

SUNAIR SERVICES CORP

Form DEF 14A

January 31, 2008

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**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:

- o Fee paid previously with preliminary materials.
 - o 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:
-

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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON FEBRUARY 21, 2008**

To our shareholders:

The Annual Meeting of Shareholders (Annual Meeting) of Sunair Services Corporation will be held on February 21, 2008, 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 six members to our Board of Directors, 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 14, 2008 will be entitled to vote at the Annual Meeting or any adjournments or postponements thereof.

By Order of the Board of Directors

/s/ John J. Hayes

John J. Hayes
President and Chief Executive Officer

Boca Raton, FL
January 30, 2008

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.

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**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 February 21, 2008, 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 January 30, 2008. 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, 2007, 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 the nominated directors. 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 14, 2008, or 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 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.

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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.

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.

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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.

ADDITIONAL INFORMATION

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and file periodic reports and other information with the Securities and Exchange Commission, or the SEC. Those reports, proxy statements and other information concerning us may be inspected and copies may be obtained (at prescribed rates) at public reference facilities maintained by the Commission at the Public Reference Room, 100 F Street, N.E. Washington, D.C. 20549 and at the regional offices of the Commission located at 3 World Financial Center, Room 4300, New York, New York 10281 and at 175 W. Jackson Boulevard, Suite 900, Chicago, Illinois 60604. In addition, certain electronically filed documents, including current reports, quarterly reports and annual reports, can be obtained from the Commission's website at <http://www.sec.gov> or our website at www.sunairservices.com under the Investor Relations section. In addition, we will provide without charge to each person to whom a copy of this proxy statement is delivered a copy of any of the foregoing documents (other than exhibits). Requests for such documents should be addressed to our Corporate Secretary at Sunair Services Corporation, 595 South Federal Highway, Suite 500, Boca Raton, Florida 33432.

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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, except Joseph Burke, 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 February 2009, 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, 64, was appointed to our Board of Directors on September 9, 2005, to fill a vacancy created by James E. Laurent's resignation from our Board of Directors. 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. Since 1995, 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, 30, 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.

Arnold Heggstad, Ph.D., 64, 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, 61, 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

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a Director of the French-American Chamber of Commerce, Italy-America Chamber of Commerce, and European-American Chamber of Commerce.

Richard C. Rochon, 50, 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, 68, was appointed to our Board of Directors in June 2005, and was appointed to serve as the Chief Executive Officer of Middleton, effective as of January 18, 2008. Mr. Steinmetz was nominated to serve as a director by Coconut Palm, in accordance with a Purchase Agreement, dated November 17, 2004, between us and Coconut Palm, and a Stock Purchase Agreement, dated June 7, 2005, between our subsidiary, Sunair Southeast Pest Holdings, Inc. (SSPH), and the selling shareholders of Middleton Pest Control, Inc (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.

Appointment of New Director after the Annual Meeting by the Board

We intend to keep the size of our Board of Director at seven (7) members and our Nominating Committee intends to nominate a qualified individual to fill the vacancy on our Board of Directors. Our Nominating Committee has begun a search for a qualified candidate and is searching for a person who is (i) an independent director, as defined under the listing standards for the American Stock Exchange and (ii) an Audit Committee financial expert as such term is defined under the applicable rules of the Securities and Exchange Commission (SEC). Pursuant to our bylaws, the appointment of a new director must be approved by the majority of the members of our Board of Directors at the time of the appointment.

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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 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 AMEX Corporate Governance rules. 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 Burke, Joseph S. DiMartino, 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 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 2007, all of our Board members were non-employee directors.

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 2007. These annual retainers are paid in quarterly installments and are listed in the following table:

Position	Annual Amount (\$)
Board Member	28,000
Chair of Audit Committee	5,000
Chair of the Compensation Committee	5,000

Chair of the Nominating Committee	5,000
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During fiscal 2007, 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.

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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, 2007. All option awards were granted from our 2004 Stock Plan. The amounts reflected in columns (d) below do not reflect compensation actually received by the directors during 2007. Instead, these amounts reflect the compensation costs recognized by us in fiscal year 2007 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, 2007, included in our Annual Report on Form 10-K for the year ended September 30, 2007.

NON-EMPLOYEE DIRECTORS COMPENSATION SUMMARY

(a) Name	(b) Fees Earned or Paid in Cash (\$)	(c) Stock Awards (\$)	(d) Option Awards (\$)	(e) Non-Equity Incentive Plan Compensation (\$)	(f) Change in Pension Value and Non- qualified Deferred Compensation (\$)	(g) All Other Compensation (\$)	Total
Joseph Burke	\$ 54,250		\$ 10,797	\$	\$	\$	\$ 65,047
Joseph S. DiMartino	36,750		10,797				47,547
Mario B. Ferrari	35,500		10,797				46,297
Arnold Heggstad, Ph.D.	64,250		10,797				75,047
Steven P. Oppenheim	59,500		10,797				70,297
Richard C. Rochon	35,500		10,797				46,297
Charles P. Steinmetz	35,500		10,797				46,297

Board Committees and Meetings

During fiscal 2007, the Board met 5 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 under the Corporate Governance tab found

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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
Joseph Burke	*		
Joseph S. DiMartino		*	*
Mario B. Ferrari			
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 13 meetings during fiscal 2007. 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 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. Burke's, 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.

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, 2007 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, 2007;

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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, 2007 for filing with the SEC.

Submitted by the Audit Committee of the Board of Directors.

Audit Committee

Arnold Heggstad Ph.D.
(Chairperson)

Joseph Burke

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 2007, the Compensation Committee held one meeting. Our Board of Directors has determined that each member o