SERVIDYNE, INC.
Form PREM14A
July 18, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

þ Preliminary Proxy Statement
o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 240.14a-12

SERVIDYNE, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

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

(1) Title of each class of securities to which transaction applies:
Common Stock, par value $1.00 per share, of Servidyne, Inc.

(2) Aggregate number of securities to which transaction applies:
3,676,000 shares of Servidyne, Inc. common stock, issued and outstanding as of July 14, 2011; and stock appreciation rights exercisable for 70,140 shares of Servidyne, Inc. common stock as of July 14, 2011 with exercise prices less than $3.50 per share, assuming a fair market value of $3.50 per share.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Calculated solely for the purpose of determining the filing fee: The filing fee of $1,522.24 was calculated pursuant to Exchange Act Rule 0-11(c) and is calculated as the sum of (i) the product of 3,676,000 shares of Servidyne, Inc. common stock and the merger consideration of $3.50 per share in cash; and (ii) the product of 70,140 shares of Servidyne, Inc. common stock obtainable upon exercise of stock appreciation rights with exercise prices less than

$3.50 (assuming a fair market value of $3.50 per share) and $3.50 per share in cash. The filing fee was determined by multiplying 0.00011610 by the maximum aggregate value of the transaction as determined in accordance with the preceding sentence.

(4) Proposed maximum aggregate value of transaction:
$13,111,490

(5) Total fee paid:
$1,522.24

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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PRELIMINARY PROXY STATEMENT DATED JULY 18, 2011, SUBJECT TO COMPLETION

Servidyne, Inc.
1945 The Exchange
Suite 300
Atlanta, Georgia 30339-2029

[ ], 2011

Dear Shareholder:

You are cordially invited to attend the special meeting of shareholders of Servidyne, Inc., a Georgia corporation (the Company), which will be held at the Company s headquarters at 1945 The Exchange, Suite 300, Atlanta, Georgia 30339-2029, on [ ], 2011, at 11:00 a.m., local time.

On June 26, 2011, we entered into a merger agreement with Scientific Conservation, Inc. (SCI) and Scrabble Acquisition, Inc. (Merger Sub), which is a wholly-owned subsidiary of SCI. The merger agreement provides that Merger Sub will merge with and into the Company with the Company continuing as the surviving corporation and as a wholly-owned subsidiary of SCI. If the merger is completed, Company shareholders will receive $3.50 in cash, without interest, and less any applicable withholding tax, for each share of Company common stock owned by them at the time of the merger, and Company shareholders will cease to have an ownership interest in the continuing business of the Company. The aggregate purchase price for the Company is approximately $13.1 million on a fully diluted basis.

As described in the enclosed proxy statement, you are being asked to consider and vote on (i) a proposal to approve the merger agreement, (ii) a proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers and (iii) a proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes in favor of the proposal to approve the merger agreement.

After careful consideration, a special committee of our board of directors, consisting of all four (4) of our non-management directors, and our entire board of directors unanimously determined the merger, the merger agreement and the transactions contemplated thereby to be advisable and fair to and in the best interests of the Company and its shareholders, and approved and adopted the merger and the merger agreement. **Therefore, our board of directors unanimously recommends that you vote FOR approval of the proposal to approve the merger agreement, FOR the proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers and FOR the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes in favor of the proposal to approve the merger agreement.**

The enclosed proxy statement provides detailed information about the merger agreement, the merger and the special meeting. We encourage you to read this information carefully. You may also obtain more information about the Company from documents we have filed with the Securities and Exchange Commission (the SEC), which can be found on the SEC s website at www.sec.gov.

Only shareholders of record of common stock at the close of business on July 20, 2011, or the record date, are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement thereof.

The merger agreement must be approved by the holders of a majority of the shares of our outstanding common stock on the record date, so your vote is very important, regardless of the number of shares you own. If you fail to vote on the approval of the merger agreement, the effect will be the same as a vote against the proposal to approve the merger agreement.

