

SUNAIR SERVICES CORP  
Form DEF 14A  
January 28, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(RULE 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

- Preliminary proxy statement
- Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))
- Definitive proxy statement
- Definitive additional materials
- Soliciting material pursuant to Rule 14a-11(c) or Rule 14a-12

SUNAIR SERVICES CORPORATION

(Name of Registrant as Specified in Its Charter)

Payment of filing fee (Check the appropriate box):

No fee required.

Fee computed on the table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date Filed:

---

**SUNAIR SERVICES CORPORATION  
595 SOUTH FEDERAL HIGHWAY, SUITE 500  
BOCA RATON, FLORIDA 33432**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MARCH 18, 2009**

To our shareholders:

The Annual Meeting of Shareholders ( Annual Meeting ) of Sunair Services Corporation ( Company ) will be held on March 18, 2009, at 11:00 a.m., local time, at the Hilton Hotel, 100 Fairway Drive, Deerfield Beach, Florida, 33441 for the following purposes:

- (1) To elect seven members to our Board of Directors who are named on pages 4-5 of this proxy statement, each to serve until the next Annual Meeting of Shareholders or until their successors have been duly elected and qualified; and
- (2) To act upon such other business as may properly come before the Annual Meeting and any and all adjournments or postponements thereof.

All shareholders of record at the close of business on January 28, 2009 will be entitled to vote at the Annual Meeting or any adjournments or postponements thereof.

By Order of the Board of Directors

/s/ Jack I. Ruff  
Jack I. Ruff  
President and Chief Executive Officer

Boca Raton, FL  
January 28, 2009

***This is an important meeting and you are invited to attend the Annual Meeting in person. Whether or not you expect to be present at the Annual Meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed return envelope. No postage is required if mailed in the United States. Shareholders who execute a proxy card may nevertheless attend the Annual Meeting, revoke their proxy and vote their shares in person.***

---

**SUNAIR SERVICES CORPORATION  
595 SOUTH FEDERAL HIGHWAY, SUITE 500  
BOCA RATON, FLORIDA 33432**

**PROXY STATEMENT  
ANNUAL MEETING OF SHAREHOLDERS**

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Sunair Services Corporation ( Company, us, our or we ), of proxies to be used with respect to the matters to be voted upon at the Annual Meeting of Shareholders ( Annual Meeting ) to be held on March 18, 2009, at 11:00 a.m., local time, at the Hilton Hotel, 100 Fairway Drive, Deerfield Beach, Florida, 33441, and at any adjournments or postponements thereof.

The approximate date that this proxy statement and the enclosed form of proxy are first being sent to shareholders is February 2, 2009. You should review the information provided in this proxy statement together with our Annual Report on Form 10-K for the fiscal year ended September 30, 2008, which is being delivered to shareholders simultaneously with this proxy statement.

**ABOUT THE MEETING**

***What is the purpose of the Annual Meeting?***

At the Annual Meeting, shareholders will vote on the election of seven members to our Board of Directors, who are named on pages 4-5 of this proxy statement. In addition, we will report on our performance and respond to questions from our shareholders.

***Who is entitled to vote at the meeting?***

If you are the record holder of shares of our common stock at the close of business on January 28, 2009 (the Record Date ), you are entitled to vote at the Annual Meeting. With respect to all matters to be acted upon at the Annual Meeting, each share of our common stock is entitled to one vote.

***Who can attend the meeting?***

Only holders of our stock as of January 28, 2009 (the Record Date ) or their duly appointed proxies, may attend. If your shares are held in the name of your broker or bank, you will need to bring evidence of your stock ownership, such as your most recent brokerage statement, and valid picture identification.

***What constitutes a quorum?***

The presence, in person or by proxy, of the holders of shares representing a majority of the outstanding shares of our common stock will constitute a quorum, permitting the meeting to conduct its business. As of the Record Date, we had issued and outstanding 13,091,088 shares of common stock. Proxies received, but marked as abstentions, and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting, but will not be counted as votes cast for or against any given matter.

If less than a majority of outstanding shares entitled to vote are represented at the meeting, a majority of the shares present at the meeting may adjourn the meeting to another date, time or place, and notice need not be given of the new date, time or place if the new date, time or place is announced at the meeting before an adjournment is taken.

---

***How do I vote?***

If you complete and properly sign the accompanying proxy card and return it to us, it will be voted as you direct. If you are a registered shareholder and you attend the meeting, you may deliver your completed proxy card in person.

If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you together with a voting instruction card by your broker, trustee or nominee, as the case may be. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote, and you are also invited to attend the Annual Meeting. Since a beneficial owner is not the shareholder of record, you may not vote your shares in person at the Annual Meeting, unless you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares at the meeting. Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing the broker, trustee or other nominee how to vote your shares.

***Can I change my vote after I return my proxy card?***

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with our Secretary either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

***What are the board's recommendations?***

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of our Board of Directors. The recommendation of the Board of Directors is included after the description of each proposal in this proxy statement. In summary, the Board of Directors recommends a vote:

*for* the election of the nominated slate of directors (whose biographies are contained on pages 4-5 of this proxy statement).

The Board of Directors does not know of any other matters that may be brought before the meeting. In the event that any other matter should properly come before the Annual Meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in accordance with their best judgment.

***What vote is required to approve each proposal?***

*Election of Directors.* The affirmative vote, either in person or by proxy, of a plurality of the votes cast at the meeting is required for the election of directors. This means that candidates who receive the highest number of votes are elected. A properly executed proxy marked **WITHHOLD AUTHORITY** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. Shareholders do not have the right to cumulate their votes for directors.

*Other Proposals.* For any other proposal, the affirmative vote, either in person or by proxy, of a majority of the votes cast at the meeting, either in person or by proxy, will be required for approval. A properly marked **ABSTAIN** with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum.

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum.

***Who pays for the preparation of the proxy?***

We will bear the cost of preparing, printing, assembling and mailing all proxy materials that may be sent to shareholders in connection with this solicitation. Arrangements will also be made with brokerage houses, other custodians, nominees and fiduciaries, to forward soliciting material to the beneficial owners of shares of our common stock held by these persons. We will reimburse these persons for reasonable out-of-pocket expenses incurred by them. In addition to the solicitation of proxies by use of the mails, our officers and regular employees may solicit proxies without additional compensation by telephone or facsimile. We do not expect to pay any compensation for the solicitation of proxies.

***How is the meeting conducted?***

The Chairman of the Board has broad authority to conduct the Annual Meeting in an orderly and timely manner. This authority includes establishing rules for shareholders who wish to address the meeting. The Chairman may also exercise broad discretion in recognizing shareholders who wish to speak and in determining the extent of discussion on each item of business. In light of the need to conclude the meeting within a reasonable period of time, we cannot assure that every shareholder who wishes to speak on an item of business will be able to do so. The Chairman of the Board may also rely on applicable law regarding disruptions or disorderly conduct to ensure that the meeting is conducted in a manner that is fair to all shareholders.

Only holders of our common stock as of the Record Date, or their duly appointed proxies, may attend the Annual Meeting. Our principal executive offices are located at 595 South Federal Highway, Suite 500, Boca Raton, Florida 33432, and our telephone number is (561) 208-7400. A list of shareholders entitled to vote at the Annual Meeting will be available at our offices for a period of ten days prior to the meeting and at the meeting itself for examination by any shareholder.

***How are votes tabulated?***

We will appoint two persons to serve as the Inspector of Elections and they will tabulate and certify the votes at the Annual Meeting.



## **PROPOSAL NO. 1**

### **Election of Directors**

Our directors are elected annually at the Annual Meeting of Shareholders and hold office until their death, resignation, retirement, removal, disqualification, or the next Annual Meeting of Shareholders or until their successors are duly elected and qualified.

The number of directors constituting the full Board of Directors currently is seven, and the term of each director will expire at the Annual Meeting. All of the current directors have been nominated for re-election to our Board of Directors at the Annual Meeting. Information about each of the nominees is given below. If elected, each of the nominees shall serve until the next Annual Meeting of Shareholders, expected to be held in March 2010, or until their successors have been duly elected and qualified.

We have no reason to believe that any of the nominees will be unable to serve as director. However, in the event that any nominee should become unable or unwilling to serve as a director, the proxy will be voted for the election of the person or persons as shall be nominated by our Board of Directors.

### **Nominees for Re-election**

Joseph S. DiMartino, 65, was appointed to our Board of Directors on September 9, 2005, to fill a vacancy on our Board. Mr. DiMartino was nominated by Coconut Palm Capital Investors II, Ltd. ( Coconut Palm ), in accordance with a Purchase Agreement, dated November 17, 2004, between us and Coconut Palm. Mr. DiMartino has been the Chairman of the Board and a Director of The Dreyfus Family of Mutual Funds in New York City since January 1995. Mr. DiMartino served as President, Chief Operating Officer and Director of The Dreyfus Corporation from October 1982 until December 1994. Mr. DiMartino also has served since 1997 as a Director and Chairman of the Compensation Committee of Century Business Services, Inc., and also serves as a Director of The Newark Group and the Muscular Dystrophy Association. Mr. DiMartino is a 1965 graduate of Manhattan College and attended New York University's Graduate School of Business.

