and Restated Certificate of Incorporation is being filed pursuant to Sections 242 and 245 of the Delaware General Corporation Law in order to restate the Certificate of Incorporation of the Corporation as amended to date, and also to amend further the Certificate of Incorporation to (i) increase the authorized capital stock of the Corporation, (ii) authorize the issuance of preferred stock and restricted voting common stock and (iii) to provide for the classification of the Board of Directors of the Corporation.

FIFTH: The Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety as follows:

ARTICLE ONE

The name of the corporation is:

Comfort Systems USA, Inc.

ARTICLE TWO

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE THREE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE FOUR

The total number of shares of all classes of stock which the Corporation shall have authority to issue is Fifty Seven Million, Nine Hundred Sixty Nine Thousand, Nine Hundred Twelve (57,969,912) shares, of which Five Million (5,000,000) shares, designated as Preferred Stock, shall have a par value of One Cent ($.01) per share (the "Preferred Stock"), Fifty Million (50,000,000) shares, designated as Common Stock, shall have a par value of One Cent ($.01) per share (the "Common Stock"), and Two Million, Nine Hundred Sixty Nine Thousand, Nine Hundred Twelve (2,969,912) shares, designated as Restricted Voting Common Stock, shall have a par value of One Cent ($.01) per share (the "Restricted Voting Common Stock").

A statement of the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, in respect of each class of stock of the Corporation is as follows:

PREFERRED STOCK

The Preferred Stock may be issued from time to time by the Board of Directors as shares of one or more classes or series. Subject to the provisions of this Certificate of Incorporation and the limitations prescribed by law, the Board of Directors is expressly authorized by adopting resolutions to issue the shares, fix the number of shares and change the number of shares constituting any series, and to provide for or change the voting powers, designations, preferences and relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, including dividend

rights (and whether dividends are cumulative), dividend rates, terms of redemption (including sinking fund provisions), a redemption price or prices, conversion rights and liquidation preferences of the shares constituting any class or series of the Preferred Stock, without any further action or vote by the stockholders.

COMMON STOCK

1. DIVIDENDS.

Subject to the preferred rights of the holders of shares of any class or series of Preferred Stock as provided by the Board of Directors with respect to any such class or series of Preferred Stock, the holders of the Common Stock shall be entitled to receive, as and when declared by the Board of Directors out of the funds of the Corporation legally available therefor, such dividends (payable in cash, stock or otherwise) as the Board of Directors may from time to time determine, payable to stockholders of record on such dates, not exceeding 60 days preceding the dividend payment dates, as shall be fixed for such purpose by the Board of Directors in advance of payment of each particular dividend. All dividends on Common Stock shall be paid PARI PASSU with dividends on Restricted Voting Common Stock.

2. LIQUIDATION.

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after the distribution or payment to the holders of shares of any class or series of Preferred Stock as provided by the Board of Directors with respect to any such class or series of Preferred Stock, the remaining assets of the Corporation available for distribution to stockholders shall be distributed among and paid to the holders of Common Stock and Restricted Voting Common Stock ratably in proportion to the number of shares of Common Stock and Restricted Voting Common Stock held by them respectively.

3. VOTING RIGHTS.

Except as otherwise required by law, each holder of shares of Common Stock shall be entitled to one vote for each share of Common Stock standing in such holder's name of the books of the Corporation.

RESTRICTED VOTING COMMON STOCK

1. DIVIDENDS.

Subject to the preferred rights of the holders of shares of any class or series of Preferred Stock as provided by the Board of Directors with respect to any such class or series of Preferred Stock, the holders of the Restricted Voting Common Stock shall be entitled to receive, as and when declared by the Board of Directors out of the funds of the Corporation legally available therefor, such dividends (payable in cash, stock or otherwise) as the Board of Directors may from time to time determine, payable to stockholders of record on such dates, not exceeding 60 days preceding the dividend payment dates, as shall be fixed for such purpose by the Board of Directors in advance of payment of each particular dividend. All dividends on Restricted Voting Common Stock shall be paid PARI PASSU with dividends on Common Stock.

2. LIQUIDATION.

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after the distribution or payment to the holders of shares of any class or series of Preferred Stock as provided by the Board of Directors with respect to any such class or series of Preferred Stock, the remaining assets of the Corporation available for distribution to stockholders shall be distributed among and paid to the holders of Restricted Voting Common Stock and Common Stock ratably in proportion to the number of shares of Restricted Voting Common Stock and Common Stock held by them respectively.

3. VOTING RIGHTS.

Except as otherwise required by law, each holder of shares of Restricted Voting Common Stock shall be entitled to one-half vote for each share of Restricted Voting Common Stock standing in such holder's name of the books of the Corporation.

4. CONVERSION OF THE RESTRICTED VOTING COMMON STOCK.

Each share of Restricted Voting Common Stock will automatically convert into Common Stock on a share for share basis (a) in the event of a disposition of such share of Restricted Voting Common Stock by the holder thereof, (b) in the event any person acquires beneficial ownership of 15% or more of the outstanding shares of Common Stock of the Corporation, (c) in the event any person offers to acquire 15% or more of the outstanding shares of Common Stock of the Corporation, (d) in the event the holder of Restricted Voting Common Stock elects to convert it into Common Stock at any time after the second anniversary of the consummation of the Corporation's initial public offering of its Common Stock (the "Public Offering"), (e) on the fifth anniversary of the date of the consummation of the Corporation's Public Offering, or (f) in the event a majority of the aggregate number of votes which may be cast by the holders of outstanding shares of Common Stock and Restricted Voting Common Stock entitled to vote approve such conversion. In addition,

at such time as the over-allotment option granted in favor of the Underwriters of the Corporation's Public Offering has been exercised in full or expires, a number of shares of Restricted Voting Common Stock determined in accordance with the following sentence will automatically convert into Common Stock. The number of shares of Restricted Voting Common Stock to be converted automatically following the exercise in full or expiration of such Underwriters' over-allotment option will be equal to that number of shares of Restricted Voting Common Stock so that the aggregate number of votes attributable to (i) the shares of Common Stock issued and outstanding prior to the Public Offering (excluding for purposes of the preceding clause any shares of Common Stock issued contemporaneously with the consummation of the Public Offering in connection with mergers with or acquisitions of corporations), (ii) shares of Common Stock issued on conversion of shares of Restricted Voting Common Stock, and (iii) unconverted shares of Restricted Voting Common Stock, equals 19.9 percent of the aggregate number of votes attributable to all shares of Common Stock and Restricted Voting Common Stock issued and outstanding immediately following the exercise in full or expiration of the Underwriters' over-allotment option.

After July 1, 1998, the Corporation may elect to convert any outstanding shares of Restricted Voting Common Stock into shares of Common Stock in the event 80% or more of the outstanding shares of Restricted Voting Common Stock have been converted into shares of Common Stock.

ARTICLE FIVE

1. BOARD OF DIRECTORS.

The Directors shall be classified with respect to the time for which they shall severally hold office into three classes as nearly equal in number as possible. The Class I directors shall be elected to hold office for an initial term expiring at the 1998 annual meeting of stockholders, the Class II Directors shall be elected to hold office for an initial term expiring at the 1999 annual meeting of stockholders and the Class III Directors shall be elected to hold office for an initial term expiring at the 2000 annual meeting of stockholders, with the members of each class of directors to hold office until their successors have been duly elected and qualified. At each annual meeting of stockholders, the successors to the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors have been duly elected and qualified. At each annual meeting of stockholders at which a quorum is present, the persons receiving a plurality of the votes cast shall be directors. No director or class of directors may be removed from office by a vote of the stockholders at any time except for cause. Election of directors need not be by written ballot unless the Bylaws of the Corporation so provide.

Notwithstanding the foregoing, the holders of Restricted Voting Common Stock shall be entitled to elect one member of the Board of Directors, and only the holders of the Restricted Voting Common Stock shall be entitled to remove such member from the Board of Directors.

2. VACANCIES.

Any vacancy on the Board of Directors resulting from death, retirement, resignation, disqualification or removal from office or other cause, as well as any vacancy resulting from an increase in the number of directors which occurs between annual meetings of the stockholders at which directors are elected, shall be filled only by a majority vote of the remaining directors then in office, though less than a quorum, except that those vacancies resulting from removal from office by a vote of the stockholders may be filled by a vote of the stockholders at the same meeting at which such removal occurs. The directors chosen to fill vacancies shall hold office for a term expiring at the end of the next annual meeting of stockholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director. If the vacancy on the Board of Directors results from the death, retirement, resignation, disqualification or removal from office of the director elected by the holders of the Restricted Voting Common Stock, only the holders of the Restricted Voting Common Stock shall be entitled to fill such vacancy.

Notwithstanding the foregoing, whenever the holders of one or more classes or series of Preferred Stock shall have the right, voting separately, as a class or series, to elect directors, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of the resolution or resolutions adopted by the Board of Directors pursuant to ARTICLE FOUR applicable thereto, and each director so elected shall not be subject to the provisions of this ARTICLE FIVE unless otherwise provided therein.

3. POWER TO MAKE, ALTER AND REPEAL BYLAWS.

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter and repeal the Bylaws of the Corporation.

4. AMENDMENT AND REPEAL OF ARTICLE FIVE.

Notwithstanding any provision of this Certificate of Incorporation and of the Bylaws, and notwithstanding the fact that a lesser percentage may be specified by Delaware law, unless such action has been approved by a majority vote of the full Board of Directors, the affirmative vote of 66 2/3 percent of the votes which all stockholders of the then outstanding shares of capital stock of the Corporation would be entitled to cast thereon, voting together as a single class, shall be required

to amend or repeal any provisions of this ARTICLE FIVE or to adopt any provision inconsistent with this ARTICLE FIVE. In the event such action has been previously approved by a majority vote of the full Board of Directors, the affirmative vote of a majority of the outstanding stock entitled to vote thereon shall be sufficient to amend or repeal any provision of this ARTICLE FIVE or adopt any provision inconsistent with this ARTICLE FIVE.

ARTICLE SIX

The Corporation reserves the right to amend, alter, change or repeal any provision in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute.

ARTICLE SEVEN

No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit.

ARTICLE EIGHT

The Corporation shall, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, as the same may be amended and supplemented, indemnify each director and officer of the Corporation from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, agreement, vote of stockholders, vote of disinterested directors or otherwise, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such persons and the Corporation may purchase and maintain insurance on behalf of any director or officer to the extent permitted by Section 145 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, the undersigned have executed this Amended and Restated Certificate of Incorporation on behalf of the Corporation and have attested such execution and do verify and affirm, under penalty of perjury, that this Amended and Restated Certificate of Incorporation is the act and deed of the Corporation and that the facts stated herein are true as of this _____ day of March, 1997.

