

SUNAIR SERVICES CORP
Form DEFA14A
March 18, 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:

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 8-K
CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) March 17, 2009

SUNAIR SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

Florida

1-04334

59-0780772

(State or Other Jurisdiction
of Incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

**595 South Federal Highway
Suite 500
Boca Raton, FL 33432**

(Address of Principal Executive Office) (Zip Code)

(561) 208-7400

(Registrant's telephone number, including area code)

Not Applicable

(Former Name or Former Address, If Changed Since Last Report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))
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Item 7.01 Regulation FD Disclosure

The presentation that management of Sunair Services Corporation (the Company) intends to cover in its Annual Meeting of Shareholders on March 18, 2009 is attached to this Current Report on Form 8-K as Exhibit 99.1. The presentation provides an overview of the Company's financial performance during the fiscal years ended September 30, 2008, 2007 and the first quarter of fiscal 2009 and the Company's current growth initiatives and strategy. The Company will also post the attached materials on its web site located at www.amstock.com/proxyservices/viewmaterials.asp.

Item 9.01 Financial Statements and Exhibits

Exhibit 99.1 Presentation Materials for Sunair Services Corporation's Annual Meeting of Shareholders

Exhibit 99.2 Reconciliation of Non-GAAP numbers to GAAP numbers

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

SUNAIR SERVICES CORPORATION

Date: March 17, 2009

By: /s/ Jack I. Ruff
Jack I. Ruff
Chief Executive Officer

EXHIBIT INDEX

Exhibit 99.1 Presentation Materials for Sunair Services Corporation's Annual Meeting of Shareholders

Exhibit 99.2 Reconciliation of Non-GAAP numbers to GAAP numbers

EBITDA is a non-GAAP number. A reconciliation of GAAP to non-GAAP numbers can be found at www.amstock.com/proxyservices/viewmaterials.asp.

Consolidated EBITDA is a non-GAAP number. A reconciliation of GAAP to non-GAAP numbers can be found at www.amstock.com/proxyservices/viewmaterials.asp.

Non-GAAP Financial Measures

EBITDA is a Non-GAAP financial measure. EBITDA is defined as income (loss) from operations plus net interest expense, provision for income taxes, depreciation and amortization. The Non-GAAP EBITDA measurement has certain material limitations, including:

It does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate profits and cash flows. Therefore any measure that excludes interest expense has material limitations;

It does not include depreciation and amortization expense. Because we use capital assets, depreciation is necessary element of our costs and ability to generate profits. In addition, because a significant portion of our assets consist of customer lists that were acquired in connection with our acquisitions of companies in the Lawn and Pest Control Services segment, amortization is a necessary element of our costs and ability to generate profits. Therefore, any measure that excludes depreciation and amortization expense has material limitations;

It does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, particularly in the future, any measure that excludes tax expense has material limitations; and For the purposes of performing the calculation of EBITDA, we may also add back all non cash equity based compensation.

We have included this non-GAAP financial measure because we believe EBITDA is an indicator of the profitability and performance of our core operations and reflects changes in our operating results. These Non-GAAP financial measures are not intended to be an alternative measure of operating income or gross profit margin as determined in accordance with generally accepted accounting principles. We compensate for these limitations by using Non-GAAP measurements, to assist in the evaluation of our profitability and operating results

Reconciliations of EBITDA plus non cash equity compensation to the income or loss from continuing operations for the fiscal quarters from December 31, 2006 through and including December 31, 2008 are shown below:

Sunair Services Corporation
Quarterly EBITDA Plus Non Cash Equity Based Compensation Reconciliations
December 31, 2006 through December 31, 2008

| | Fiscal Year Ended September 30, 2007 | | | | Fiscal Year Ended September 30, 2008 | | | | FYE |
|---|--------------------------------------|-----------|-----------|-------------|--------------------------------------|-------------|-----------|-----------|----------------------|
| | 12/31/06 | 03/31/07 | 06/30/07 | 09/30/07 | 12/31/07 | 03/31/08 | 06/30/08 | 09/30/08 | 09/30/09 12/31/08 |
| Sunair Services Corporation Consolidated | | | | | | | | | |
| Income (Loss) from continuing operations | (1,001,517) | (432,471) | (682,096) | (2,183,163) | (2,246,050) | (1,239,413) | (860,441) | (290,681) | (796,167) |
| Reconciling items: | | | | | | | | | |
| Interest expense net | 259,187 | 301,348 | 228,010 | 233,130 | 333,590 | 283,621 | 290,000 | 414,387 | 261,324 |
| Income taxes | | | | | | | | | |
| Depreciation and amortization | 642,136 | 675,121 | 670,071 | 1,115,205 | 1,152,854 | 1,151,263 | 1,138,733 | 1,140,673 | 1,137,710 |
| Total reconciling items | 901,323 | 976,469 | 898,081 | 1,348,335 | 1,486,444 | 1,434,884 | 1,428,733 | 1,555,060 | 1,399,034 |
| EBITDA from continuing operations | (100,194) | 543,998 | 215,985 | (834,828) | (759,606) | 195,471 | 568,292 | 1,264,379 | 602,867 |
| Non cash equity based compensation | 261,984 | 23,824 | 245,577 | 6,637 | 142,012 | 61,075 | 182,152 | (7,365) | 39,449 |
| EBITDA plus non cash equity based compensation | 161,790 | 567,822 | 461,562 | (828,191) | (617,594) | 256,546 | 750,444 | 1,257,014 | 642,316 |