Mario B. Ferrari, 31, was appointed Vice Chairman of our Board of Directors on February 4, 2005, at the Annual Meeting of Shareholders. Mr. Ferrari is a partner and co-founder of Royal Palm Capital Partners ( RPCP ), a private investment and management firm, since its inception in 2002. Mr. Ferrari also serves as a director of publicly held Devcon International Corp. since July 2004. Mr. Ferrari also serves as Chief Strategic Officer of Equity Media Holdings Corporation. From June 2000 to June 2002, Mr. Ferrari was an investment banker with Morgan Stanley & Co. In October, 1997, Mr. Ferrari co-founded PowerUSA, LLC, a retail renewable energy services company and was a managing member until September 1999. Mr. Ferrari received his B. S., magna cum laude, in Finance and International Business from Georgetown University in 2000.

Robert C. Griffin, 60, has served as a Director since February 2008. Mr. Griffin has held numerous positions of responsibility in the financial sector, including Head of Investment Banking, Americas and Management Committee Member for Barclay's Capital from 2000 to 2002, and prior to that as the Global Head of Financial Sponsor Coverage for Bank of America Securities from 1998 to 2000 and Group Executive Vice President of Bank of America from 1997 to 1998. Mr. Griffin also currently serves as a Director of Builders FirstSource, Inc. and Commercial Vehicle Group, Inc.

Arnold Heggstad, Ph.D., 65, was appointed to our Board of Directors in March 2003. Dr. Heggstad is the Holloway Professor of Finance and Entrepreneurship at the University of Florida and has been at the University since 1974.

Dr. Heggstad has served as Chairman, Department of Finance, Insurance and Real Estate, Associate Dean, College of Business Administration, Director of the Center for Financial Institutions, Executive Director, University of Florida Research Foundation, Associate Vice-President of Entrepreneurial Programs in the Office of Research. Dr. Heggstad is a Director of Intrepid Capital Management, Inc. He has been very active in public service and has served both public and private interests in a number of capacities.

Steven P. Oppenheim, 62, was appointed to our Board of Directors in January 2004, and currently serves on its Audit, Nominating, and Compensation Committees. Mr. Oppenheim is the President and owner of Oppenheim & Associates, Atlanta, Georgia, which, since 2001 has provided a wide range of consulting and strategic planning

services to a diversified international clientele in the U.S., Europe and Latin America. Mr. Oppenheim holds a Juris Doctor Degree and maintained his own law firm from 1975 until 2000. Mr. Oppenheim also holds a Bachelor of Business Administration in Accounting from the University of Miami, and from 1973 to 1975 he was tax supervisor with the public accounting firm of Coopers & Lybrand. Mr. Oppenheim serves in various officer capacities for several multinational companies or affiliates involving U.S. business. He serves as a Director of the International Advertising Association and as a Director of the British American Chamber of Commerce. He previously served as a Director of the French-American Chamber of Commerce, Italy-America Chamber of Commerce, and European-American Chamber of Commerce.

Richard C. Rochon, 51, was appointed Chairman of our Board of Directors on February 4, 2005, at the Annual Meeting of Shareholders in connection with Coconut Palm's investment in the Company, as described in the Purchase Agreement, dated November 17, 2004, between us and Coconut Palm. Mr. Rochon has served as Chairman and Chief Executive Officer of Royal Palm Capital Partners LLLP, a private investment and management firm, since 2002. Mr. Rochon also has served as a Director of Devcon International Corp., a publicly-held company that provides electronic security and construction services, since July 2004, and as Chairman and Chief Executive Officer of Coconut Palm Acquisition Company, a publicly held special purpose acquisition company, from September 2005 until June 2007. Previously, from 1987 to 2002, Mr. Rochon served as President of Huizenga Holdings, Inc, a management and holding company owned by H. Wayne Huizenga, whose investments included Blockbuster Entertainment Corporation, Republic Waste Industries, Inc., AutoNation, Inc., and Boca Resorts, Inc. Mr. Rochon joined Huizenga Holdings in 1985 as Treasurer and was promoted to President in 1987. Mr. Rochon served as Vice Chairman of Huizenga Holdings and as sole Director for many of Huizenga Holdings' private and public portfolio companies, including as a Director of AutoNation, Inc., the NHL's Florida Panthers and the NFL's Miami Dolphins. Mr. Rochon previously served as Vice Chairman of Boca Resorts, Inc, an owner and operator of luxury resort properties in Florida, from November 1996 to December 2004, while serving as President from March 1998 until January 2002. In addition, Mr. Rochon has been a Director of Bancshares of Florida, a full-service commercial bank, from 2002 until February 2007, and a Director of Century Business Services, a diversified services company, since 1996. From 1979 until 1985 Mr. Rochon was employed as a certified public accountant by the public accounting firm of Coopers & Lybrand. L.L.P. Mr. Rochon received his B.S. in Accounting from Binghamton University (formerly State University of New York at Binghamton) in 1979 and his Certified Public Accounting designation in 1981.

Charles P. Steinmetz, 69, was appointed to our Board of Directors in June 2005, and was appointed to serve as the Chief Executive Officer of Middleton Pest Control, Inc. ( Middleton ), effective as of January 18, 2008. Mr. Steinmetz was nominated to serve as a director by Coconut Palm, in accordance with the Purchase Agreement and a Stock Purchase Agreement dated June 7, 2005, between our subsidiary, Sunair Southeast Pest Holdings, Inc. ( SSPH ), and the selling shareholders of Middleton. Mr. Steinmetz was the majority owner of Middleton from 1977 until it was purchased by SSPH. Mr. Steinmetz also served in various capacities with Orkin Exterminating Company (1961-1973) and Truly Nolen, Inc. (1974-1977), and led the build-up and sale of All America Termite and Pest Control, Inc. (1982-1997), which at the time of sale was the largest privately owned pest control company in the United States with 125 locations throughout Florida, Georgia, Alabama, North and South Carolina, Louisiana, Tennessee, Mississippi, Arizona and Texas. Mr. Steinmetz received his B.S. in Agriculture, major in Entomology, from the University of Florida.

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF ALL  
NOMINEES NAMED ABOVE.**

## **CORPORATE GOVERNANCE**

We maintain a corporate governance page on our website which includes key information about our corporate governance initiatives, including the Company's Code of Ethical Conduct and charters for the Audit Committee, the Compensation Committee and the Nominating Committee. Our corporate governance page is available at our web site at [www.sunairservices.com](http://www.sunairservices.com) under the Corporate Governance tab found in the IR/Home section.

### ***Independent Directors***

A majority of the members of our Board of Directors is independent according to the corporate governance rules of the American Stock Exchange ( AMEX ). In particular, our Board of Directors has in the past evaluated, and our Nominating Committee will in the future evaluate, periodically the independence of each member of the Board of Directors.

The Board of Directors has determined that the following four individuals currently serving on the Board of Directors are independent as defined by the listing standards of the AMEX: Joseph S. DiMartino, Robert C. Griffin, Arnold Heggstad, Ph.D. and Steven P. Oppenheim.

### **Code of Ethical Conduct**

We have adopted a Code of Ethical Conduct that includes provisions ranging from restrictions on gifts to conflicts of interest. All employees are bound by this Code of Ethical Conduct, violations of which may be reported to the Audit Committee. The Code of Ethical Conduct includes provisions applicable to our senior executive officers consistent with the Sarbanes-Oxley Act of 2002. This Code of Ethical Conduct is available on our website located at [www.sunairservices.com](http://www.sunairservices.com) under the Corporate Governance tab found in the IR/Home section. We intend to post on our website amendments to or waivers from our Code of Ethical Conduct.

### **Director Compensation**

We use a combination of cash and equity-based incentive compensation to attract and retain qualified candidates to serve on the Board. In setting director compensation, we consider the significant amount of time that directors expend in fulfilling their duties, as well as the skill-level required by us of members of the Board. During fiscal 2008, all of our Board members were non-employee directors (except Charles P. Steinmetz served as the CEO of Middleton from January 18, 2008 until July 25, 2008). Mr. Steinmetz did not receive any cash compensation for serving as the CEO of Middleton during this interim period.

### ***Cash Compensation***

Non-employee directors were paid an annual cash retainer of \$28,000, plus additional cash retainers for serving as a Chair of a committee during fiscal 2008. These annual retainers are paid in quarterly installments and are listed in the following table:

<b>Position</b>	<b>Annual Amount (\$)</b>
Board Member	28,000

Chair of Audit Committee	5,000
Chair of the Compensation Committee	5,000
Chair of the Nominating Committee	5,000

During fiscal 2008, we also paid each non-employee director attendance fees for each Board or committee meeting. Each non-employee director received \$1,500 for attendance at each Board of Director s meeting. We paid the Chairman of our Audit Committee \$1,500 for each meeting of the Audit Committee meeting attended and the other members of the Audit Committee received \$1,250 for each Audit Committee meeting attended. We paid the Chairman of our Compensation Committee \$1,500 for each meeting of the Compensation Committee meeting attended and the other members of the Compensation Committee received \$1,250 for each Compensation Committee meeting attended. We paid the Chairman of our Nominating Committee \$1,500 for each meeting

of the Nominating Committee meeting attended and the other members of the Nominating Committee received \$1,250 for each Nominating Committee meeting attended. We reimburse non-employee directors for out-of-pocket expenses incurred in connection with attending Board and committee meetings.