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Certain shareholders of the Company, which as of July 14, 2011 held approximately 56% of the outstanding shares of common stock of the Company, have entered into voting and support agreements pursuant to which the shareholders have agreed, among other things, to vote in favor of the merger and against alternative transactions, subject to, with respect to approximately 27% of the outstanding shares of common stock of the Company, termination of such voting obligations under certain circumstances as more fully described in the enclosed proxy statement.

The affirmative vote of the holders of at least a majority of the shares present, in person or by proxy at the special meeting and entitled to vote thereon, is required, (i) provided a quorum is present, to approve the proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers and (ii) whether or not a quorum is present, to approve the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes in favor of the proposal to approve the merger agreement.

To vote your shares, you may use the enclosed proxy card, vote via the Internet or telephone, or attend the special meeting in person. If you hold shares in street name through a broker or nominee, you should follow the procedures provided by your broker or nominee. **On behalf of the board of directors, I urge you to sign, date and return the enclosed proxy card, or vote via the Internet or telephone as soon as possible, even if you currently plan to attend the special meeting.** If you are a shareholder of record of the Company, voting by proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting.

On behalf of our board of directors and employees, thank you for your support of our Company. I look forward to seeing you at the special meeting.

Sincerely,

Alan R. Abrams
Chairman of the Board and Chief Executive Officer

This proxy statement is dated [ ], 2011, and is first being mailed to Company shareholders on or about [ ], 2011.

Neither the SEC nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosures in this proxy statement. Any representation to the contrary is a criminal offense.

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Servidyne, Inc.
1945 The Exchange
Suite 300
Atlanta, Georgia 30339-2029

Notice of Special Meeting of Shareholders
To Be Held On [ ], 2011

To the Shareholders of Servidyne, Inc.:

Notice is hereby given that a special meeting of shareholders of Servidyne, Inc., a Georgia corporation (the Company), will be held on [ ], 2011, at 11:00 a.m., local time, at the Company s corporate headquarters located at 1945 The Exchange, Suite 300 Atlanta, Georgia 30339-2029, for the following purposes:

1. To consider and vote upon the approval of the Agreement and Plan of Merger, dated as of June 26, 2011, among Scientific Conservation, Inc., a Delaware corporation, Scrabble Acquisition, Inc., a Georgia corporation and wholly-owned subsidiary of Scientific Conservation, Inc., and the Company, as more fully described in the enclosed proxy statement;

2. To consider and vote on a proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers; and

3. To consider and vote on a proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes in favor of the proposal to approve the merger agreement.

The board of directors of the Company has fixed the close of business on July 20, 2011 as the record date for the special meeting or any adjournment or postponement thereof. Only shareholders of record of common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement thereof. At the close of business on the record date, there were outstanding and entitled to vote [ ] shares of Company common stock.

Holders of Company common stock are entitled to dissenters rights under the Georgia Business Corporation Code in connection with the merger if they meet certain conditions. See The Merger Dissenters Rights on page 43. A copy of Article 13 of the Georgia Business Corporation Code is attached to the proxy statement as Annex E.

Your vote is important. The affirmative vote of the holders of a majority of the outstanding shares of the Company s common stock on the record date is required to approve the merger agreement. The affirmative vote of the holders of at least a majority of the shares present, in person or by proxy, at the special meeting and entitled to vote thereon is required, (i) provided a quorum is present, to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers and (ii) whether or not a quorum is

present, to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes in favor of the proposal to approve the merger agreement.

Certain shareholders of the Company, which as of July 14, 2011 held approximately 56% of the outstanding shares of common stock of the Company, have entered into voting and support agreements pursuant to which the shareholders have agreed, among other things, to vote in favor of the merger and against alternative transactions, subject to, with respect to approximately 27% of the outstanding shares of common stock of the Company, termination of such voting obligations under certain circumstances as more fully described in the enclosed proxy statement.