COMFORT SYSTEMS USA, INC.

By:_____
Fred M. Ferreira
President

Attest:

- --------------------------
Reagan Busbee
Assistant Secretary

BYLAWS

OF

COMFORT SYSTEMS USA, INC.

ARTICLE I

STOCKHOLDERS

SECTION 1. ANNUAL MEETING. The annual meeting of the stockholders of the Corporation shall be held on such date, at such time and at such place within or without the State of Delaware as may be designated by the Board of Directors, for the purpose of' electing Directors and for the transaction of such other business as may be properly brought before the meeting, which date shall be within thirteen (13) months subsequent to the last annual meeting of stockholders.

SECTION 2. SPECIAL MEETINGS. Unless otherwise provided in the Certificate of Incorporation of the Corporation, special meetings of the stockholders for any purpose or purposes may be called at any time by the Chief Executive Officer, by a majority of the Board of Directors, or by a majority of the executive committee (if any), at such time and at such place as may be stated in the notice of the meeting. Business transacted at such meeting shall be confined to the purpose(s) stated in the notice of such meeting.

SECTION 3. NOTICE OF STOCKHOLDER BUSINESS AND NOMINATIONS.

(a) ANNUAL MEETINGS OF STOCKHOLDERS.

(i) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the Stockholders may be made at an annual meeting of Stockholders (A) pursuant to the Corporation's notice of meeting, (B) by or at the direction of the Board of Directors or (C) by any Stockholder who was a Stockholder of record at the time of giving of notice provided for in this Section, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section.

(ii) For nominations or other business to be properly brought before an annual meeting by a Stockholder pursuant to section 3(a)(i) of this ARTICLE I, the Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for Stockholder action. To be timely, a Stockholder's notice

shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the sixtieth (60th) day nor earlier than the close of business on the ninetieth (90th) day prior to the first (1st) anniversary of the preceding year's annual meeting; PROVIDED, HOWEVER, that in the event that the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the Stockholder to be timely must be so delivered not earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a Stockholders's notice as described above. Such Stockholder's notice shall set forth:

(A) as to each person whom the Stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected);

(B) as to any other business that the Stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such Stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and

(C) as to the Stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (1) the name and address of such Stockholder, as they appear on the Corporations's books, and of such beneficial owner

and (2) the class and number of shares of the Corporation which are owned beneficially and of record by such Stockholder and such beneficial owner.

(iii) Notwithstanding anything in the second sentence of Section 3(a)(ii) of this ARTICLE I to the contrary, in the event that the number of Directors to be elected to the Board of Directors is increased and there is no public announcement by the Corporation naming all of the nominees for Director or specifying the size of the increased Board of Directors at least seventy (70) days prior to the first (1st) anniversary of the preceding year's annual meeting, a Stockholder's notice required by this Section shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(b) SPECIAL MEETINGS OF STOCKHOLDERS. Only such business shall be conducted at a special meeting of Stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of Stockholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) provided that the Board of Directors has determined that Directors shall be elected at such meeting, by any Stockholder who is a Stockholder of record at the time of giving of notice provided for in this Section 3, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 3. In the event the Corporation calls a special meeting of Stockholders for the purpose of electing one or more Directors to the Board of Directors, any such Stockholder may nominate a person or persons (as the case may be), for election to such positions(s) as specified in the Corporation's notice of meeting, if the Stockholder's notice required by Section 3(a)(ii) of this ARTICLE I shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the ninetieth (90th) day prior to such special meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a Stockholder's notice as described above.

(c) GENERAL.

(i) Only such persons who are nominated in accordance with the procedures set forth in this Section 3 shall be eligible to serve as Directors and only such business shall be conducted at a meeting of Stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 3. Except as otherwise provided by applicable law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 3 and, if any proposed nomination or business is not in compliance with this Section 3, to declare that such defective proposal or nomination shall be disregarded.

(ii) For purposes of this Section 3, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associate Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(iii) Notwithstanding the foregoing provisions of this Section 3, a Stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 3. Nothing in this Section 3 shall be deemed to affect any rights (A) of Stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act; or (B) of the holders of any series of Common Stock or Preferred Stock or any outstanding voting indebtedness to elect Directors under specified circumstances.

Notwithstanding any other provisions of the Certificate of Incorporation of the Corporation, and notwithstanding that a lesser percentage may be permitted from time to time by applicable law, no provision of this Section 3 of ARTICLE I may be altered, amended or repealed in any respect, nor may any provision inconsistent therewith be adopted, unless such alteration, amendment, repeal or adoption is approved by the affirmative vote of the holders of at least 80 percent of the combined voting power of the then outstanding shares of the Corporation's stock entitled to vote generally at elections of Directors voting together as a single class, and at least 80 percent of each class, series and issuance of combined voting power of the then outstanding shares of the Corporation's stock entitled to vote generally at elections of Directors voting separately as a class, series and issuance.

SECTION 4. QUORUM. At any meeting of the stockholders, the holders of a majority in number of the total outstanding shares of stock of the Corporation entitled to vote at such meeting, present in person or represented by proxy, shall constitute a quorum of the stockholders for all purposes, unless the representation of a larger number of shares shall be required by law, by the Certificate of Incorporation or by these Bylaws, in which case the representation of the number of shares so required shall constitute a quorum; provided that at any meeting of the stockholders at which the holders of any class of stock of the Corporation shall be entitled to vote separately as a class, the holders of a majority in number of the total outstanding shares of such class, present in person or represented by proxy, shall constitute a quorum for purposes of such class vote unless the representation of a larger number of shares of such class shall be required by law, by the Certificate of Incorporation or by these Bylaws.

SECTION 5. ADJOURNED MEETINGS. Whether or not a quorum shall be present in person or represented at any meeting of the stockholders, the holders of a majority in number of the shares of stock of the Corporation present in person or represented by proxy and entitled to vote at such meeting may adjourn from time to time; provided, however, that if the holders of any class of stock of the Corporation are entitled to vote separately as a class upon any matter at such meeting, any adjournment of the meeting in respect of action by such class upon such matter shall be determined by the holders of a majority of the shares of such class present in person or represented by proxy and entitled to vote at such meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the stockholders, or the holders of any class of stock entitled to vote separately as a class, as the case may be, may transact any business which might have been transacted by them at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting.

SECTION 6. ORGANIZATION. Each annual and special meeting of Stockholders held in person shall be presided over by a chairman, who shall have the exclusive authority to, among other things, determine (a) whether business and nominations have been properly brought before such meetings, and (b) the order in which business and nominations properly brought before such meeting shall be considered. The chairman of each annual and special meeting shall be the Chairman of the Board of Directors, or such person as shall be appointed by the resolution approved by the majority of the Board of Directors.

The Secretary of the Corporation shall act as Secretary of all meetings of the stockholders; but in the absence of the Secretary, the Chairman may appoint any person to act as Secretary of the meeting. It shall be the duty of the Secretary to prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of stockholders entitled to vote at such meeting, arranged

in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held, for the ten (10) days next preceding the meeting, to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, and shall be produced and kept at the time and place of the meeting during the whole time thereof and subject to the inspection of any stockholder who may be present.

SECTION 7. VOTING. Except as otherwise provided in the Certificate of Incorporation or by law, each stockholder shall be entitled to one vote for each share of the capital stock of the Corporation registered in the name of such stockholder upon the books of the Corporation. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. When directed by the presiding officer or upon the demand of any stockholder, the vote upon any matter before a meeting of stockholders shall be by ballot. Except as otherwise provided by law or by the Certificate of Incorporation, Directors shall be elected by a plurality of the votes cast at a meeting of stockholders by the stockholders entitled to vote in the election and, whenever any corporate action, other than the election of Directors is to be taken, it shall be authorized by a majority of the votes cast at a meeting of stockholders by the stockholders entitled to vote thereon.

Shares of the capital stock of the Corporation belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes.

SECTION 8. INSPECTORS. When required by law or directed by the presiding officer or upon the demand of any stockholder entitled to vote, but not otherwise, the polls shall be opened and closed, the proxies and ballots shall be received and taken in charge, and all questions touching the qualification of voters, the validity of proxies and the acceptance or rejection of votes shall be decided at any meeting of the stockholders by two or more Inspectors who may be appointed by the Board of Directors before the meeting, or if not so appointed, shall be appointed by the presiding officer at the meeting. If any person so appointed fails to appear or act, the vacancy may be filled by appointment in like manner.

SECTION 9. ACTION WITHOUT MEETING. Unless otherwise provided in the Certificate of Incorporation of the Corporation, prior to a firm commitment underwritten public offering of the Corporation's Common Stock in which gross proceeds equal or exceed $25 million before deducting underwriters' discounts and other expenses of the offering (the "Offering"), any action permitted or

required by law, the Certificate of Incorporation of the Corporation or these Bylaws to be taken at a meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in the state of incorporation, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered in the manner required by this Section to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation by delivery to its registered office in the state of incorporation, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

Prompt notice of the taking of corporation action without a meeting by less than a unanimous written consent shall be given by the Secretary to those stockholders who have not consented in writing.

Subsequent to the Offering, any action required or permitted to be taken by the Stockholders must be effected at a duly called annual or special meeting of Stockholders and may not be effected without such a meeting by any consent in writing by such holders.

ARTICLE II
BOARD OF DIRECTORS

SECTION 1. NUMBER AND TERM OF OFFICE. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, none of whom need be stockholders of the Corporation. The number of Directors constituting the Board of Directors shall be fixed from time to time by resolution passed by a majority of the Board of Directors. The Directors shall, except as hereinafter otherwise provided for filling vacancies or as otherwise provided in the Certificate of Incorporation, be elected at the annual meeting of stockholders, and shall hold office until their respective successors are elected and qualified or until their earlier resignation or removal.

SECTION 2. REMOVAL, VACANCIES AND ADDITIONAL DIRECTORS. Except as otherwise provided in the Certificate of Incorporation, the stockholders may, at any special meeting the notice of which shall state that it is called for that purpose, remove, with or without cause, any Director and fill the vacancy; provided that whenever any Director shall have been elected by the holders of any class of stock of the Corporation voting separately as a class under the provisions of the Certificate of Incorporation, such Director may be removed and the vacancy filled only by the holders of that class of stock voting separately as a class. Except as otherwise provided in the Certificate of Incorporation, vacancies caused by any such removal and not filled by the stockholders at the meeting at which such removal shall have been made, or any vacancy caused by the death or resignation of any Director or for any other reason, and any newly created directorship resulting from any increase in the authorized number of Directors, may be filled by the affirmative vote of a majority of the Directors then in office, although less than a quorum, and any Director so elected to fill any such vacancy or newly created directorship shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

When one or more Directors shall resign effective at a future date, a majority of the Directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office as herein provided in connection with the filling of other vacancies.