Also, in November 2007, the Board formed an Independent Directors Committee ( Directors Committee ) consisting of Messrs. Burke, DiMartino, Heggstad, Oppenheim and Steinmetz, to determine whether to renew and/or terminate the Management Services Agreement with RPC Financial Advisors, LLC. The Director s Committee then formed a Sub-Committee of Messrs. Heggstad, Oppenheim and Steinmetz to review the issues relating to the decision, and report back to the full Committee. We paid each member of the full Directors Committee, which met three times, \$1,500 per meeting, and each member of the Sub-Committee, which met three times, \$1,250 per meeting.

In August 2008, a special committee ( Special Committee ) of the Board of Directors was formed, consisting of Mr. Griffin, who was appointed the Chairperson, and Messrs. Heggstad and Steinmetz, to review an unsolicited offer for the sale of the Company and other strategic alternatives. The Special Committee met five times during fiscal 2008. We paid the Chairman of the Special Committee \$1,500 for each meeting and the other members of the Special Committee received \$1,250 for each meeting.

### ***Equity-Based Compensation***

To ensure that directors have an ownership interest aligned with our stockholders, from time to time we may also grant options to purchase shares of our common stock to our non-employee directors under our 2004 Stock Incentive Plan ( Plan or 2004 Stock Plan ). Each of our non-employee directors receive 5,000 options to purchase shares of our common stock for each year of service, which vest quarterly during each year of service, and any new directors who are not full-time employees of our Company receive 20,000 options to purchase shares of our common stock upon joining the Board of Directors, which vest quarterly over the first year of service. The exercise price of the options is equal to the closing price of the Company s common stock on the date of grant.

### ***Director Compensation Table***

The following table sets forth with respect to the named director, compensation information inclusive of equity awards and payments made in the fiscal year ended September 30, 2008. All option awards were granted from our 2004 Stock Plan. The amounts reflected in columns (c) below do not reflect compensation actually received by the directors during 2008. Instead, these amounts reflect the compensation costs recognized by us in fiscal year 2008 for financial statement reporting purposes in accordance with SFAS 123R. For information regarding the assumptions made in calculating the amounts reflected in this column, see Footnote 10 Stock Options to our audited financial statements for the year ended September 30, 2008, included in our Annual Report on Form 10-K for fiscal 2008.

### **NON-EMPLOYEE DIRECTORS COMPENSATION SUMMARY**

<b>(a) Name</b>	<b>(b) Fees Earned or Paid in Cash (\$)</b>	<b>(c) Option Awards (\$)</b>	<b>Total</b>
Joseph Burke(1)	\$ 36,750	\$ 3,740	\$ 40,490
Joseph S. DiMartino	62,000	6,881	68,881

Edgar Filing: SUNAIR SERVICES CORP - Form DEF 14A

Mario B. Ferrari	41,500	6,881	48,381
Robert Griffin	30,750	12,564	43,314
Arnold Heggstad, Ph.D.	78,000	6,881	84,881
Steven P. Oppenheim	91,000	6,881	97,881
Richard C. Rochon	40,000	6,881	46,881
Charles P. Steinmetz	56,000	6,881	62,881

- (1) Represents compensation that Mr. Burke received for serving as a director for 4 3/4 months in fiscal 2008. Mr. Burke had served as director of the Company from February 2006 through February 2008. He did not stand for re-election at the 2008 Annual Shareholder Meeting.

### Director Compensation in Fiscal 2009

Effective October 1, 2008, the cash compensation for the Board of Directors was changed to a flat fee arrangement as opposed to a, per meeting, fee basis. The directors, with the exception of Richard C. Rochon who has decided to forego his director fees, will be receiving an annual amount of \$45,000 paid in equal quarterly installments of \$11,250. Additionally, the Chairman of the Audit Committee will receive \$10,000 per annum to be paid in equal quarterly installments, and the Chairman of the Compensation Committee will receive \$5,000 annually to be paid in equal quarterly installments. The only exception to this is the Special Committee which will continue to receive per meeting fees of \$1,500 for the Chairman and \$1,250 for committee members.

### Board Committees and Meetings

During fiscal 2008, the Board met 9 times and acted by written consent 2 times. Each director attended at least 75% of all meetings of the Board and the committees of the Board on which he serves.

We have three standing committees: the Audit Committee, the Compensation Committee and the Nominating Committee. Each of these committees has a written charter approved by the Board of Directors. A copy of each charter is available on our website located at [www.sunairservices.com](http://www.sunairservices.com) under the Corporate Governance tab found in the IR/Home section. The members of our standing committees, as of the date of this proxy statement, are identified in the following table.

Director	Audit Committee	Compensation Committee	Nominating Committee	Special Committee
Joseph S. DiMartino			*	*
Mario B. Ferrari				
Robert C. Griffin	*			**
Arnold Heggstad Ph.D.	**			
Steven P. Oppenheim	*	**	**	*
Richard C. Rochon				
Charles P. Steinmetz				*

\* Member

\*\* Chair

### Audit Committee

Our Audit Committee assists our Board of Directors in monitoring the integrity of our financial statements and compliance with requirements as set forth in the Public Company Accounting Oversight Board's Auditing Standards. Its responsibilities include the maintenance of free and open communications among the directors, our independent registered public accounting firm and financial management of the Company. The Audit Committee held 14 meetings



and acted by written consent 1 time during fiscal 2008. Our Board of Directors has determined that: (i) all current Audit Committee members are independent as that concept is defined in the applicable rules of AMEX and the Securities and Exchange Commission ( SEC ), (ii) all current committee members are financially literate, and (iii) all current committee members qualify as Audit Committee financial experts under the applicable rules of the SEC. In making the determination as to Messrs. Griffin, Heggstad s and Oppenheim s status as Audit Committee financial experts, our Board of Directors determined they have accounting and related financial management expertise within the meaning of the aforementioned rules as well as the listing standards of AMEX.

### **Report of the Audit Committee**

*The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference in any other filing by us under the Securities Act of 1933 or the Securities Exchange Act of 1934.*

The Audit Committee of our Board of Directors is established under our Audit Committee charter adopted by our Board of Directors on May 30, 2000. A copy of our Audit Committee's charter is available on our website at [www.sunairservices.com](http://www.sunairservices.com).

Our management is responsible for our internal controls and the financial reporting process. Our independent auditors are responsible for performing the independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. Our Audit Committee is comprised of three non-management directors and its responsibility is generally to monitor and oversee the processes described in our Audit Committee charter. Our Audit Committee relies, without independent verification, on the information provided to it and on the representations made by management and the independent auditors that the financial statements have been prepared in conformity with generally accepted accounting principles. Each member of our Audit Committee is independent in the judgment of our Board of Directors as required by the listing standards of AMEX, the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC adopted under Sarbanes-Oxley, as of this date. With respect to the period ended September 30, 2008 the Audit Committee performed the following:

Reviewed and discussed with our management and the independent auditors our audited consolidated financial statements as of September 30, 2008;

Discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committee, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T, and Statement on Auditing Standards No. 90, Audit Committee Communication, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3600T;

Discussed with the independent auditors the firm's independence; and

Received from the independent auditors written affirmation of their independence as required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*.

Based upon the review and discussions referred to above, and subject to the limitations on its role and responsibilities described above and in our Audit Committee charter, our Audit Committee recommended to our Board of Directors that our audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended September 30, 2008 for filing with the SEC.

Submitted by the Audit Committee of the Board of Directors.

#### **Audit Committee**

Arnold Heggstad Ph.D.  
(Chairperson)

Robert C. Griffin

Steven P. Oppenheim

***Compensation Committee***

The Compensation Committee's basic responsibility is to review the performance and development of the Company's management in achieving corporate goals and objectives and to assure that the Company's executive officers are compensated effectively in a manner consistent with the Company's strategy, competitive practice, sound corporate governance principles and shareholder interests. Toward that end, the Compensation Committee (i) will review and approve the compensation of the Company's Chief Executive Officer and other executive officers, (ii) will review and make recommendations with respect to the Company's existing and proposed

compensation plans, and (iii) will administer grants and awards to employees under the Company's 2004 Stock Incentive Plan. During fiscal 2008, the Compensation Committee held 11 meeting(s). Our Board of Directors has determined that each member of the Compensation Committee is (i) an independent director under applicable AMEX listing standards, (ii) an outside director as defined in Section 162(m) of the Internal Revenue Code and (iii) a non-employee director as defined in Rule 16b-3 under the Securities Exchange Act of 1934.

### *Nominating Committee*

The Nominating Committee has been assigned the functions of (i) soliciting, considering, recommending and nominating candidates to serve on the Board of Directors under criteria adopted by it from time to time; (ii) advising the Board of Directors with respect to its composition, procedures and committees; (iii) overseeing periodic evaluations of the Board of Directors and its committees, including establishing criteria to be used in connection with such evaluations; and (iv) reviewing and reporting to the Board of Directors on a periodic basis with regard to matters of corporate governance. During fiscal 2008, the Nominating Committee held 2 meeting(s). Our Board of Directors has determined that each member of the Nominating Committee is an independent director under applicable AMEX listing standards.