Sunair Services Corporation
Quarterly EBITDA Plus Non Cash Equity Based Compensation Reconciliations
December 31, 2006 through December 31, 2008

| | Fiscal Year Ended September 30, 2007 | | | | Fiscal Year Ended September 30, 2008 | | | | FYE |
|---|--------------------------------------|-----------|-----------|----------|--------------------------------------|-----------|-----------|-----------|-----------|
| | 12/31/06 | 03/31/07 | 06/30/07 | 09/30/07 | 12/31/07 | 03/31/08 | 06/30/08 | 09/30/08 | 12/31/08 |
| Middleton Pest Control, Inc. | | | | | | | | | |
| Income (Loss) from continuing operations | 980,228 | 1,494,440 | 853,158 | (52,357) | 362,299 | 937,293 | 1,169,633 | 1,528,989 | 1,380,423 |
| Reconciling items: | | | | | | | | | |
| Interest expense net | 36,914 | 54,643 | 60,481 | 79,686 | 109,888 | 107,640 | 104,152 | 97,013 | 89,315 |
| Income taxes | | | | | | | | | |
| Depreciation and amortization | 217,800 | 215,815 | 201,987 | 207,419 | 219,421 | 220,162 | 207,632 | 209,573 | 206,609 |
| Total reconciling items | 254,714 | 270,458 | 262,468 | 287,105 | 329,309 | 327,802 | 311,784 | 306,586 | 295,924 |
| EBITDA from continuing operations | 1,234,942 | 1,764,898 | 1,115,626 | 234,748 | 691,608 | 1,265,095 | 1,481,417 | 1,835,575 | 1,676,347 |
| Non cash equity based compensation | | | | | | | | | |
| EBITDA plus non cash equity based compensation | 1,234,942 | 1,764,898 | 1,115,626 | 234,748 | 691,608 | 1,265,095 | 1,481,417 | 1,835,575 | 1,676,347 |

Sunair Services Corporation
Quarterly EBITDA Plus Non Cash Equity Based Compensation Reconciliations
December 31, 2006 through December 31, 2008

| | Fiscal Year Ended September 30, 2007 | | | | Fiscal Year Ended September 30, 2008 | | | | FYE |
|--|--------------------------------------|-------------|-------------|-------------|--------------------------------------|-------------|-------------|-------------|----------------------|
| | 12/31/06 | 03/31/07 | 06/30/07 | 09/30/07 | 12/31/07 | 03/31/08 | 06/30/08 | 09/30/08 | 09/30/09 12/31/08 |
| Sunair Services Corporation Home Office | | | | | | | | | |
| Income (Loss) | | | | | | | | | |
| from | | | | | | | | | |
| continuing | | | | | | | | | |
| operations | (1,981,745) | (1,926,911) | (1,535,254) | (2,130,806) | (2,608,349) | (2,176,706) | (2,030,074) | (1,819,670) | (2,176,590) |
| Reconciling | | | | | | | | | |
| items: | | | | | | | | | |
| Interest | | | | | | | | | |
| expense net | 222,273 | 246,705 | 167,529 | 153,444 | 223,702 | 175,981 | 185,848 | 317,374 | 172,000 |
| income taxes | | | | | | | | | |
| depreciation | | | | | | | | | |
| and | | | | | | | | | |
| amortization | 424,336 | 459,306 | 468,084 | 907,786 | 933,433 | 931,101 | 931,101 | 931,100 | 931,100 |
| Total | | | | | | | | | |
| reconciling | | | | | | | | | |
| items | 646,609 | 706,011 | 635,613 | 1,061,230 | 1,157,135 | 1,107,082 | 1,116,949 | 1,248,474 | 1,103,110 |
| EBITDA from | | | | | | | | | |
| continuing | | | | | | | | | |
| operations | (1,335,136) | (1,220,900) | (899,641) | (1,069,576) | (1,451,214) | (1,069,624) | (913,125) | (571,196) | (1,073,480) |
| on cash | | | | | | | | | |
| equity based | | | | | | | | | |
| compensation | 261,984 | 23,824 | 245,577 | 6,637 | 142,012 | 61,075 | 182,152 | (7,365) | 39,440 |
| EBITDA plus | | | | | | | | | |
| on cash | | | | | | | | | |
| equity based | | | | | | | | | |
| compensation | (1,073,152) | (1,197,076) | (654,064) | (1,062,939) | (1,309,202) | (1,008,549) | (730,973) | (578,561) | (1,034,030) |