SECTION 3. PLACE OF MEETING. The Board of Directors may hold its meetings in such place or places in the State of Delaware or outside the State of Delaware as the Board from time to time shall determine.

SECTION 4. REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held at such times and places as the Board from time to time by resolution shall determine. No notice shall be required for any regular meeting of the Board of Directors; but a copy of every resolution fixing or changing the time or place of regular meetings shall be mailed to every Director at least five (5) days before the first meeting held in pursuance thereof.

SECTION 5. SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held whenever called by direction of the Chairman of the Board, the Vice Chairman of the Board, the President or by any two of the Directors then in office.

Notice of the day, hour and place of holding of each special meeting shall be given by mailing the same at least two (2) days before the meeting or by causing the same to be transmitted by telegraph, cable or wireless at least one day before the meeting to each Director. Unless otherwise indicated in the notice thereof, any and all business other than an amendment of these Bylaws may be transacted at any special meeting, and an amendment of these Bylaws may be acted upon if the

notice of the meeting shall have stated that the amendment of these Bylaws is one of the purposes of the meeting. At any meeting at which every Director shall be present, even though without any notice, any business may be transacted, including the amendment of these Bylaws.

SECTION 6. QUORUM. Subject to the provisions of Section 2 of this Article II, a majority of the members of the Board of Directors in office (but, unless the Board shall consist solely of one Director, in no case less than one-third of the total number of Directors nor less than two Directors) shall constitute a quorum for the transaction of business and the vote of the majority of the Directors present at any meeting of the Board of Directors at which a quorum is present shall be the act of the Board of Directors. If at any meeting of the Board there is less than a quorum present, a majority of those present may adjourn the meeting from time to time.

SECTION 7. ORGANIZATION. The Chairman of the Board, or in his absence, the Vice Chairman of the Board, or in his absence, the President shall preside at all meetings of the Board of Directors. In the absence of the Chairman of the Board, the Vice Chairman of the Board and the President, a Chairman shall be elected from the Directors present. The Secretary of the Corporation shall act as Secretary of all meetings of the Directors; but in the absence of the Secretary, the Chairman may appoint any person to act as Secretary of the meeting.

SECTION 8. COMMITTEE. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the Directors of the Corporation. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided by resolution passed by a majority of the whole Board, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and the affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending these Bylaws; and unless such resolution, these Bylaws, or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

SECTION 9. CONFERENCE TELEPHONE MEETINGS. Unless otherwise restricted by the Certificate of Incorporation or by these Bylaws, the members of the Board of Directors or any

committee designated by the Board, may participate in a meeting of the Board or such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

SECTION 10. CONSENT OF DIRECTORS OR COMMITTEE IN LIEU OF MEETING. Unless otherwise restricted by the Certificate of Incorporation or by these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereto, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board or committee, as the case may be.

ARTICLE III
OFFICERS

SECTION 1. OFFICERS. The officers of the Corporation shall be a Chairman of the Board, a Vice Chairman of the Board, a President, one or more Vice Presidents, a Secretary and a Treasurer, and such additional officers, if any, as shall be elected by the Board of Directors pursuant to the provisions of Section 8 of this Article III. The Chairman of the Board, the Vice Chairman of the Board, the President, one or more Vice Presidents, the Secretary and the Treasurer shall be elected by the Board of Directors at its first meeting after each annual meeting of the stockholders. The failure to hold such election shall not of itself terminate the term of office of any officer. All officers shall hold office at the pleasure of the Board of Directors. Any officer may resign at any time upon written notice to the Corporation. Officers may, but need not, be Directors. Any number of offices may be held by the same person.

All officers, agents and employees shall be subject to removal, with or without cause, at any time by the Board of Directors. The removal of an officer without cause shall be without prejudice to his contract rights, if any. The election or appointment of an officer shall not of itself create contract rights. All agents and employees other than officers elected by the Board of Directors shall also be subject to removal, with or without cause, at any time by the officers appointing them.

Any vacancy caused by the death of any officer, his resignation, his removal, or otherwise, may be filled by the Board of Directors, and any officer so elected shall hold office at the pleasure of the Board of Directors.

In addition to the powers and duties of the officers of the Corporation as set forth in these Bylaws, the officers shall have such authority and shall perform such duties as from time to time may be determined by the Board of Directors.

SECTION 2. POWERS AND DUTIES OF THE CHAIRMAN OF THE BOARD. The Chairman of the Board shall be the chief executive officer of the Corporation and, subject to the control of the Board of Directors, shall have general charge and control of all its business and affairs and shall have all powers and shall perform all duties incident to the office of Chairman of the Board. He shall preside at all meetings of the stockholders and at all meetings of the Board of Directors and shall have such other powers and perform such other duties as may from time to time be assigned to him by these Bylaws or by the Board of Directors.

SECTION 3. POWERS AND DUTIES OF THE VICE CHAIRMAN OF THE BOARD. The Vice Chairman of the Board, in the absence of the Chairman of the Board, shall be the chief executive officer of the Corporation and, subject to the control of the Board of Directors and the Chairman of the Board, shall have general charge and control of all its business and affairs and shall have all powers and shall perform all duties incident to the office of Vice Chairman of the Board. In the absence of the Chairman of the Board, he shall preside at all meetings of the stockholders and at all meetings of the Board of Directors and shall have such other powers and perform such other duties as may from time to time be assigned to him by these Bylaws or by the Board of Directors or the Chairman of the Board.

SECTION 4. POWERS AND DUTIES OF THE PRESIDENT. The President shall be the chief operating officer of the Corporation and, subject to the control of the Board of Directors, the Chairman of the Board and the Vice Chairman of the Board, shall have general charge and control of all its operations and shall have all powers and shall perform all duties incident to the office of President. In the absence of the Chairman of the Board and the Vice Chairman of the Board, he shall preside at all meetings of the stockholders and at all meetings of the Board of Directors and shall have such other powers and perform such other duties as may from time to time be assigned to him by these Bylaws or by the Board of Directors, the Chairman of the Board or the Vice Chairman of the Board.

SECTION 5. POWERS AND DUTIES OF THE VICE PRESIDENTS. Each Vice President shall have all powers and shall perform all duties incident to the office of Vice President and shall have such other powers and perform such other duties as may from time to time be assigned to him by these Bylaws or by the Board of Directors, the Chairman of the Board, the Vice Chairman of the Board or the President.

SECTION 6. POWERS AND DUTIES OF THE SECRETARY. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the stockholders in books provided for that purpose; he shall attend to the giving or serving of all notices of the Corporation; he shall have custody of the corporate seal of the Corporation and shall affix the same to such documents and other papers as the Board of Directors or the President shall authorize and direct; he shall have charge of the stock certificate books, transfer books and stock ledgers and such other books and papers as the Board of Directors or the President shall direct, all of which shall at all

reasonable times be open to the examination of any Director, upon application, at the office of the Corporation during business hours; and whenever required by the Board of Directors, the Chairman of the Board, the Vice Chairman of the Board or the President shall render statements of such accounts; and he shall have all powers and shall perform all duties incident to the office of Secretary and shall also have such other powers and shall perform such other duties as may from time to time be assigned to him by these Bylaws or by the Board of Directors, the Chairman of the Board, the Vice Chairman of the Board or the President.

SECTION 7. POWERS AND DUTIES OF THE TREASURER. The Treasurer shall have custody of, and when proper shall pay out, disburse or otherwise dispose of, all funds and securities of the Corporation which may have come into his hands; he may endorse on behalf of the Corporation for collection checks, notes and other obligations and shall deposit the same to the credit of the Corporation in such bank or banks or depositary or depositaries as the Board of Directors may designate; he shall sign all receipts and vouchers for payments made to the Corporation; he shall enter or cause to be entered regularly in the books of the Corporation kept for the purpose full and accurate accounts of all moneys received or paid or otherwise disposed of by him and whenever required by the Board of Directors, the Chairman of the Board, the Vice Chairman of the Board or the President shall render statements of such accounts; he shall, at all reasonable times, exhibit his books and accounts to any Director of the Corporation upon application at the office of the Corporation during business hours; and he shall have all powers and he shall perform all duties incident to the office of Treasurer and shall also have such other powers and shall perform such other duties as may from time to time be assigned to him by these Bylaws or by the Board of Directors, the Chairman of the Board, the Vice Chairman of the Board or the President.

SECTION 8. ADDITIONAL OFFICERS. The Board of Directors may from time to time elect such other officers (who may but need not be Directors), including a Controller, Assistant Treasurers, Assistant Secretaries and Assistant Controllers, as the Board may deem advisable and such officers shall have such authority and shall perform such duties as may from time to time be assigned to them by the Board of Directors, the Chairman of the Board, the Vice Chairman of the Board or the President.

The Board of Directors may from time to time by resolution delegate to any Assistant Treasurer or Assistant Treasurers any of the powers or duties herein assigned to the Treasurer; and may similarly delegate to any Assistant Secretary or Assistant Secretaries any of the powers or duties assigned to the Secretary.

SECTION 9. GIVING OF BOND BY OFFICERS. All officers of the Corporation, if required to do so by the Board of Directors, shall furnish bonds to the Corporation for the faithful performance of their duties, in such penalties and with such conditions and security as the Board shall require.

SECTION 10. VOTING UPON STOCKS. Unless otherwise ordered by the Board of Directors, the Chairman of the Board, the Vice Chairman of the Board, the President or any Vice President shall have full power and authority on behalf of the Corporation to attend and to act and to vote, or in the name of the Corporation to execute proxies to vote, at any meeting of stockholders of any corporation in which the Corporation may hold stock, and at any such meeting shall possess and may exercise, in person or by proxy, any and all rights, powers and privileges incident to the ownership of such stock. The Board of Directors may from time to time, by resolution, confer like powers upon any other person or persons.

SECTION 11. COMPENSATION OF OFFICERS. The officers of the Corporation shall be entitled to receive such compensation for their services as shall from time to time be determined by the Board of Directors.