If a shareholder wishes to recommend a nominee for director, written notice should be sent to the Corporate Secretary in accordance with the instructions set forth later in this proxy statement under the caption "Other Information Information Concerning Shareholder Proposals" beginning on page 25. Each written notice must set forth: (1) the name and address of the shareholder who is making the nomination; (2) the number of shares of our common stock which are beneficially owned by the shareholder and a representation that the shareholder is a holder of record of our common stock entitled to vote at the Annual Meeting of shareholders and intends to appear in person or by proxy at the meeting and nominate the person specified in the notice; (3) the name of the director candidate; (4) a complete resume or statement of the candidate's qualifications (including education, work experience, knowledge of our industry, membership on the Board of Directors of another corporation and civic activity); (5) a description of all arrangements or understandings between the shareholder and the candidate and/or any other person or persons pursuant to which the nomination is to be made by the shareholder; (6) such other information regarding a candidate as would be required to be included in a proxy statement, including information with respect to a candidate's independence as defined under the rules and regulations promulgated by the SEC and the American Stock Exchange and information regarding the candidate's attributes that the members of the Nominating Committee would need to consider in order to assess whether such candidate would qualify as an Audit Committee financial expert as defined by the rules and regulations promulgated by the SEC; and (7) the candidate's consent to serve as a director of our company if elected.

The suitability of potential candidates nominated by shareholders will be evaluated in the same manner as other candidates that are identified by the Nominating Committee. In making its nominations, the Nominating Committee will identify candidates who meet the current challenges and needs of the Board of Directors. In making such decisions, the Nominating Committee will consider, among other things, an individual's business experience, industry experience, financial background and experiences and whether the individual meets the independence requirements of the American Stock Exchange. The Nominating Committee will use multiple sources for identifying and evaluating nominees for directors including referrals from current directors, recommendations by shareholders and input from third party executive search firms.

**CURRENT DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth our current directors and executive officers as of January 28, 2009. Our directors are elected annually and hold office until their death, resignation, retirement, removal, disqualification, or the next Annual Meeting of Shareholders or until their successors are duly elected and qualified. There is no family relationship between or among any of our directors and executive officers. Our current Board of Directors consists of seven persons.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Jack I. Ruff	53	Chief Executive Officer
Edward M. Carriero, Jr.	53	Chief Financial Officer
Joseph S. DiMartino	65	Director
Mario B. Ferrari	31	Vice Chairman of the Board
Robert C. Griffin	60	Director
Arnold Heggstad, Ph.D.	65	Director
Steven P. Oppenheim	62	Director
Richard C. Rochon	51	Chairman of the Board
Charles P. Steinmetz	69	Director and Chief Executive Officer of Middleton

Below is a summary of the business experience of our executive officers who do not serve on our Board of Directors. The business experience of the nominees to our Board of Directors appears under the caption *Nominees for Re-election* beginning on page 4.

Jack I. Ruff has served as the Chief Executive Officer and President of the Company and Middleton since July 25, 2008. Mr. Ruff is a co-founder of Royal Palm Capital, Inc. ( RPCP ) and has been a partner of RPCP since September 2002 through the present date. Mr. Ruff has also served as vice president and director of Royal Palm Capital Management, Inc., since February 2005 through the present date. Prior thereto, Mr. Ruff served as Senior Vice President with Bank of America, N.A., where for over 18 years he was responsible for mergers and acquisitions and financing high growth public and private middle market companies. In this capacity, he evaluated and structured transactions using public and private equity, public and private senior debt and mezzanine securities. In addition, he was the Market Executive for Bank of America's Financial Strategies Group where he managed a group of professional bankers focused on the middle market in Florida. Prior to joining Bank of America (formerly NationsBank) in 1984, he was employed for seven years by The First National Bank of Chicago's Global Banking Group. Mr. Ruff received his B.S. in Finance and Economics from Indiana University.

Edward M. Carriero, Jr. has served as our Chief Financial Officer since February 2008 and as our Interim Chief Financial Officer since September 8, 2006. Mr. Carriero replaced our former Chief Financial Officer, Synnott B. Durham, who resigned after we sold substantially all of the assets of our high frequency single sideband communication business. Mr. Carriero also served as the Chief Financial Officer of Middleton from February 2006 through February 2007. Prior to joining Middleton, from July 2003 to February 2006, Mr. Carriero served as the revenue auditor for Broward County Port Everglades, a large seaport in South Florida. From October 2001 to July 2003, Mr. Carriero served as CFO of Apex Maintenance Services, Inc., a roofing contractor. From June 1998 to October 2001, Mr. Carriero provided consulting services to various businesses. From June 1991 to June 1998, Mr. Carriero held several operating positions for Huizenga Holdings, Inc., including: executive vice president/chief financial officer and director for Life General Security Insurance Company, a \$100 million life and health insurance company operating in 27 states; executive vice president/chief operating officer for Blue Ribbon Water Company, a

bottled water delivery company; and vice president and general manager of Suncoast Helicopters, Inc., a helicopter charter company. Mr. Carriero received his Bachelor of Science in accounting from Saint Francis College in Brooklyn, N.Y. and his MBA from the University of Miami.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table shows as of January 28, 2009, the Record Date (or such other date indicated in the footnotes below), the number of shares beneficially owned and the percentage ownership of our common stock, by the following: (a) each of our Named Executive Officers, who was employed by us as of the Record Date, (b) each of our directors, (c) all of our Named Executive Officers and directors as a group and (d) each person known to management to own beneficially more than 5% of our outstanding common stock.

As used herein, the term beneficial ownership with respect to a security is defined by Rule 13d-3 under the Securities Exchange Act of 1934 as consisting of sole or shared voting power (including the power to vote or direct the vote) and/or sole or shared investment power (including the power to dispose or direct the disposition of) with respect to the security through any contract, arrangement, understanding, relationship or otherwise, including a right to acquire such power(s) during the next 60 days. Unless otherwise noted, beneficial ownership consists of sole ownership, voting and investment rights. The address for each named Executive Officer and director is care of Sunair Services Corporation, 595 South Federal Highway, Suite 500, Boca Raton, FL 33432.

Name	Amount and Nature of Beneficial Ownership	Percent of Class
<b>Directors and Named Executive Officers</b>		
Jack I. Ruff	0	*
Edward M. Carriero(1)	40,625	*
Joseph S. DiMartino(2)	70,000	*
Mario B. Ferrari(3)(10)	9,929,700	54.89%
Robert C. Griffin(4)	20,000	*
Arnold Heggstad, Ph.D.(5)	58,000	*
Steven P. Oppenheim(6)	35,000	*
Richard C. Rochon(7)(10)	9,929,700	54.89%
Charles P. Steinmetz(8)	439,024	3.35%
<b>All directors and executive officers as a group (9 persons)(9)</b>	<b>10,582,649</b>	<b>59.80%</b>
<b>Other 5% or Greater Shareholders</b>		
Coconut Palm Capital Investors II, Ltd.(10)	9,914,700	54.80%
Michael Brauser(11)	1,070,176	7.88%
Michael Herman(11)	2,180,600	16.66%
Dru A. Schmitt(11)	1,486,014	11.35%
Joseph Q. DiMartini(11)	314,400	2.40%
Barry Honig(11)	126,170	*
Leon Brauser(11)	80,000	*
Massey Services, Inc.(12)	1,260,972	9.63%
Par Investment Partners, L.P.(13)	661,502	5.05%

\* Less than 1%.

(1)

Edgar Filing: SUNAIR SERVICES CORP - Form DEF 14A

Includes 20,000 shares held by Mr. Carriero's wife in her IRA account and 20,625 shares issuable upon currently exercisable options or options exercisable within 60 days of the Record Date.

- (2) Includes 40,000 shares held directly by Mr. DiMartino and 30,000 shares issuable upon exercise of currently exercisable options or options exercisable within 60 days of the Record Date.
- (3) Shares consist of: (i) 15,000 shares issuable upon exercise of currently exercisable options or options exercisable within 60 days of the Record Date; and (ii) all shares beneficially owned by Coconut Palm (assumes beneficial ownership of such shares is attributed to Mr. Ferrari, and Mr. Ferrari disclaims beneficial ownership of these shares).