ARTICLE IV
INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 1. NATURE OF INDEMNITY. The Corporation shall 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 or has agreed to become a Director or officer of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a Director or officer of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is threatened to be made a party to such an action, suit or proceeding by reason of the fact that he is or was or has agreed to become an employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful; except that in the case of an action or suit by or in the right of the Corporation to procure a judgment in its favor (1) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

SECTION 2. SUCCESSFUL DEFENSE. To the extent that a Director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 of this Article IV or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

SECTION 3. DETERMINATION THAT INDEMNIFICATION IS PROPER. Any indemnification of a Director or officer of the Corporation under Section 1 of this Article IV (unless ordered by a court) shall be made by the Corporation unless a determination is made that indemnification of the Director or officer is not proper in the circumstances because he has not met the applicable standard of conduct set forth in Section 1. Any indemnification of an employee or agent of the Corporation under Section 1 (unless ordered by a court) may be made by the Corporation upon a determination that indemnification of the employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1. Any such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

SECTION 4. ADVANCE PAYMENT OF EXPENSES. Unless the Board of Directors otherwise determines in a specific case, expenses incurred by a Director or officer in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the Director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article IV. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate. The Board of Directors may authorize the Corporation's legal counsel to represent such Director, officer, employee or agent in any action, suit or proceeding, whether or not the Corporation is a party to such action, suit or proceeding.

SECTION 5. SURVIVAL; PRESERVATION OF OTHER RIGHTS. The foregoing indemnification provisions shall be deemed to be a contract between the Corporation and each Director, officer, employee and agent who serves in any such capacity at any time while these provisions as well as the relevant provisions of the Delaware General Corporation Law are in effect and any repeal or

modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a contract right may not be modified retroactively without the consent of such Director, officer, employee or agent.

The indemnification provided by this Article IV shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. The Corporation may enter into an agreement with any of its Directors, officers, employees or agents providing for indemnification and advancement of expenses, including attorneys fees, that may change, enhance, qualify or limit any right to indemnification or advancement of expenses created by this Article IV.

SECTION 6. SEVERABILITY. If this Article IV or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Director or officer and may indemnify each employee or agent of the Corporation as to costs, charges and expenses (including attorneys' fees), judgment, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article IV that shall not have been invalidated and to the fullest extent permitted by applicable law.

SECTION 7. SUBROGATION. In the event of payment of indemnification to a person described in Section 1 of this Article IV, the Corporation shall be subrogated to the extent of such payment to any right of recovery such person may have and such person, as a condition of receiving indemnification from the Corporation, shall execute all documents and do all things that the Corporation may deem necessary or desirable to perfect such right of recovery, including the execution of such documents necessary to enable the Corporation effectively to enforce any such recovery.

SECTION 8. NO DUPLICATION OF PAYMENTS. The Corporation shall not be liable under this Article IV to make any payment in connection with any claim made against a person described in Section 1 of this Article IV to the extent such person has otherwise received payment (under any insurance policy, bylaw or otherwise) of the amounts otherwise indemnifiable hereunder.

ARTICLE V
STOCK-SEAL-FISCAL YEAR

SECTION 1. CERTIFICATES FOR SHARES OF STOCK. The certificates for shares of stock of the Corporation shall be in such form, not inconsistent with the Certificate of Incorporation, as shall be approved by the Board of Directors. All certificates shall be signed by the Chairman of the Board, the Vice Chairman of the Board, the President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and shall not be valid unless so signed.

In case any officer or officers who shall have signed any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates had not ceased to be such officer or officers of the Corporation.

All certificates for shares of stock shall be consecutively numbered as the same are issued. The name of the person owning the shares represented thereby with the number of such shares and the date of issue thereof shall be entered on the books of the Corporation.

Except as hereinafter provided, all certificates surrendered to the Corporation for transfer shall be canceled, and no new certificates shall be issued until former certificates for the same number of shares have been surrendered and canceled.

SECTION 2. LOST, STOLEN OR DESTROYED CERTIFICATES. Whenever a person owning a certificate for shares of stock of the Corporation alleges that it has been lost, stolen or destroyed, he shall file in the office of the Corporation an affidavit setting forth, to the best of his knowledge and belief, the time, place and circumstances of the loss, theft or destruction, and, if required by the Board of Directors, a bond of indemnity or other indemnification sufficient in the opinion of the Board of Directors to indemnify the Corporation and its agents against any claim that may be made against it or them on account of the alleged loss, theft or destruction of any such certificate or the issuance of a new certificate in replacement therefor. Thereupon the Corporation may cause to be issued to such person a new certificate in replacement for the certificate alleged to have been lost, stolen or destroyed. Upon the stub of every new certificate so issued shall be noted the fact of such issue and the number, date and the name of the registered owner of the lost, stolen or destroyed certificate in lieu of which the new certificate is issued.

SECTION 3. TRANSFER OF SHARES. Shares of stock of the Corporation shall be transferred on the books of the Corporation by the holder thereof, in person or by his attorney duly authorized in writing, upon surrender and cancellation of certificates for the number of shares of stock to be transferred, except as provided in Section 2 of this Article IV.

SECTION 4. REGULATIONS. The Board of Directors shall have power and authority to make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation.

SECTION 5. RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting or to receive payment of any dividend or other distribution or allotment of any rights, or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, as the case may be, the Board of Directors may fix, in advance, a record date, which shall not be (i) more than sixty (60) nor less than ten (10) days before the date of such meeting, or (ii) in the case of corporate action to be taken by consent in writing without a meeting prior to, or more than ten (10) days after, the date upon which the resolution fixing the record date is adopted by the Board of Directors, or (iii) more than sixty (60) days prior to any other action.

If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is delivered to the Corporation; and the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 6. DIVIDENDS. Subject to the provisions of the Certificate of Incorporation, the Board of Directors shall have power to declare and pay dividends upon shares of stock of the Corporation, but only out of funds available for the payment of dividends as provided by law.

Subject to the provisions of the Certificate of Incorporation, any dividends declared upon the stock of the Corporation shall be payable on such date or dates as the Board of Directors shall determine. If the date fixed for the payment of any dividend shall in any year fall upon a legal holiday, then the dividend payable on such date shall be paid on the next day not a legal holiday.

SECTION 7. CORPORATE SEAL. The Board of Directors shall provide a suitable seal, containing the name of the Corporation, which seal shall be kept in the custody of the Secretary. A duplicate of the seal may be kept and be used by any officer of the Corporation designated by the Board of Directors, the Chairman of the Board, the Vice Chairman of the Board or the President.

SECTION 8. FISCAL YEAR. The fiscal year of the Corporation shall be such fiscal year as the Board of Directors from time to time by resolution shall determine.

ARTICLE VI
MISCELLANEOUS PROVISIONS

SECTION 1. CHECKS, NOTES, ETC. All checks, drafts, bills of exchange, acceptances, notes or other obligations or orders for the payment of money shall be signed and, if so required by the Board of Directors, countersigned by such officers of the Corporation and/or other persons as the Board of Directors from time to time shall designate.

Checks, drafts, bills of exchange, acceptances, notes, obligations and orders for the payment of money made payable to the Corporation may be endorsed for deposit to the credit of the Corporation with a duly authorized depository by the Treasurer and/or such other officers or persons as the Board of Directors from time to time may designate.

SECTION 2. LOANS. No loans and no renewals of any loans shall be contracted on behalf of the Corporation except as authorized by the Board of Directors. When authorized so to do, any officer or agent of the Corporation may effect loans and advances for the Corporation from any bank, trust company or other institution or from any firm, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes, bonds or other evidences of indebtedness of the Corporation. When authorized so to do, any officer or agent of the Corporation may pledge, hypothecate or transfer, as security for the payment of any and all loans, advances, indebtedness and liabilities of the Corporation, any and all stocks, securities and other personal property at any time held by the Corporation, and to that end may endorse, assign and deliver the same. Such authority may be general or confined to specific instances.

SECTION 3. CONTRACTS. Except as otherwise provided in these Bylaws or by law or as otherwise directed by the Board of Directors, the Chairman of the Board, the Vice Chairman of the Board, the President or any Vice President shall be authorized to execute and deliver, in the name and on behalf of the Corporation, all agreements, bonds, contracts, deeds, mortgages, and other instruments, either for the Corporation's own account or in a fiduciary or other capacity, and the seal of the Corporation, if appropriate, shall be affixed thereto by any of such officers or the Secretary or an Assistant Secretary. The Board of Directors, the Chairman of the Board, the Vice Chairman of the Board, the President or any Vice President designated by the Board of Directors, the Chairman of the Board, the Vice Chairman of the Board or the President may authorize any other officer, employee or agent to execute and deliver, in the name and on behalf of the Corporation, agreements, bonds, contracts, deeds, mortgages, and other instruments, either for the Corporation's own account or in a fiduciary or other capacity, and, if appropriate, to affix the seal of the Corporation thereto.

The grant of such authority by the Board or any such officer may be general or confined to specific instances.

SECTION 4. WAIVERS OF NOTICE. Whenever any notice whatever is required to be given by law, by the Certificate of Incorporation or by these Bylaws to any person or persons, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

SECTION 5. OFFICES OUTSIDE OF DELAWARE. Except as otherwise required by the laws of the State of Delaware, the Corporation may have an office or offices and keep its books, documents and papers outside of the State of Delaware at such place or places as from time to time may be determined by the Board of Directors, the Chairman of the Board or the Vice Chairman of the Board.

ARTICLE VII
AMENDMENTS

The Board of Directors shall have the power to adopt, amend and repeal from time to time Bylaws of the Corporation, subject to the right of the stockholders entitled to vote with respect thereto to amend or repeal such Bylaws as adopted or amended by the Board of Directors; provided, however, that unless a different percentage is called for in a particular provision hereof, any amendment or repeal of the Bylaws of the Corporation by the stockholders shall be by a vote of the holders of at least 66 2/3 percent of the total votes eligible to be cast by holders of voting stock with respect to such amendment or repeal.

COMFORT SYSTEMS USA, INC.

1997 LONG-TERM INCENTIVE PLAN

1. PURPOSE. The purpose of this 1997 Long-Term Incentive Plan (the"Plan") of Comfort Systems USA, Inc., a Delaware corporation (the "Company"), is to advance the interests of the Company and its stockholders by providing a means to attract, retain and reward executive officers and other key employees and consultants of and service providers to the Company and its subsidiaries (including consultants and others providing services of substantial value) and to enable such persons to acquire or increase a proprietary interest in the Company, thereby promoting a closer identity of interests between such persons and the Company's stockholders.

2. DEFINITIONS. The definitions of awards under the Plan, including Options, SARs (including Limited SARs), Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of other awards, Dividend Equivalents and Other Stock-Based Awards are set forth in Section 6 of the Plan. Such awards, together with any other right or interest granted to a Participant under the Plan, are termed "Awards." For purposes of the Plan, the following additional terms shall be defined as set forth below:

(a) "Award Agreement" means any written agreement, contract, notice or other instrument or document evidencing an Award.

(b) "Beneficiary" shall mean the person, persons, trust or trusts which have been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under the Plan upon such Participant's death or, if there is no designated Beneficiary or surviving designated Beneficiary, then the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive such benefits.

(c) "Board" means the Board of Directors of the Company.

(d) A "Change in Control" shall be deemed to have occurred if:

(i) any person, other than the Company or an employee benefit plan of the Company, acquires directly or indirectly the Beneficial Ownership (as defined in Section 13(d) of the Exchange Act) of any voting security of the Company and immediately after such acquisition such Person is, directly or indirectly, the Beneficial Owner of voting securities representing 50 percent or more of the total voting power of all of the then-outstanding voting securities of the Company;

(ii) the following individuals no longer constitute a majority of the members of the Board: (A) the individuals who, as of the closing date of the Initial Public Offering, constitute the Board (the "Original Directors"); (B) the individuals who thereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of at least two-thirds (2/3) of the Original Directors then still in office (such directors becoming "Additional Original Directors" immediately following their election); and (C) the individuals who are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of at least two-thirds (2/3) of the Original Directors and Additional Original Directors then still in office (such directors also becoming "Additional Original Directors" immediately following their election);

(iii) the stockholders of the Company approve a merger, consolidation, recapitalization or reorganization of the Company, or a reverse stock split of outstanding voting securities, or consummation of any such transaction if stockholder approval is not obtained, other than any such transaction which would result in at least 75 percent of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction being Beneficially Owned by at least 75 percent of the holders of outstanding voting securities of the Company immediately prior to the transaction, with the voting power of each such continuing holder relative to other such continuing holders not substantially altered in the transaction; or

(iv) the stockholders of the Company shall approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or a substantial portion of the Company's assets (i.e., 50 percent or more of the total assets of the Company).

(e) "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include regulations thereunder and successor provisions and regulations thereto.

(f) "Committee" means the Compensation Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan.

(g) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time. References to any provision of the Exchange Act shall be deemed to include rules thereunder and successor provisions and rules thereto.

(h) "Fair Market Value" means, with respect to Stock, Awards, or other property, the fair market value of such Stock, Awards, or other property determined by such methods or procedures as shall be established from time to time by the Committee, PROVIDED, HOWEVER, that (i) if the

Stock is listed on a national securities exchange or quoted in an interdealer quotation system, the Fair Market Value of such Stock on a given date shall be based upon the last sales price or, if unavailable, the average of the closing bid and asked prices per share of the Stock on such date (or, if there was no trading or quotation in the Stock on such date, on the next preceding date on which there was trading or quotation) as reported in the WALL STREET JOURNAL (or other reporting service approved by the Committee), (ii) the "Fair Market Value" of Stock subject to Options granted effective upon commencement of the Initial Public Offering shall be the Initial Public Offering price of the shares so issued and sold in the Initial Public Offering, as set forth in the first final prospectus used in such offering (the provisions of clause (i) notwithstanding) and (iii) the "Fair Market Value" of Stock prior to the date of the Initial Public Offering shall be as determined by the Board of Directors.

(i) "Initial Public Offering" shall mean an initial public offering of shares of Stock in a firm commitment underwriting registered with the Securities and Exchange Commission in compliance with the provisions of the Securities Act of 1933, as amended.

(j) "ISO" means any Option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.

(k) "Participant" means a person who, at a time when eligible under Section 5 hereof, has been granted an Award under the Plan.

(l) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(m) "Stock" means the Common Stock, $.01 par value, of the Company and such other securities as may be substituted for Stock or such other securities pursuant to Section 4.

3. ADMINISTRATION.

(a) AUTHORITY OF THE COMMITTEE. The Plan shall be administered by the Committee. The Committee shall have full and final authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:

(i) to select persons to whom Awards may be granted;

(ii) to determine the type or types of Awards to be granted to each such person;

(iii) to determine the number of Awards to be granted, the number of shares of Stock to which an Award will relate, the terms and conditions of any Award granted under the Plan (including, but not limited to, any exercise price, grant price or purchase price, any restriction or condition, any schedule for lapse of restrictions or conditions relating to transferability or forfeiture, exercisability or settlement of an Award, and waivers or accelerations thereof, performance conditions relating to an Award (including performance conditions relating to Awards not intended to be governed by Section 7(f) and waivers and modifications thereof), based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with an Award;

(iv) to determine whether, to what extent and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(v) to determine whether, to what extent and under what circumstances cash, Stock, other Awards or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee or at the election of the Participant;

(vi) to prescribe the form of each Award Agreement, which need not be identical for each Participant;

(vii) to adopt, amend, suspend, waive and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(viii) to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award Agreement or other instrument hereunder; and

(ix) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

(b) MANNER OF EXERCISE OF COMMITTEE AUTHORITY. Unless authority is specifically reserved to the Board under the terms of the Plan, the Company's Certificate of Incorporation or Bylaws, or applicable law, the Committee shall have sole discretion in exercising authority under the Plan. Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all persons, including the Company, subsidiaries of the Company, Participants, any person claiming any rights under the Plan from or through any Participant and stockholders, except to the extent the Committee may subsequently modify, or take further action

not consistent with, its prior action. If not specified in the Plan, the time at which the Committee must or may make any determination shall be determined by the Committee, and any such determination may thereafter by modified by the Committee (subject to Section 8(e)). The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any subsidiary of the Company the authority, subject to such terms as the Committee shall determine, to perform administrative functions and, with respect to Participants not subject to Section 16 of the Exchange Act, to perform such other functions as the Committee may determine, to the extent permitted under Rule 16b-3, if applicable, and other applicable law.

(c) LIMITATION OF LIABILITY. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him by any officer or other employee of the Company or any subsidiary, the Company's independent certified public accountants or any executive compensation consultant, legal counsel or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, nor any officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company acting on its behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination or interpretation.

4. STOCK SUBJECT TO PLAN.

(a) AMOUNT OF STOCK RESERVED. The total amount of Stock that may be subject to outstanding awards, determined immediately after the grant of any Award, shall not exceed the greater of 2,500,000 shares of Stock or 13% of the total number of shares of Stock outstanding at the time of such grant. Notwithstanding the foregoing, the number of shares that may be delivered upon the exercise of ISOs shall not exceed 500,000, subject in each case to adjustment as provided in Section 4(c), and the number of shares that may be delivered as Restricted Stock and Deferred Stock (other than pursuant to an Award granted under Section 7(f)) shall not in the aggregate exceed 500,000, provided, however, that shares subject to ISOs, Restricted Stock or Deferred Stock Awards shall not be deemed delivered if such Awards are forfeited, expire or otherwise terminate without delivery of shares to the Participant. To the extent that an Award is only to be paid in cash or is paid in cash, any shares of Stock subject to such Award shall again be available for the grant of an Award. Any shares of Stock delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares acquired in the market for a Participant's Account.

(b) ANNUAL PER-PARTICIPANT LIMITATIONS. During any calendar year, no Participant may be granted Awards that may be settled by delivery of more than 250,000 shares of Stock, subject to adjustment as provided in Section 4(c). In addition, with respect to Awards that may be settled in cash (in whole or in part), no Participant may be paid during any calendar year cash amounts relating to such Awards that exceed the greater of the Fair Market Value of the number of shares of Stock set forth in the preceding sentence at the date of grant or the date of settlement of Award. This provision sets forth two separate limitations, so that Awards that may be settled solely by delivery of Stock will not operate to reduce the amount of cash-only Awards, and vice versa; nevertheless, Awards that may be settled in Stock or cash must not exceed either limitation.

(c) ADJUSTMENTS. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Stock or other property), recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase or exchange of Stock or other securities, liquidation, dissolution, or other similar corporate transaction or event, affects the Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock reserved and available for Awards under Section 4(a), including shares reserved for the ISOs and Restricted and Deferred Stock, (ii) the number and kind of shares of Stock specified in the Annual Per-Participant Limitations under Section 4(b), (iii) the number and kind of shares of outstanding Restricted Stock or other outstanding Award in connection with which shares have been issued, (iv) the number and kind of shares that may be issued in respect of other outstanding Awards and (v) the exercise price, grant price or purchase price relating to any Award (or, if deemed appropriate, the Committee may make provision for a cash payment with respect to any outstanding Award). In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any subsidiary or the financial statements of the Company or any subsidiary, or in response to changes in applicable laws, regulations, or accounting principles. The foregoing notwithstanding, no adjustments shall be authorized under this Section 4(c) with respect to ISOs or SARs in tandem therewith to the extent that such authority would cause the Plan to fail to comply with Section 422(b)(1) of the Code, and no such adjustment shall be authorized with respect to Options, SARs or other Awards subject to Section 7(f) to the extent that such authority would cause such Awards to fail to qualify as "qualified performance-based compensation" under Section 162(m)(4)(C) of the Code.

5. ELIGIBILITY. Executive officers and other key employees of the Company and its subsidiaries, including any director or officer who is also such an employee, and persons who provide consulting or other services to the Company deemed by the Committee to be of substantial value to the Company, are eligible to be granted Awards under the Plan. In addition, a person who

has been offered employment by the Company or its subsidiaries is eligible to be granted an Award under the Plan, provided that such Award shall be cancelled if such person fails to commence such employment, and no payment of value may be made in connection with such Award until such person has commenced such employment. The foregoing notwithstanding, no member of the Committee shall be eligible to be granted Awards under the Plan.

6. SPECIFIC TERMS OF AWARDS.

(a) GENERAL. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service of the Participant. Except as provided in Section 6(f), 6(h), or 7(a), or to the extent required to comply with requirements of the Delaware General Corporation Law that lawful consideration be paid for Stock, only services may be required as consideration for the grant (but not the exercise) of any Award.

(b) OPTIONS. The Committee is authorized to grant Options (including "reload" options automatically granted to offset specified exercises of Options) on the following terms and conditions ("Options"):

(i) EXERCISE PRICE. The exercise price per share of Stock purchasable under an Option shall be determined by the Committee; PROVIDED, HOWEVER, that, except as provided in Section 7(a), such exercise price shall be not less than the Fair Market Value of a share on the date of grant of such Option.

(ii) TIME AND METHOD OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including, without limitation, cash, Stock, other Awards or awards granted under other Company plans or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis, such as through "cashless exercise" arrangements, to the extent permitted by applicable law), and the methods by which Stock will be delivered or deemed to be delivered to Participants.

(iii) ISOS. The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, including but not limited to the requirement that no ISO shall be granted more than ten years after the effective date of the Plan. Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to ISOs shall be interpreted,

amended, or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify either the Plan or any ISO under Section 422 of the Code, unless requested by the affected Participant.