- (4) Includes 20,000 shares issuable upon currently exercisable options or options exercisable within 60 days of the Record Date.
- (5) Includes 35,000 shares issuable upon currently exercisable options or options exercisable within 60 days of the Record Date.
- (6) Consists of 35,000 shares issuable upon currently exercisable options or options exercisable within 60 days of the Record Date.
- (7) Shares consist of: (i) 15,000 shares issuable upon exercise of currently exercisable options or options exercisable within 60 days of the Record Date; and (ii) all shares beneficially owned by Coconut Palm (assumes beneficial ownership of such shares is attributed to Mr. Rochon, and Mr. Rochon disclaims beneficial ownership of these shares).
- (8) Includes 27,500 shares issuable upon exercise of currently exercisable options or options exercisable within 60 days of the Record Date.
- (9) Includes 198,125 shares issuable upon exercise of currently exercisable options or options exercisable within 60 days of the Record Date.
- (10) Consists of 4,914,700 shares of our common stock and 5,000,000 shares of our common stock underlying warrants that are immediately exercisable. 9,808,197 of the 9,914,700 shares of Common Stock consist of an aggregate of 4,843,698 shares of Common Stock and 4,964,499 shares of Common Stock underlying warrants that are immediately exercisable, which Coconut Palm has the sole power to vote pursuant to proxy agreements executed by its limited partners upon the redemption of their limited partnership interests in Coconut Palm. Richard C. Rochon, Chairman of our Board of Directors, and Mario B. Ferrari, Vice Chairman of our Board of Directors, are the natural persons who exercise voting and investment control over the shares.
- (11) This information was obtained from the Company's records and a Schedule 13G filed by Mr. Brauser, Dru Schmitt, Michael Herman, Joseph Q. DiMartini, Barry Honig and Leon Brauser on October 21, 2008. The Schedule 13G states that these shareholders have orally agreed to act together to cause the Company to be sold with the net proceeds being distributed to the shareholders. With respect to Mr. Brauser, Schmitt and Dr. Martini, it includes warrants to purchase 490,476, 285,714 and 95,239 shares of the Company's common stock, respectively. The mailing address for the individuals are as follows: Mr. Brauser and Mr. Honing is 595 S. Federal Highway, Suite 600, Boca Raton, FL 33432; Mr. Schmitt at 13 Twin Springs Lane, St. Louis, MO 63124.; Mr. Herman at 1160 Lake Plaza Drive, Suite 210, Colorado Springs, CO 80906; Mr. DiMartini at 4 Carrsworld, Clayton, MO 63105 and Leon Brauser at 7218 Ayshire Lane, Boca Raton, FL 33496.
- (12) This information was obtained from a Schedule 13D filed by Massey Services, Inc. ( Massey ) on October 30, 2008. The mailing address for Massey is 315 Groveland Street, Orlando, Florida 32804. Massey entered into a 180-day consulting agreement with Michael Brauser on September 19, 2008. See Footnote 11. Under the agreement if Massey acquires the Company while the consulting agreement is in effect, Mr. Brauser will be paid a cash fee of \$1,000,000 at closing if the acquisition closes, provided Mr. Brauser has performed his services as set forth in the consulting agreement.
- (13) This information was obtained from a Schedule 13G filed by Par Investment Partners, L.P. on March 3, 2008. The mailing address to Par Investment Partners, L.P. is PAR Capital Management, Inc. One International Place, Suite 2401, Boston, MA 02110

### **Certain Voting Arrangements**

Between August 31, 2005 and December 20, 2008, one of our shareholders, Coconut Palm distributed an aggregate of 4,843,698 shares of our common stock plus warrants to purchase 4,964,499 additional shares of common stock to certain of its limited partners in exchange for the redemption of their respective limited partnership interests. In accordance with Coconut Palm's limited partnership agreement, Coconut Palm's limited partners who had requested redemption paid to Coconut Palm an aggregate of \$28,000 for legal fees incurred by Coconut Palm in connection with the redemption of the limited partnership interests. Coconut Palm's limited partners include Messrs. Brauser, Ferrari, Hayes, Rochon and Schmitt. In connection with the distributions of shares, Coconut Palm's limited partners granted to Coconut Palm, Inc., the general partner of Coconut Palm, a

proxy to vote, in its sole discretion, a significant portion of the securities owned by the limited partners at any meeting of the Company's shareholders, as well as in any action by written consent of the Company's shareholders.

### **Change in Control**

On February 8, 2005, we closed a transaction with Coconut Palm, which we entered into on November 17, 2004. Coconut Palm purchased from us 5,000,000 units ( Units ) for an aggregate purchase price of \$25 million. Each Unit consisted of (i) one share of our common stock, (ii) one warrant to purchase one share of our common stock at an exercise price of \$6 per share with a term of three years which expired on February 7, 2008 and (iii) one warrant to purchase one share of our common stock at an exercise price of \$7 per share with a term of five years to expire on February 7, 2010. Coconut Palm obtained the \$25 million in a private placement of its equity. Following the closing of the transaction, Coconut Palm beneficially owned 15 million shares, or approximately 78.9% of our then outstanding shares of common stock. Currently, Coconut Palm beneficially owns approximately 54.78% of our outstanding shares of common stock.

### **Compliance with Section 16(a) of the Securities Exchange Act of 1934**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10 percent of our common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Officers, directors and greater than 10 percent shareholders are required by the rules and regulations of the SEC to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on review of the copies of these reports furnished to us and representations that no other reports were required, during the fiscal year ended September 30, 2008, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10 percent beneficial owners were complied with.

## **EXECUTIVE COMPENSATION**

### **Overview**

The following section describes the material elements of compensation for the Company's executive officers identified in the Summary Compensation Table. We refer to these officers as the Named Executive Officers. The Compensation Committee makes all decisions for the total direct compensation—that is, the base salary, bonus awards, stock options and other equity compensation—of our executive officers, including the Named Executive Officers. The Compensation Committee's recommendations for the total direct compensation of our Chief Executive Officer are subject to approval of our Board of Directors.

### **Compensation Philosophy and Objective of Compensation**

With respect to executive compensation, the primary goal of the Compensation Committee is to attract and retain the most qualified, knowledgeable, dedicated and seasoned executives possible, to reward them for their contributions to the development of the Company's business and to align the executives' incentives with shareholder value creation. Beyond that, different elements of our executive compensation are designed to engender different behaviors.

Base salary and benefits are designed to attract and retain employees over time.

Long-term incentives—stock options under our 2004 Stock Incentive Plan—focuses executives' efforts on the behaviors within the recipients' control that they believe are necessary to ensure our long-term success, as reflected in increases to our stock prices, growth in our earnings per share and other elements.

Annual discretionary cash bonuses and performance based bonuses, which are individually designed to address business needs related to attracting and retaining employees and to provide incentives to achieve the short-term goals our management and Board of Directors established for the one year period in question.

Severance and change in control provisions are designed to facilitate our ability to attract and retain executives as we compete for talented employees in a marketplace where such protections are commonly offered.

### ***Base Salary***

The base salary for our executive officers is based on job responsibilities and individual contributions to the Company. Additional factors include the salary received by the executive at his previous place of employment and individual negotiations between the Company and the executive. No independent consulting firm was retained to conduct this review.

Our Named Executive Officers and our former Named Executive Officers are or were parties to employment agreements with us, which set forth the base salary for the respective Named Executive Officer, subject to adjustment. These Named Executive Officers are Jack Ruff, our current Chief Executive Officer and Edward Carriero, our Chief Financial Officer. The former Named Executive Officers are Colin Mulford, who served as the President of Telecom FM Limited (Telecom FM), our telecommunications subsidiary, from October 2004 through August 31, 2008, when it was sold to a company organized and owned by its former executive management team, and John Hayes, who served as our Chief Executive Officer from October 29, 2007 through September 23, 2008.

Additionally, we have listed Gregory Clendenin and Charles Steinmetz as Named Executive Officers because each held Chief Executive Officer positions (CEO) with the Company during fiscal 2008. Mr. Clendenin served as the CEO

of Middleton and Sunair Southeast Pest Holdings, Inc. ( SSPH ) from June 7, 2005 through October 29, 2007 and Mr. Steinmetz served as the CEO of Middleton from January 18, 2008 through July 25, 2008.

The Compensation Committee intends on reviewing the base salaries for Named Executive Officers, on the anniversary dates of the employment agreements or from time to time as considered necessary. Base salaries paid to executive officers are deductible for federal income tax purposes except to the extent that the executive is a covered employee under Section 162(m) of the Internal Revenue Code and the executive's aggregate compensation which is

subject to Section 162(m) exceeds \$1 million. No employee received base salary in excess of \$1 million in fiscal 2008.

Base salary and bonus payments are the only elements of compensation that are used in determining the amount of contributions permitted under our 401(k) Plan.

### ***Discretionary Bonus Awards***

The Compensation Committee has the ability to award discretionary annual cash bonuses to any of our executive officers. During fiscal 2008, the Compensation Committee did not award any discretionary annual bonuses to any executive officer but may elect to do so in the future with the intention to compensation officers for achieving financial and/or operational goals and for achieving individual annual performance objectives.

### ***Long-Term Incentive Plan and Stock Options***

We believe that long-term performance is achieved through an ownership culture that encourages such performance by our executive officers through the use of stock-based awards. Our 2004 Stock Option Plan was established to provide certain of our employees, including our executive officers, with incentives to help align those employees interests with the interests of our shareholders. The Compensation Committee believes that the use of stock-based awards offers an additional method to achieving our compensation goals. Our 2004 Stock Option Plan has provided the principal method for our executive officers to acquire equity or equity-linked interests in our Company without the adoption of stock ownership guidelines. We expect to continue to provide a portion of total compensation to our executives through our 2004 Stock Option Plan rather than through additional cash-based compensation.

Our 2004 Stock Option Plan authorize us to grant officers, directors, employees and prospective employees incentive stock options, non-qualified stock options, restricted stock awards, other equity awards and performance based stock incentives. Our Compensation Committee is the administrator of the 2004 Stock Option Plans and determines the terms of the stock option or other stock award, including but not limited to the price, numbers of shares, grant date and vesting terms. The Compensation Committee reviews and approves stock option and other stock awards to executive officers based upon a review of competitive compensation data, its assessment of individual performance, and retention considerations, as well as a review the individual's existing share and option holdings. Periodic stock option grants are made at the discretion of the Compensation Committee.

Stock options provide for financial gain derived from the potential appreciation in stock price from the date that the option is granted until the date that the option is exercised. The exercise price of stock option grants is set at fair market value on grant date. Under our 2004 Stock Option Plan, we may not grant stock options at a discount to fair market value or reduce the exercise price of outstanding stock options, except in the case of a stock split or other similar event. We do not grant stock options with a so-called reload feature, nor do we generally loan funds to employees to enable them to exercise stock options. Our long-term performance ultimately determines the value of stock options, because gains from stock option exercises are entirely dependent on the long-term appreciation of our stock price. The stock options granted by the Compensation Committee to employees are generally exercisable in equal installments on the first through the four anniversaries of the grant date and expire ten years from the grant date.