(iv) TERMINATION OF EMPLOYMENT. Unless otherwise determined by the Committee, upon termination of a Participant's employment with the Company and its subsidiaries, such Participant may exercise any Options during the three-month period following such termination of employment, but only to the extent such Option was exercisable immediately prior to such termination of employment. Notwithstanding the foregoing, if the Committee determines that such termination is for cause, all Options held by the Participant shall terminate as of the termination of employment.

(c) STOCK APPRECIATION RIGHTS. The Committee is authorized to grant SARs on the following terms and conditions ("SARs"):

(i) RIGHT TO PAYMENT. An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise (or, if the Committee shall so determine in the case of any such right other than one related to an ISO, the Fair Market Value of one share at any time during a specified period before or after the date of exercise), over (B) the grant price of the SAR as determined by the Committee as of the date of grant of the SAR, which, except as provided in Section 7(a), shall be not less than the Fair Market Value of one share of Stock on the date of grant.

(ii) OTHER TERMS. The Committee shall determine the time or times at which an SAR may be exercised in whole or in part, the method of exercise, method of settlement, form of consideration payable in settlement, method by which Stock will be delivered or deemed to be delivered to Participants, whether or not an SAR shall be in tandem with any other Award, and any other terms and conditions of any SAR. Limited SARs that may only be exercised upon the occurrence of a Change in Control may be granted on such terms, not inconsistent with this Section 6(c), as the Committee may determine. Limited SARs may be either freestanding or in tandem with other Awards.

(d) RESTRICTED STOCK. The Committee is authorized to grant Restricted Stock on the following terms and conditions ("Restricted Stock"):

(i) GRANT AND RESTRICTIONS. Restricted Stock shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances, in such

installments, or otherwise, as the Committee may determine. Except to the extent restricted under the terms of the Plan and any Award Agreement relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder including, without limitation, the right to vote Restricted Stock or the right to receive dividends thereon.

(ii) FORFEITURE. Except as otherwise determined by the Committee, upon termination of employment or service (as determined under criteria established by the Committee) during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; PROVIDED, HOWEVER, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of termination resulting from specified causes.

(iii) CERTIFICATES FOR STOCK. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, such certificates may bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, the Company may retain physical possession of the certificate, and the Participant shall have delivered a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iv) DIVIDENDS. Dividends paid on Restricted Stock shall be either paid at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or the payment of such dividends shall be deferred and/or the amount or value thereof automatically reinvested in additional Restricted Stock, other Awards, or other investment vehicles, as the Committee shall determine or permit the Participant to elect. Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed, unless otherwise determined by the Committee.

(e) DEFERRED STOCK. The Committee is authorized to grant Deferred Stock subject to the following terms and conditions ("Deferred Stock"):

(i) AWARD AND RESTRICTIONS. Delivery of Stock will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times, separately or in combination, in installments or otherwise, as the Committee may determine.

(ii) FORFEITURE. Except as otherwise determined by the Committee, upon termination of employment or service (as determined under criteria established by the Committee) during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award Agreement evidencing the Deferred Stock), all Deferred Stock that is at that time subject to such forfeiture conditions shall be forfeited; PROVIDED, HOWEVER, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will be waived in whole or in part in the event of termination resulting from specified causes.

(f) BONUS STOCK AND AWARDS IN LIEU OF CASH OBLIGATIONS. The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of Company obligations to pay cash under other plans or compensatory arrangements. Stock or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee.

(g) DIVIDEND EQUIVALENTS. The Committee is authorized to grant Dividend Equivalents entitling the Participant to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock ("Dividend Equivalents"). Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify.

(h) OTHER STOCK-BASED AWARDS. The Committee is authorized, subject to limitations under applicable law, to grant such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock and factors that may influence the value of Stock, as deemed by the Committee to be consistent with the purposes of the Plan, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or any other factors designated by the Committee and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries ("Other Stock Based Awards"). The Committee shall determine the terms and conditions of such Awards. Stock issued pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may be granted pursuant to this Section 6(h).

7. CERTAIN PROVISIONS APPLICABLE TO AWARDS.

(a) STAND-ALONE, ADDITIONAL, TANDEM, AND SUBSTITUTE AWARDS. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award granted under the Plan or any award granted under any other plan of the Company, any subsidiary or any business entity to be acquired by the Company or a subsidiary, or any other right of a Participant to receive payment from the Company or any subsidiary. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards.

(b) TERM OF AWARDS. The term of each Award shall be for such period as may be determined by the Committee; PROVIDED, HOWEVER, that in no event shall the term of any ISO or an SAR granted in tandem therewith exceed a period of seven years from the date of its grant (or such shorter period as may be applicable under Section 422 of the Code).

(c) FORM OF PAYMENT UNDER AWARDS. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or a subsidiary upon the grant, exercise or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments or on a deferred basis. Such payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents in respect of installment or deferred payments denominated in Stock.

(d) LOAN PROVISIONS. With the consent of the Committee, and subject at all times to, and only to the extent, if any, permitted under and in accordance with, laws and regulations and other binding obligations or provisions applicable to the Company, the Company may make, guarantee or arrange for a loan or loans to a Participant with respect to the exercise of any Option or other payment in connection with any Award, including the payment by a Participant of any or all federal, state or local income or other taxes due in connection with any Award. Subject to such limitations, the Committee shall have full authority to decide whether to make a loan or loans hereunder and to determine the amount, terms and provisions of any such loan or loans, including the interest rate to be charged in respect of any such loan or loans, whether the loan or loans are to be with or without recourse against the borrower, the terms on which the loan is to be repaid and conditions, if any, under which the loan or loans may be forgiven.

(e) PERFORMANCE-BASED AWARDS. The Committee may, in its discretion, designate any Award the exercisability or settlement of which is subject to the achievement of

performance conditions as a performance-based Award subject to this Section 7(f), in order to qualify such Award as "qualified performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder. The performance objectives for an Award subject to this Section 7(f) shall consist of one or more business criteria and a targeted level or levels of performance with respect to such criteria, as specified by the Committee but subject to this Section 7(f). Performance objectives shall be objective and shall otherwise meet the requirements of Section 162(m)(4)(C) of the Code. Business criteria used by the Committee in establishing performance objectives for Awards subject to this Section 7(f) shall be selected exclusively from among the following:

(1) Annual return on capital;

(2) Annual earnings per share;

(3) Annual cash flow provided by operations;

(4) Changes in annual revenues; and/or

(5) Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, cost targets, and goals relating to acquisitions or divestitures.

The levels of performance required with respect to such business criteria may be expressed in absolute or relative levels. Achievement of performance objectives with respect to such Awards shall be measured over a period of not less than one year nor more than five years, as the Committee may specify. Performance objectives may differ for such Awards to different Participants. The Committee shall specify the weighting to be given to each performance objective for purposes of determining the final amount payable with respect to any such Award. The Committee may, in its discretion, reduce the amount of a payout otherwise to be made in connection with an Award subject to this Section 7(f), but may not exercise discretion to increase such amount, and the Committee may consider other performance criteria in exercising such discretion. All determinations by the Committee as to the achievement of performance objectives shall be in writing. The Committee may not delegate any responsibility with respect to an Award subject to this Section 7(f).

(f) ACCELERATION UPON A CHANGE OF CONTROL. Notwithstanding anything contained herein to the contrary, unless otherwise provided by the Committee in an Award Agreement, all conditions and restrictions relating to an Award, including limitations on exercisability, risks of forfeiture and conditions and restrictions requiring the continued performance

of services or the achievement of performance objectives with respect to the exercisability or settlement of such Award, shall immediately lapse upon a Change in Control.

8. GENERAL PROVISIONS.

(a) COMPLIANCE WITH LAWS AND OBLIGATIONS. The Company shall not be obligated to issue or deliver Stock in connection with any Award or take any other action under the Plan in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any other federal or state securities law, any requirement under any listing agreement between the Company and any national securities exchange or automated quotation system or any other law, regulation or contractual obligation of the Company until the Company is satisfied that such laws, regulations, and other obligations of the Company have been complied with in full. Certificates representing shares of Stock issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be applicable under such laws, regulations and other obligations of the Company, including any requirement that a legend or legends be placed thereon.

(b) LIMITATIONS ON TRANSFERABILITY. Awards and other rights under the Plan will not be transferable by a Participant except by will or the laws of descent and distribution or to a Beneficiary in the event of the Participant's death, and, if exercisable, shall be exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative; PROVIDED, HOWEVER, that such Awards and other rights (other than ISOs and SARs in tandem therewith) may be transferred to one or more transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award consistent with the registration of the offer and sale of Stock on Form S-8 or Form S-3 or a successor registration form of the Securities and Exchange Commission, and permitted by the Committee. Awards and other rights under the Plan may not be pledged, mortgaged, hypothecated or otherwise encumbered, and shall not be subject to the claims of creditors.

(c) NO RIGHT TO CONTINUED EMPLOYMENT OR SERVICE. Neither the Plan nor any action taken hereunder shall be construed as giving any employee or other person the right to be retained in the employ or service of the Company or any of its subsidiaries, nor shall it interfere in any way with the right of the Company or any of its subsidiaries to terminate any employee's employment or other person's service at any time.

(d) TAXES. The Company and any subsidiary is authorized to withhold from any Award granted or to be settled, any delivery of Stock in connection with an Award, any other payment relating to an Award or any payroll or other payment to a Participant amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and

Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations.

(e) CHANGES TO THE PLAN AND AWARDS. The Board may amend, alter, suspend, discontinue or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of stockholders or Participants, except that any such action shall be subject to the approval of the Company's stockholders at or before the next annual meeting of stockholders for which the record date is after such Board action if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, and the Board may otherwise, in its discretion, determine to submit other such changes to the Plan to stockholders for approval; PROVIDED, HOWEVER, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant under any Award theretofore granted to him. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue, or terminate, any Award theretofore granted and any Award Agreement relating thereto; PROVIDED, HOWEVER, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant under such Award.

(f) NO RIGHTS TO AWARDS; NO STOCKHOLDER RIGHTS. No Participant or employee shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants and employees. No Award shall confer on any Participant any of the rights of a stockholder of the Company unless and until Stock is duly issued or transferred and delivered to the Participant in accordance with the terms of the Award or, in the case of an Option, the Option is duly exercised.