Because a financial gain from stock options is only possible after the price of the Company's common stock has increased, we believe grants encourage executives and other employees to focus on behaviors and initiatives that should lead to an increase in the price of Sunair common stock, which benefits all of the Company's shareholders. During fiscal 2008, we granted an aggregate of 438,500 options to our employees and directors, which include a grant of 130,000 options to our Named Executive Officers. On February 21, 2008, we granted 30,000 options to Edward Carriero, our Chief Financial Officer and 50,000 options to John Hayes, our former Chief Executive Officer, at an

exercise price of \$1.76 per share. On August 28, 2008, we granted 50,000 options to Jack I. Ruff, our Chief Executive Officer, at an exercise price of \$2.03 per share. These options vest in equal installments on the first through four anniversaries of the grant date and expire in ten years from the grant date.

*No Backdating or Spring Loading:* The Company does not backdate options or grant options retroactively. In addition, we do not coordinate grants of options so that they are made before announcement of favorable information, or after announcement of unfavorable information. The Company's options are granted at fair market value on a fixed date or event, with all required approvals obtained in advance of or on the actual grant date. All grants to executive officers require the approval of the Compensation Committee. The timing of such grants is at the discretion of the Compensation Committee; however, traditionally, initial grants of options occur at the date of initial employment or on or about the date of our Annual Meeting of Shareholders.

Fair market value has been consistently determined as the closing price on the grant date. In order to ensure that its exercise price fairly reflects all material information without regard to whether the information seems positive or negative every grant of options is contingent upon a determination by the Compensation Committee that Sunair is not in possession of material undisclosed information. If we are in possession of such information, grants are suspended until the second business day after public dissemination of the information.

### ***Benefits***

We offer our employees a variety of retirement, health and welfare, and paid time-off benefits designed to enable us to attract and retain our workforce in a competitive marketplace. Health and welfare and paid time-off benefits help ensure that we have a productive and focused workforce through reliable and competitive health and other benefits. Savings plans help employees, especially long-service employees, save and prepare financially for retirement.

Middleton's qualified 401(k) Plans allows highly compensated employees to contribute up to 15 percent of their compensation (base salary plus bonus payments), up to the limits imposed by the Internal Revenue Code which is \$15,500 for 2008 (excluding any catch-up contributions, as allowed by the Internal Revenue Code) on a pre-tax basis. We provide matching contributions up to six percent of employee contributions, which vest immediately. Participants choose to invest their account balances from an array of investment options as selected by plan fiduciaries from time to time. The 401(k) Plans are designed to provide for distributions in a lump sum or in periodic installments after termination of service. However, loans and in-service distributions under certain circumstances such as a hardship, attainment of age 59 1/2 or a disability are permitted.

### ***Perquisites***

We provide our Named Executive Officers with perquisites and other personal benefits that the Compensation Committee believes are reasonable and consistent with our overall compensation program to better enable us to attract and retain executive officer and key employees. During fiscal 2008, our Named Executive Officers were only provided participation in the plans and programs described above. None of our Named Executive Officers received any other perquisites or other benefits, which conferred a direct or indirect benefit having a personal aspect and which were not generally available to other employees.

We do not generally provide the Named Executive Officers with other perquisites such as reimbursement for legal, counseling for personal matters or tax reimbursement payments. We do not provide loans to executive officers.



**Summary Compensation Table**

The following Summary Compensation table sets forth information regarding compensation earned by, awarded to or paid to our Named Executive Officers during fiscal 2008.

**SUMMARY COMPENSATION**

Name and Principal Position	Year	Salary	Bonus	Non-Equity Incentive			Total
				Option Awards	Plan Compensation	All Other Compensation	
Jack I. Ruff Chief Executive Officer(1)	2008	\$ 65,625	\$	\$ 2,580	\$	\$	\$ 68,205
	2007	\$	\$	\$	\$	\$	\$
Edward M. Carriero, Jr. Chief Financial Officer	2008	\$ 161,667	\$	\$ 23,428	\$	\$	\$ 185,095
	2007	\$ 134,698	\$	\$ 18,395	\$	\$	\$ 153,093
Colin Mulford Chief Executive Officer of Telecom FM(2)	2008	\$ 284,151	\$	\$	\$	\$	\$ 284,151
	2007	\$ 304,241(3)	\$ 304,241(4)	\$	\$	\$	\$ 608,482
John J. Hayes Former President and Chief Executive Officer(5)	2008	\$ 288,947	\$	\$ 11,841	\$	\$	\$ 300,788
	2007	\$ 324,056	\$	\$ 142,086	\$	\$	\$ 466,142
Gregory Clendenin Former Chief Executive Officer of Middleton(7)	2008	\$	\$	\$	\$	\$ 168,000(8)	\$ 168,000
	2007	\$ 305,196	\$	\$ 96,361	\$	\$ (8)	\$ 401,557
Charles Steinmetz Former Chief Executive Officer of Middleton(9)	2008	\$	\$	\$	\$	\$	\$
	2007	\$	\$	\$	\$	\$	\$

- (1) Mr. Ruff joined as the Chief Executive Officer of the Company and Middleton, effective as of July 25, 2008.
- (2) Mr. Mulford resigned as the Chief Executive Officer of Telecom FM, effective as of August 31, 2008, in connection with the sale of Telecom FM to a company organized and owned by its former executive management team.
- (3) Based on the average exchange rates of 1.99 and 1.97 British pounds to one U.S. dollar for the periods from October 1, 2007 through September 30, 2008 and October 1, 2006 through September 30, 2007, respectively.
- (4) Represents amounts received by Mr. Mulford under the Telecom FM Bonus Plan.
- (5) Mr. Hayes' employment with the Company as its Chief Executive Officer was terminated without cause effective as of September 23, 2008.

- (6) The amounts in this column do not reflect compensation actually received by the Named Executive Officer nor do they reflect the actual value that will be recognized by the Named Executive Officer. Instead the amounts reflect the compensation cost recognized by us in fiscal 2007 and 2008 for financial statement reporting purposes in accordance with SFAS 123R. For information regarding the assumptions made in calculating the amounts reflected in this column, see Footnote 10 Stock Options, to our audited financial statements for the year ended September 30, 2008, included in our Annual Report on Form 10-K for the year ended September 30, 2008.
- (7) Mr. Clendenin served as CEO of SSPH and Middleton from June 7, 2005 through October 29, 2007.
- (8) Represents compensation that Mr. Clendenin received under his separation and consulting agreements dated October 29, 2007 with the Company.
- (9) Mr. Steinmetz was appointed as Chief Executive Officer of Middleton effective as of January 18, 2008 and stepped down from this position on July 25, 2008. Mr. Steinmetz also serves as a board of director. These

amounts reflect the compensation associated to 50,000 shares that were granted to Mr. Steinmetz in February 2008 for services rendered as CEO.

## **Employment Agreements**

### ***Current Executive Officers***

*Jack I. Ruff.* On September 3, 2008, we entered into an employment agreement with Jack I. Ruff to serve as the Chief Executive Officer of and President of Sunair and Middleton, to be effective as of July 25, 2008 for a term of three years, unless otherwise terminated as specified therein. Under his agreement, Mr. Ruff will receive an annual salary of \$350,000 per year and is eligible to receive bonuses based on Company's actual EBIDTA results compared to its budgeted EBIDTA results for each year. Any subsequent increases in Mr. Ruff's annual salary or bonuses will be determined by the Company in its sole discretion. Mr. Ruff is entitled to participate in any bonus plan, incentive compensation program, incentive stock option program or other benefits which are available to other similar situated executives of the Company. His employment agreement contains customary confidentiality and non-competition provisions.

Mr. Ruff's employment agreement is for a term of three years from July 25, 2008, unless otherwise terminated as specified therein. If the Company terminates the employment of Mr. Ruff without good cause or if Mr. Ruff terminates his employment with good cause, the Company shall pay Mr. Ruff severance compensation calculated at the rate of his salary in effect as of the date immediately preceding the date of termination and the cost of premiums for any Company sponsored insurance policy (or the cash equivalent) as follows: (i) if terminated prior to the first anniversary of the effective date, Mr. Ruff shall be paid six months of severance compensation, (ii) if terminated after the first anniversary but before the second anniversary of the effective date Mr. Ruff shall be paid one year of severance compensation, and (iii) if terminated after the second anniversary, Mr. Ruff shall be paid two years of severance compensation. Upon a Change in Control, any unvested stock options or restricted stock awards previously granted to Mr. Ruff will automatically vest. If Mr. Ruff terminates his employment for Good Cause within nine (9) months of a Change in Control, then Mr. Ruff will be entitled to the severance compensation equal to (i) one year if terminated after the first anniversary but before the second anniversary of the effective date and (ii) two years of severance compensation if terminated after the second anniversary of the effective date.

*Edward M. Carriero, Jr.* On August 1, 2008, we entered into an employment agreement with Edward M. Carriero, Jr., our Chief Financial Officer. Under his employment agreement, Mr. Carriero will receive an annual salary for \$165,000 per year. He may receive increases in his annual salary and annual bonuses, as determined by the Company's Compensation Committee in its sole discretion. Mr. Carriero is entitled to participate in any bonus plan, incentive compensation program, incentive stock option or other employee benefits of the Company which are available to other similar situated executives of the Company, as determined by the Compensation Committee. His employment agreement contains customary confidentiality and non-competition provisions.