(g) UNFUNDED STATUS OF AWARDS; CREATION OF TRUSTS. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; PROVIDED, HOWEVER, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company's obligations under the Plan to deliver cash, Stock, other Awards, or other property pursuant to any Award, which trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) NONEXCLUSIVITY OF THE PLAN. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating

any limitations on the power of the Board to adopt such other compensatory arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

(i) NO FRACTIONAL SHARES. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) COMPLIANCE WITH CODE SECTION 162(M). It is the intent of the Company that employee Options, SARs and other Awards designated as Awards subject to Section 7(f) shall constitute "qualified performance-based compensation" within the meaning of Code Section 162(m). Accordingly, if any provision of the Plan or any Award Agreement relating to such an Award does not comply or is inconsistent with the requirements of Code Section 162(m), such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee or any other person discretion to increase the amount of compensation otherwise payable in connection with any such Award upon attainment of the performance objectives.

(k) GOVERNING LAW. The validity, construction and effect of the Plan, any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of laws, and applicable federal law.

(l) EFFECTIVE DATE; PLAN TERMINATION. The Plan shall become effective as of the date of its adoption by the Board, subject to stockholder approval prior to the commencement of the Initial Public Offering, and shall continue in effect until terminated by the Board.

COMFORT SYSTEMS USA, INC.

1997 NON-EMPLOYEE DIRECTORS' STOCK PLAN

1. PURPOSE. The purpose of this 1997 Non-Employee Directors' Stock Plan (the "Plan") of Comfort Systems USA, Inc., a Delaware corporation (the "Company"), is to advance the interests of the Company and its stockholders by providing a means to attract and retain highly qualified persons to serve as non-employee directors of the Company and to enable such persons to acquire or increase a proprietary interest in the Company, thereby promoting a closer identity of interests between such persons and the Company's stockholders.

2. DEFINITIONS. In addition to terms defined elsewhere in the Plan, the following are defined terms under the Plan:

(a) "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include regulations thereunder and successor provisions and regulations thereto.

(b) "Deferred Share" means a credit to a Participant's deferral account under Section 7 which represents the right to receive one Share upon settlement of the deferral account. Deferral accounts, and Deferred Shares credited thereto, are maintained solely as bookkeeping entries by the Company evidencing unfunded obligations of the Company.

(c) "Exchange Act" means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act shall be deemed to include rules thereunder and successor provisions and rules thereto.

(d) "Fair Market Value" of a Share on a given date mean the last sales price or, if last sales information is generally unavailable, the average of the closing bid and asked prices per Share on such date (or, if there was no trading or quotation in the stock on such date, on the next preceding date on which there was trading or quotation) as reported in the WALL STREET JOURNAL; PROVIDED, HOWEVER, that the "Fair Market Value" of a Share subject to Options granted effective on the date on which the Company commences an Initial Public Offering shall be the price of the shares so issued and sold, as set forth in the first final prospectus used in such Initial Public Offering.

(e) "Initial Public Offering" means an initial public offering of shares in a firm commitment underwriting registered with the Securities and Exchange Commission in compliance with the provisions of the Securities Act of 1933, as amended.

(f) "Option" means the right, granted to a director under Section 6, to purchase a specified number of Shares at the specified exercise price for a specified period of time under the Plan. All Options will be non-qualified stock options.

(g) "Participant" means a person who, as a non-employee director of the Company, has been granted an Option or Deferred Shares which remain outstanding or who has elected to be paid fees in the form of Shares or Deferred Shares under the Plan.

(h) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(i) "Share" means a share of common stock, $.01 par value, of the Company and such other securities as may be substituted for such Share or such other securities pursuant to Section 8.

3. SHARES AVAILABLE UNDER THE PLAN. Subject to adjustment as provided in Section 8, the total number of Shares reserved and available for issuance under the Plan is 250,000. Such Shares may be authorized but unissued Shares, treasury Shares, or Shares acquired in the market for the account of the Participant. For purposes of the Plan, Shares that may be purchased upon exercise of an Option or delivered in settlement of Deferred Shares will not be considered to be available after such Option has been granted or Deferred Share credited, except for purposes of issuance in connection with such Option or Deferred Share; PROVIDED, HOWEVER, that, if an Option expires for any reason without having been exercised in full, the Shares subject to the unexercised portion of such Option will again be available for issuance under the Plan.

4. ADMINISTRATION OF THE PLAN. The Plan will be administered by the Board of Directors of the Company; PROVIDED, HOWEVER, that any action by the Board relating to the Plan will be taken only if, in addition to any other required vote, such action is approved by the affirmative vote of a majority of the directors.

5. ELIGIBILITY. Each director of the Company who, on any date on which an Option is to be granted under Section 6 or on which fees are to be paid which could be received in the form of Shares or deferred in the form of Deferred Shares under Section 7, is not an employee of the Company or any subsidiary of the Company will be eligible, at such date, to be granted an Option under Section 6 or receive fees in the form of Shares or defer fees in the form of Deferred Shares under Section 7. No person other than those specified in this Section 5 will be eligible to participate in the Plan.

6. OPTIONS. An Option to purchase 10,000 Shares, subject to adjustment as provided in Section 8, will be automatically granted, (i) at the commencement of the Initial Public

Offering, to each person who is serving as a director of the Company at that time or who becomes a director of the Company at that time and who is eligible under Section 5 at that time, and thereafter (ii) at the effective date of initial election to the Board of Directors, to each person so elected who is eligible under Section 5 at that date. In addition, an Option to purchase 5,000 Shares, subject to adjustment as provided in Section 8, will be automatically granted, at the close of business of each annual meeting of stockholders of the Company, to each member of the Board of Directors who is eligible under Section 5 at the close of business of such annual meeting. Notwithstanding the foregoing, any person who was automatically granted an Option to purchase 10,000 Shares at the effective date of initial election to the Board of Directors shall not be automatically granted an Option to purchase 5,000 shares at the first annual meeting of stockholders following such initial election if such annual meeting takes place within three months of the effective date of such person's initial election to the Board of Directors.

(a) EXERCISE PRICE. The exercise price per Share purchasable upon exercise of an Option will be equal to 100% of the Fair Market Value of a Share on the date of grant of the Option.

(b) OPTION EXPIRATION. A Participant's Option will expire at the earlier of (i) 10 years after the date of grant or (ii) one year after the date the Participant ceases to serve as a director of the Company for any reason.

(c) EXERCISABILITY. Each Option may be exercised commencing immediately upon its grant.

(d) METHOD OF EXERCISE. A Participant may exercise an Option, in whole or in part, at such time as it is exercisable and prior to its expiration, by giving written notice of exercise to the Secretary of the Company, specifying the Option to be exercised and the number of Shares to be purchased, and paying in full the exercise price in cash (including by check) or by surrender of Shares already owned by the Participant having a Fair Market Value at the time of exercise equal to the exercise price, or by a combination of cash and Shares.

7. RECEIPT OF SHARES OR DEFERRED SHARES IN LIEU OF FEES. Each director of the Company may elect to be paid fees, in his or her capacity as a director (including annual retainer fees for service on the Board, fees for service on a Board committee, fees for service as chairman of a Board committee, and any other fees paid to directors) in the form of Shares or Deferred Shares in lieu of cash payment of such fees, if such director is eligible to do so under Section 5 at the date any such fee is otherwise payable. If so elected, payment of fees in the form of Shares or Deferred Shares shall be made in accordance with this Section 7.

(a) ELECTIONS. Each director who elects to be paid fees for a given calendar year in the form of Shares or to defer such payment of fees in the form of Deferred Shares for such

year must file an irrevocable written election with the Secretary of the Company no later than December 31 of the year preceding such calendar year; PROVIDED, HOWEVER, that any newly elected or appointed director may file an election for any year not later than 30 days after the date such person first became a director, and a director may file an election for the year in which the Plan became effective not later than 30 days after the date of effectiveness. An election by a director shall be deemed to be continuing and therefore applicable to subsequent Plan years unless the director revokes or changes such election by filing a new election form by the due date for such form specified in this Section 7(a). The election must specify the following:

(i) A percentage of fees to be received in the form of Shares or deferred in the form of Deferred Shares under the Plan; and

(ii) In the case of a deferral, the period or periods during which settlement of Deferred Shares will be deferred (subject to such limitations as may be specified by counsel to the Company).

Certain elections may not result in receipt of Shares or deferral of fees as Deferred Shares.

(b) PAYMENT OF FEES IN THE FORM OF SHARES. At any date on which fees are payable to a Participant who has elected to receive such fees in the form of Shares, the Company will issue to such Participant, or to a designated third party for the account of such Participant, a number of Shares having an aggregate Fair Market Value at that date equal to the fees, or as nearly as possible equal to the fees (but in no event greater than the fees), that would have been payable at such date but for the Participant's election to receive Shares in lieu thereof. If the Shares are to be credited to an account maintained by the Participant and to the extent reasonably practicable without requiring the actual issuance of fractional Shares, the Company shall cause fractional Shares to be credited to the Participant's account. If fractional Shares are not so credited, any part of the Participant's fees not paid in the form of whole Shares will be payable in cash to the Participant (either paid separately or included in a subsequent payment of fees, including a subsequent payment of fees subject to an election under this Section 7).

(c) DEFERRAL OF FEES IN THE FORM OF DEFERRED SHARES. The Company will establish a deferral account for each Participant who elects to defer fees in the form of Deferred Shares under this Section 7. At any date on which fees are payable to a Participant who has elected to defer fees in the form of Deferred Shares, the Company will credit such Participant's deferral account with a number of Deferred Shares equal to the number of Shares having an aggregate Fair Market Value at that date equal to the fees that otherwise would have been payable at such date but for the Participant's election to defer receipt of such fees in the form of Deferred Shares. The amount of Deferred Shares so credited shall include fractional Shares calculated to at least three decimal places.

(d) CREDITING OF DIVIDEND EQUIVALENTS. Whenever dividends are paid or distributions made with respect to Shares, a Participant to whom Deferred Shares are then credited in a deferral account shall be entitled to receive, as dividend equivalents, an amount equal in value to the amount of the dividend paid or property distributed on a single Share multiplied by the number of Deferred Shares (including any fractional Share) credited to his or her deferral account as of the record date for such dividend or distribution. Such dividend equivalents shall be credited to the Participant's deferral account as a number of Deferred Shares determined by dividing the aggregate value of such dividend equivalents by the Fair Market Value of a Share at the payment date of the dividend or distribution.

(e) SETTLEMENT OF DEFERRED SHARES. The Company will settle the Participant's deferral account by delivering to the Participant (or his or her beneficiary) a number of Shares equal to the number of whole Deferred Shares then credited to his or her deferral account (or a specified portion in the event of any partial settlement), together with cash in lieu of any fractional Share remaining at a time that less than one whole Deferred Share is credited to such deferral account. Such settlement shall be made within 30 days of the Participant's resignation from Board of Directors of the Company.

(f) DELAYED EFFECTIVENESS OF ELECTIONS IN ORDER TO COMPLY WITH RULE 16B-3. Other provisions of this Section 7 notwithstanding, if any payment of fees in the form of Shares or deferral of fees in the form of Deferred Shares would occur (i) less than six months after the Participant filed the election which would result in such payment or deferral, (ii) at a time when the Company's employee benefit plans are being operated in conformity with Rule 16b-3 as in effect on and after May 1, 1991, and (iii) at a time that Rule 16b-3 imposes a requirement that participant-directed transactions occur more than six months after the participant's making of an irrevocable election in order for such transactions to be exempt from Section 16(b) liability, then such fees instead shall be paid in cash on a non-deferred basis.

(g) NONFORFEITABILITY. The interest of each Participant in any fees paid in the form of Shares or Deferred Shares (and any deferral account relating thereto) at all times will be nonforfeitable.

8. ADJUSTMENT PROVISIONS.

(a) CORPORATE TRANSACTIONS AND EVENTS. In the event any dividend or other distribution (whether in the form of cash, Shares or other property), recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, exchange of Shares or other securities of the Company, extraordinary dividend (whether in the form of cash, Shares, or other property), liquidation, dissolution, or other similar corporate transaction or event affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement

of each Participant's rights under the Plan, then an adjustment shall be made, in a manner that is proportionate to the change to the Shares and otherwise equitable, in (i) the number and kind of Shares remaining reserved and available for issuance under Section 3, (ii) the number and kind of Shares to be subject to each automatic grant of an Option under Section 6, (iii) the number and kind of Shares issuable upon exercise of outstanding Options, and/or the exercise price per Share thereof (provided that no fractional Shares will be issued upon exercise of any Option), (iv) the kind of Shares to be issued in lieu of fees under Section 7, and (v) the number and kind of Shares to be issued upon settlement of Deferred Shares under Section 7. In addition, the Board of Directors is authorized to make such adjustments in recognition of unusual or non-recurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any subsidiary or the financial statements of the Company or any subsidiary, or in response to changes in applicable laws, regulations or accounting principles. The foregoing notwithstanding, no adjustment may be made hereunder except as will be necessary to maintain the proportionate interest of the Participant under the Plan and to preserve, without exceeding, the value of outstanding Options and potential grants of Options and the value of outstanding Deferred Shares.

(b) INSUFFICIENT NUMBER OF SHARES. If at any date an insufficient number of Shares are available under the Plan for the automatic grant of Options or the receipt of fees in the form of Shares or deferral of fees in the form of Deferred Shares at that date, Options will first be automatically granted proportionately to each eligible director, to the extent Shares are then available (provided that no fractional Shares will be issued upon exercise of any Option) and otherwise as provided under Section 6, and then, if any Shares remain available, fees shall be paid in the form of Shares or deferred in the form of Deferred Shares proportionately among directors then eligible to participate to the extent Shares are then available and otherwise as provided under Section 7.

9. CHANGES TO THE PLAN. The Board of Directors may amend, alter, suspend, discontinue, or terminate the Plan or authority to grant Options or pay fees in the form of Shares or Deferred Shares under the Plan without the consent of stockholders or Participants, except that any amendment or alteration will be subject to the approval of the Company's stockholders at or before the next annual meeting of stockholders for which the record date is after the date of such Board action if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system as then in effect, and the Board may otherwise determine to submit other such amendments or alterations to stockholders for approval; PROVIDED, HOWEVER, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant with respect to any previously granted Option or any previous payment of fees in the form of Shares or Deferred Shares.

10. GENERAL PROVISIONS.

(a) AGREEMENTS. Options, Deferred Shares, and any other right or obligation under the Plan may be evidenced by agreements or other documents executed by the Company and the Participant incorporating the terms and conditions set forth in the Plan, together with such other terms and conditions not inconsistent with the Plan, as the Board of Directors may from time to time approve.

(b) COMPLIANCE WITH LAWS AND OBLIGATIONS. The Company will not be obligated to issue or deliver Shares in connection with any Option, in payment of any directors' fees, or in settlement of Deferred Shares in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any other federal or state securities law, any requirement under any listing agreement between the Company and any stock exchange or automated quotation system, or any other law, regulation, or contractual obligation of the Company, until the Company is satisfied that such laws, regulations, and other obligations of the Company have been complied with in full. Certificates representing Shares issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be applicable under such laws, regulations, and other obligations of the Company, including any requirement that a legend or legends be placed thereon.

(c) LIMITATIONS ON TRANSFERABILITY. Options, Deferred Shares, and any other right under the Plan will not be transferable by a Participant except by will or the laws of descent and distribution (or to a designated beneficiary in the event of a Participant's death), and will be exercisable during the lifetime of the Participant only by such Participant or his or her guardian or legal representative; PROVIDED, HOWEVER, that Options and Deferred Shares (and rights relating thereto) may be transferred to one or more trusts or other beneficiaries during the lifetime of the Participant for purposes of the Participant's estate planning or at the Participant's death, and such transferees may exercise rights thereunder in accordance with the terms thereof, but only if and to the extent then permitted under Rule 16b-3 and consistent with the registration of the offer and sale of Shares related thereto on Form S-8, Form S-3, or such other registration form of the Securities and Exchange Commission as may then be filed and effective with respect to the Plan. The Company may rely upon the beneficiary designation last filed in accordance with this Section 10(c). Options, Deferred Shares, and other rights under the Plan may not be pledged, mortgaged, hypothecated, or otherwise encumbered, and shall not be subject to the claims of creditors of any Participant.

(d) NO RIGHT TO CONTINUE AS A DIRECTOR. Nothing contained in the Plan or any agreement hereunder will confer upon any Participant any right to continue to serve as a director of the Company.

(e) NO STOCKHOLDER RIGHTS CONFERRED. Nothing contained in the Plan or any agreement hereunder will confer upon any Participant (or any person or entity claiming rights by or through a Participant) any rights of a stockholder of the Company unless and until Shares are in fact issued to such Participant (or person) or, in the case an Option, such Option is validly exercised in accordance with Section 6.

(f) NONEXCLUSIVITY OF THE PLAN. Neither the adoption of the Plan by the Board of Directors nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements for directors as it may deem desirable.

(g) GOVERNING LAW. The validity, construction, and effect of the Plan and any agreement hereunder will be determined in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of laws, and applicable federal law.

11. STOCKHOLDER APPROVAL, EFFECTIVE DATE, AND PLAN TERMINATION. The Plan will be effective as of the date of its adoption by the Board, subject to stockholder approval prior to the commencement of the Initial Public Offering, and, unless earlier terminated by action of the Board of Directors, shall terminate at such time as no Shares remain available for issuance under the Plan and the Company and Participants have no further rights or obligations under the Plan.

SUBSIDIARIES OF
COMFORT SYSTEMS USA, INC.(1)

Accurate Acquisition Corp.
Atlas Air Acquisition I Corp.
Atlas Air Acquisition II Corp.
Contract Acquisition Corp.
Eastern Acquisition Corp.
Eastern II Acquisition Corp.
Freeway Acquisition Corp.
Quality Acquisition Corp.
S. M. Lawrence Acquisition Corp.
S. M. Lawrence II Acquisition Corp.
Seasonair Acquisition Corp.
Standard Acquisition Corp.
Tech I Acquisition Corp.
Tech II Acquisition Corp.
Tri-City Acquisition Corp.
Western Building Acquisition Corp.

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(1) All subsidiaries of Comfort Systems USA, Inc. are incorporated in Delaware and wholly-owned.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made a part of this registration statement.

ARTHUR ANDERSEN LLP

Houston, Texas
March 25, 1997

EXHIBIT 23.3

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March , 1997

By: /s/ FRED M. FERREIRA
Name: Fred M. Ferreira

EXHIBIT 23.4

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 25, 1997

By: /s/ GORDON BEITTENMILLER
Name: Gordon Beittenmiller

EXHIBIT 23.5

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 21, 1997

By: /s/ BRIAN ATLAS
Name: Brian Atlas

EXHIBIT 23.6

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 21, 1997

By: /s/ THOMAS BEATY
Name: Thomas Beaty

EXHIBIT 23.7

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 21, 1997

By: /s/ BOB COOK
Name: Bob Cook

EXHIBIT 23.8

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 23, 1997

By: /s/ ALFRED J. GIARDENELLI, JR.
Name: Alfred J. Giardenelli, Jr.

EXHIBIT 23.9

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 20, 1997

By: /s/ CHARLES W. KLAPPERICH
Name: Charles W. Klapperich

EXHIBIT 23.10

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 20, 1997

By: /s/ SAM M. LAWRENCE III
Name: Sam M. Lawrence III

EXHIBIT 23.11

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consent to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission provided that the Registration Statement clearly reflects that my appointment as a director takes place only after the closing sale of the securities being offered pursuant to the Registration Statement.

Dated: March 21, 1997

By: /s/ MICHAEL NOTHOM JR.
Name: Michael Nothom Jr.

EXHIBIT 23.12

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 20, 1997

By: /s/ JOHN C. PHILLIPS
Name: John C. Phillips

EXHIBIT 23.13

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 21, 1997

By: /s/ ROBERT J. POWERS
Name: Robert J. Powers

EXHIBIT 23.14

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 25, 1997

By: /s/ STEVE HARTER
Name: Steve Harter

EXHIBIT 23.15

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 25, 1997

By: /s/ LARRY MARTIN
Name: Larry Martin

EXHIBIT 23.16

CONSENT TO BE NAMED AS A DIRECTOR
OF
COMFORT SYSTEMS USA, INC.

The undersigned hereby consents to be named as a director of Comfort Systems USA, Inc. (the "Company") in the Registration Statement on Form S-1 to be filed by the Company with the Securities and Exchange Commission.

Dated: March 25, 1997

By: /s/ JOHN MERCADANTE, JR.
Name: John Mercadante, Jr.

THE FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANICAL STATEMENTS OF QUALITY AIR HEATING & COOLING, INC. AS OF DECEMBER 31, 1996 AND THE YEAR ENDED DECEMBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA.

12-MOS	
DEC-31-1996	
DEC-31-1996	
	2,651
	0
	5,798
	80
	541
	10,930
	3,598
	2,840
	11,688
	5,988
	0
	0
	0
	0
	22
	5,022
	11,688
	29,597
	29,597
	18,467
	25,107
	0
	0
	154
	4,433
	0
	4,433
	0
	0
	0
	4,433
	0
	0