Mr. Carriero's employment agreement is for a term of two years from August 1, 2008, unless otherwise terminated as specified therein. If we terminate Mr. Carriero's employment agreement without good cause or Mr. Carriero terminates his employment agreement with good cause, we are required to pay Mr. Carriero a severance payment equal to one year's salary. Upon a change in control, all options previously granted to Mr. Carriero will automatically vest and if he terminates his employment with us for good cause within one year after a change in control, he will be entitled to one year of severance payments.

### **Former Named Executive Officers**

*Colin Mulford.* We, through Telecom FM, entered into an employment agreement with Colin Mulford on October 5, 2004 in connection with the purchase of Telecom FM in which Mr. Mulford agreed to serve as the President of Telecom FM. The employment agreement provided for an initial term of three (3) years, which term may be automatically renewed for successive one (1) year terms, unless advance notice of nonrenewal is given by either party. The employment agreement provided for an annual base salary of One Hundred Thirty Thousand Pounds (£130,000) and participation by Mr. Mulford in all benefit programs made available to our other executive officers. We could terminate Mr. Mulford's employment without cause by providing one year's prior notice, and we reserved the right to make a payment in lieu of notice or of any unexpired period of notice. The employment

agreement also included non-competition and non-solicitation covenants lasting for a term of one (1) year after termination. Pursuant to his employment agreement, if Telecom FM terminates Mr. Mulford's employment agreement without cause and without giving Mr. Mulford one year prior written notice, it is required to pay Mr. Mulford a severance payment equal to one years salary.

On September 30, 2008, we sold the outstanding shares of Telecom FM effective as of September 1, 2008 to a company organized and owned by the former executive management team of Telecom FM. As a result of the sale of the outstanding shares of Telecom FM, we no longer have any obligations to Mr. Mulford under his employment agreement.

*John J. Hayes.* On July 25, 2008, we sent John Hayes, our former Chief Executive Officer and President, notice that his employment with the Company was being terminated without cause, effective as of September 23, 2008. Mr. Hayes had been employed by the Company pursuant to a written employment agreement dated March 29, 2005. Mr. Hayes will receive severance compensation at the rate of his salary in effect on September 23, 2008, plus the cost of premiums for any Company sponsored insurance policies (or the cash equivalent) for 24 months, payable in accordance with the Company's normal payroll practices.

*Gregory Clendenin.* In connection with his resignation, the Company and Mr. Clendenin entered into a separation and release agreement ( Separation Agreement ), effective as of October 29, 2007. Under the Separation Agreement, the Company paid Mr. Clendenin a severance payment equal to \$76,500 over a six month period plus \$15,000 over a six month period for reimbursement of COBRA payments. The Separation Agreement provided that Mr. Clendenin would have 12 months to exercise his 23,812 vested options, which is consistent with the terms of the Company's 2004 Stock Incentive Plan. In exchange, Mr. Clendenin waived any claims that he may have against the Company, Middleton, the Company or any affiliated companies in connection with his employment and (ii) acknowledging that certain obligations under his employment agreement and the Purchase Agreement, which by their terms survived the closing of the Purchase Agreement continued to apply to him. These obligations include, but are not limited to, Mr. Clendenin's covenant not to compete against the Company and not to solicit or hire current or former employees of the Company until the restricted period expires on June 6, 2010, his covenant regarding the non-disclosure of confidential information and the return of confidential materials to the Company.

In addition, the Company and Mr. Clendenin entered into a consulting agreement ( Consulting Agreement ) in which Mr. Clendenin agreed to provide consulting services to the Company during the twelve month period (the Term ) after his resignation. The Company paid Mr. Clendenin an aggregate of \$76,500 for consulting services under the Consulting Agreement during fiscal 2008.

### ***2004 Stock Option Plan***

Effective as of February 4, 2005, our Board of Directors and shareholders approved our 2004 Stock Plan. We reserved an aggregate of 800,000 shares of common stock for issuance under the this Plan which provides for the grants of stock options (incentive and non-qualified), restricted stock, restricted stock units, performance shares, performance units, stock awards and other stock based awards to directors, officers and key employees. During fiscal 2008, we granted an aggregate of 438,500 options to our employees and directors, which include a grant of 130,000 to our Named Executive Officers.

### **Outstanding Equity Awards At Fiscal Year-End; Option Exercises and Stock Vested**

The following Outstanding Equity Awards at fiscal year end table summarizes the holdings held by our Named Executive Officers as of September 30, 2008.



**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

	Number of Securities Underlying Unexercised Options Exercisable	Option Awards		
		Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date
Jack I. Ruff		50,000(1)	\$ 2.03	2/28/2016
	8,750(2)	8,750	\$ 6.09	2/06/2014
Edward M. Carriero, Jr.	0	30,000(3)	\$ 1.76	2/21/2016
Colin Mulford				
John J. Hayes	125,000(4)		\$ 5.00	11/16/2014(4)
Gregory A. Clendenin	23,812	(5)	\$ 11.40	06/07/2013
Charles Steinmetz	5,000(6)		\$ 5.60	12/13/2013
	5,000(7)		\$ 3.23	02/05/15
		5,000(8)	\$ 1.76	02/19/16

(1) Options were granted on August 28, 2008 and vest 25% per year over a 4 year period beginning on August 15, 2009.

(2) Options were granted on February 6, 2006 and vested 25% per year over a 4 year period beginning on February 6, 2007.

(3) Options were granted on February 21, 2008 and vest 25% per year over a 4 year period beginning on February 21, 2009.

(4) In connection with Mr. Hayes' termination of employment, these options expired on October 23, 2008.

(5) Options vested as to 50% of the underlying shares on June 7, 2007. Mr. Clendenin resigned from the Company on October 29, 2007. Pursuant to his separation agreement, the 23,813 vested options expired on October 29, 2008.

(6) Options vested as to 100% of the underlying shares on December 15, 2006.

(7) Options vested as to 100% of the underlying shares on February 7, 2008.

(8) Options were granted on February 21, 2008 and vest 100% as of February 21, 2009.

**Option Exercises and Stock Vested**

During fiscal 2008, none of Our Named Executive Officers exercised any stock options or other derivative securities and no stock awards vested.

**Pension Benefits**

None of our Named Executive Officers participate in or have account balances in qualified or non-qualified defined pension benefit plans sponsored by us.

**Nonqualified Deferred Compensation**

None of our Named Executive Officers participate in or have account balances in non-qualified defined contribution plans or other deferred compensation plans maintained by us. The Compensation Committee, which is comprised solely of outside directors as defined for purposes of Section 162(m) of the Internal Revenue Code, may elect to provide our officers and other employees with non-qualified defined contribution or deferred compensation benefits if the Compensation Committee determines that doing so is in our best interests.



## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Family Relationships**

There is no family relationship between or among any of our directors and executive officers.

### **Related Transactions**

As described under the caption *Certain Voting Arrangements* on page 11, between August 31, 2005 and October 17, 2008, one of our shareholders, Coconut Palm distributed an aggregate of 4,843,698 shares of our common stock plus warrants to purchase 4,964,499 additional shares of common stock to certain of its limited partners in exchange for the redemption of their respective limited partnership interests. In accordance with Coconut Palm's limited partnership agreement, Coconut Palm's limited partners who had requested redemption paid to Coconut Palm an aggregate of \$28,000 for legal fees incurred by Coconut Palm in connection with the redemption of the limited partnership interests. Coconut Palm's limited partners include Messrs. Brauser, Ferrari, Hayes, Rochon and Schmitt. In connection with the distributions of shares, Coconut Palm's limited partners granted to Coconut Palm, Inc., the general partner of Coconut Palm, a proxy to vote, in its sole discretion, a significant portion of the securities owned by the limited partners at any meeting of the Company's shareholders, as well as in any action by written consent of the Company's shareholders.

Effective upon the closing of the Coconut Palm transaction, which is described upon the caption *Change in Control* beginning on page 12, we entered into a management services agreement ( *Management Services Agreement* ) with an affiliate of Coconut Palm, RPC Financial Advisors, LLC ( *RPC* ) for a period of three years, which was amended on March 31, 2006. On January 7, 2008, the Company entered into a management services agreement (the *Amended Management Services Agreement* ) with RPC, which supersedes and replaces the prior *Management Services Agreement*. The *Amended Management Services Agreement* will be for a term of three years, commencing on February 8, 2008 and expiring on February 7, 2011. The Company will pay RPC a monthly management fee equal to one (1%) of the monthly gross revenues of the Company, which will be payable monthly based on the average monthly revenues of the preceding quarter. RPC will also receive a transaction fee of up to 2% of the Aggregate Consideration receive by the Company in a Transaction (as such capitalized terms are defined in the *Management Services Agreement*). Pursuant to the *Management Services Agreement*, RPC will provide the Company with services similar to those provided in the *Previous Management Services Agreement*. After the initial term of three years, the *Management Services Agreement* will automatically renew for successive one year terms, unless either RPC or the Company terminates the agreement upon 30 days notice. We paid RPC management fees in the aggregate amount of \$1,038,012 and \$1,488,219 in fiscal 2008 and fiscal 2007, respectively. Richard C. Rochon and Mario B. Ferrari, both of whom are affiliates of Coconut Palm and each of whom are members of our Board of Directors and principal shareholders of our company, are also affiliates of RPC. Jack Ruff, our CEO, is a director and greater than 10% shareholder of RPC.

On June 7, 2005, our subsidiary, SSPH, acquired all of the outstanding stock of Middleton from the Middleton shareholders. The aggregate consideration paid consisted of: (i) \$35.0 million in cash; (ii) \$5.0 million in the form of a subordinated promissory note; and (iii) 1,028,807 shares of our common stock (collectively, the *Transaction Consideration* ). The *Transaction Consideration* was allocated pro rata among the shareholders of Middleton. As shareholders of Middleton, Charles Steinmetz and certain irrevocable family trusts (collectively, the *Steinmetz Trusts* ) received 823,046 shares of our common stock, \$28.0 million cash and \$4.0 million principal amount of a subordinated promissory note in exchange for their shares of Middleton in connection with the acquisition. In connection with the completion of the acquisition of Middleton, Mr. Steinmetz became a director of our Company. The subordinated note bears interest at an annual rate equal to the prime rate as reported from time to time in the Wall Street Journal. During

fiscal 2008 and 2007, the Steinmetz Trusts were paid an aggregate of \$274,630 and \$288,867, respectively.

We entered into a Share Purchase Agreement on September 30, 2008, pursuant to which we agreed to sell all of the issued and outstanding common stock of Telecom FM, our wholly-owned subsidiary which operates in the telephone communications business, to Telecom FM Holdings Limited, a company organized and owned by the former executive management team of Telecom FM. The transaction was completed on September 30, 2008 with an

effective date of September 1, 2008. The aggregate purchase price paid to the Company for Telecom FM was \$3,613,583, which included the payment of outstanding inter-company debt in the amount of \$1,213,583. Colin Mulford, who served as the Chief Executive Officer of Telecom FM when it was owned by the Company will continue to serve as the Chief Executive Officer of Telecom FM under its new ownership. In connection with the Share Purchase Agreement, the Company has agreed to certain restrictions on competition and non-solicitation during the three (3) year period after September 30, 2008

### **Policies and Procedures Regarding Review, Approval or Ratification of Related Person Transactions**

In accordance with our Audit Committee Charter, our Audit Committee is responsible for reviewing and approving the terms and conditions of all related party transactions. Any material financial transaction with one of our officers or directors or their immediate family members would need to be approved by our Audit Committee prior to us entering into such transaction. A report is made to our Audit Committee annually disclosing all related parties that are employed by us and related parties that are employed by other companies that we had a material relationship with during that year, if any.

### **INDEPENDENT PUBLIC ACCOUNTANTS**

The firm of Berenfeld Spritzer Shechter & Sheer was designated by our Board of Directors to audit the financial statements of our Company and our subsidiaries for the fiscal year ended September 30, 2008. The firm and its predecessor, Puritz & Weintraub, has been our independent public accountants since 1985.

Representatives of Berenfeld Spritzer Shechter & Sheer are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The Audit Committee pre-approves the engagement of Berenfeld Spritzer Shechter & Sheer for all professional services. The pre-approval process generally involves the full Audit Committee evaluating and approving the particular engagement prior to the commencement of services.

### ***Audit Fees***

The following table presents fees for professional services rendered by our independent registered public accounting firms, Berenfeld, Spritzer, Shechter & Sheer ( BSS&S ) for the audit of our annual consolidated financial statements for the years ended September 30, 2008 and 2007, together with fees billed for other services rendered by the firms during those periods.

	<b>2008</b>	<b>2007</b>
Audit Fee	\$ 284,702	\$ 325,290
Audit-Related Fees	46,028	62,233
Tax Fees	47,500	45,260
All Other Fees	117,119	87,780
Total Fees	\$ 495,349	\$ 520,563

- (1) Audit fees consist principally of the audit of the consolidation financial statements included in our annual report on Form 10-K and the review of the interim condensed consolidation financial statements included in our quarterly reports on Form 10-Q.
- (2) Audit-related fees include audit of our 401k plan, review of our 8-K filings, proxy statement, and reviews and audits related to acquisitions and dispositions.

***Audit-Related Fees; Tax Fees; Financial Information Systems Design and Implementation Fees; All Other Fees***

All audit-related services, tax services and other services were pre-approved by the Audit Committee, which concluded that the provision of these services by BSS&S was compatible with the maintenance of the firm's independence in the conduct of auditing functions. The Audit Committee's charter provides the Audit Committee with authority to pre-approve all audit and allowable non-audit services to be provided to us by our external auditors.

In its performance of these responsibilities, prior approval of some non-audit services is not required if:

- (i) these services involve no more than 5% of the fees paid by us to our auditors during the fiscal year;
- (ii) these services were not recognized by us to be non-audit services at the time of the audit engagement; and
- (iii) these services are promptly brought to the attention of the Audit Committee and are approved by the Audit Committee prior to completion of the audit for that fiscal year.

The Audit Committee annually reviews the performance of its independent registered public accounting firm and the fees charged for its services.

The Audit Committee of our Board of Directors has considered whether the provision of the above-described services is compatible with maintaining BSS&S's independence and believes the provision of such services is not incompatible with maintaining this independence.

**OTHER BUSINESS**

Our Board of Directors knows of no other business to be brought before the Annual Meeting. If, however, any other business should properly come before the Annual Meeting, the persons named in the accompanying proxy will vote proxies as in their discretion they may deem appropriate, unless they are directed by a proxy to do otherwise. Discretionary authority to vote on such matters is conferred only by the granting of such proxies.

**OTHER INFORMATION**

***Shareholder Proposals for the 2010 Annual Meeting of Shareholders***

The deadline by which shareholder proposals must be submitted for inclusion in our proxy statement for our next Annual Meeting of Shareholders is October 5, 2009 under Rule 14a-8 of the Securities and Exchange Act of 1934. Additionally, we must receive notice of any shareholder proposal to be submitted at the next Annual Meeting of Shareholders (but not required to be included in our proxy statement for that meeting) by December 19, 2009, or such proposal will be considered untimely pursuant to Rule 14a-5(e) under the Securities Exchange Act of 1934 and persons named in the proxies solicited by management may exercise discretionary voting authority with respect to such proposal.

***Annual Report***

A copy of our Annual Report on Form 10-K for the fiscal year ended September 30, 2008, except for the exhibits, accompanies this proxy statement and is incorporated in this proxy statement by reference. Upon request, we will provide copies of the exhibits to the Annual Report on Form 10-K at no additional cost. All requests should be directed to our Corporate Secretary c/o Sunair Services Corporation, 595 South Federal Highway, Suite 500, Boca Raton, Florida 33432.

***Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be held On May 9, 2008***

The Proxy Statement for our Annual Meeting of Shareholders to be held on March 18, 2009 and our Annual Report on Form 10-K for fiscal 2008 is available at <http://www.amstock.com/ProxyServices/ViewMaterials.asp>.

By Order of the Board of Directors,

/s/ Jack I. Ruff

Jack I. Ruff  
President and Chief Executive Officer

Boca Raton, Florida  
January 28, 2009

SUNAIR SERVICES CORPORATION March 18, 2009 Please sign, date and mail your proxy card in the envelope provided as soon as possible. Please detach along perforated line and mail in the envelope provided. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR EACH OF THE PROPOSALS SET FORTH BELOW. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE . PROPOSAL 1: To elect the seven nominees listed in the Proxy Statement to the Company s Board of Directors, each to serve until the next Annual Meeting of Shareholders or until their successors have been duly elected and qualified. . PROPOSAL 2: To act upon such other business as may properly come before the Annual Meeting and any and all adjournments or postponements thereof. THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR EACH OF THE PROPOSALS. The undersigned hereby revokes any proxy or proxies heretofore given, and ratifies and confirms that the proxies appointed hereby, or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue thereof. The undersigned hereby acknowledges receipt of a copy of the Notice of Annual Meeting of Shareholders and Proxy Statement, both dated January 28, 2009, and the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2008. FOR ALL NOMINEES WITHHOLD AUTHORITY FOR ALL NOMINEES FOR ALL EXCEPT (See instructions below) Joseph S. DiMartino Mario B. Ferrari Arnold Heggestad, Ph.D. Steven P. Oppenheim Richard C. Rochon Charles P. Steinmetz Robert C. Griffin INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark FOR ALL EXCEPT and fill in the circle next to each nominee you wish to withhold, as shown here: To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

---

SUNAIR SERVICES CORPORATION PROXY ANNUAL MEETING OF SHAREHOLDERS  
MARCH 18, 2009 THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS  
The undersigned does hereby appoint EDWARD M. CARRIERO, JR. and JACK I. RUFF, and each of  
them, the true and lawful attorneys and proxies with full power of substitution, for and in the name, place  
and stead of the undersigned, to vote all of the shares of common stock of SUNAIR SERVICES  
CORPORATION ( Company ), which the undersigned would be entitled to vote if personally present at  
the Annual Meeting of Shareholders to be held on March 18, 2009, at 11:00 a.m., local time, at the Hilton  
Hotel, 100 Fairway Drive, Deerfield Beach, Florida, 33441, and at any adjournment(s), or  
postponement(s) thereof. (Continued and to be signed on the reverse side.)