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All shareholders are cordially invited to attend the special meeting in person. Even if you plan to attend the special meeting in person, we request that you complete, sign, date, and return the enclosed proxy or vote via the Internet or telephone and thus ensure that your shares will be represented at the special meeting if you are unable to attend. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person. Holders of common stock may revoke their proxies in the manner described in the accompanying proxy statement at any time before they have been voted at the special meeting.

By Order of the Board of Directors

SERVIDYNE, INC.

Alan R. Abrams
Chairman of the Board and Chief Executive Officer

Atlanta, Georgia

[ ], 2011

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ANNEXES

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Summary Term Sheet

This summary, together with the section of this proxy statement entitled Questions and Answers About the Special Meeting and the Merger, highlights selected information from this proxy statement and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should read carefully this entire proxy statement and the documents we refer to herein. The merger agreement is attached as Annex A to this proxy statement. Before voting on the proposal to approve the merger agreement, we encourage you to read the merger agreement as it is the legal document that governs the merger.

Except as otherwise specifically noted in this proxy statement, we, our, us, and similar words in this proxy statement refer to Servidyne, Inc. In addition, we sometimes refer to Servidyne, Inc. as Servidyne or the Company, to Scientific Conservation, Inc. as SCI and to Scrabble Acquisition, Inc. as Merger Sub.

The Companies (page 20)

Servidyne, Inc.
1945 The Exchange
Suite 300
Atlanta, Georgia 30339-2029

Servidyne, Inc. is headquartered in Atlanta, Georgia, and operates globally through its wholly-owned subsidiaries. The Company provides comprehensive energy efficiency and demand response solutions, sustainability programs and other products and services. The Company serves a broad range of markets in the United States and internationally, including owners and operators of corporate, commercial office, hospitality, gaming, retail, light industrial, distribution, healthcare, government, multi-family and education facilities, as well as energy services companies and public and investor-owned utilities. Servidyne is publicly traded on The Nasdaq Global Market, or Nasdaq, under the symbol SERV.

Scientific Conservation, Inc.
2 Bryant Street, Suite 210
San Francisco, California 94105

Scientific Conservation, Inc. is a provider of energy efficiency solutions via predictive diagnostics and analytics for the $5 billion commercial building market. SCI s suite of energy management solutions uses the industry s first software-as-a-service (Saas) platform to help reduce annual energy spending by comparing predicted energy and system efficiencies against real-time operation. SCI s headquarters are in San Francisco, California, with its technology center in Atlanta, Georgia.

Scrabble Acquisition, Inc.
2 Bryant Street, Suite 210
San Francisco, California 94105

Scrabble Acquisition, Inc., a wholly-owned subsidiary of SCI, was organized solely for the purpose of entering into the merger agreement with us and completing the merger and has not conducted any other business operations.

The Merger (page 20)

The merger agreement provides that Merger Sub will merge with and into the Company, with the Company continuing as the surviving corporation and as a wholly-owned subsidiary of SCI. At the effective time of the merger, each share of Company common stock outstanding immediately prior to the effective time of the merger, other than shares held by us, SCI or Merger Sub, or by shareholders properly exercising dissenters rights under Georgia law, will be automatically converted into the right to receive the per share consideration of $3.50 in cash, without interest and less any applicable withholding taxes (which we refer to as the per share consideration). Any withheld amounts will be treated for all purposes as having been paid to

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the holder of Company common stock in respect of whose shares the withholding was made. As a result of the merger, the Company will become a direct wholly-owned subsidiary of SCI and will cease to be an independent, publicly-traded company.

Merger Consideration (page 46)

If the merger is completed, you will receive the per share consideration of $3.50 in cash, without interest and less any applicable withholding tax, in exchange for each share of Company common stock that you own.

After the merger is completed, you will have the right to receive the per share consideration, but you will no longer have any rights as a Company shareholder and will have no interest in SCI. Company shareholders will receive the per share consideration after exchanging their Company stock certificates in accordance with the instructions contained in the letter of transmittal to be mailed to our shareholders as soon as reasonably practicable after the closing of the merger.

Treatment of Stock Options, Stock Appreciation Rights and Warrants (page 51)

At the effective time of the merger, each stock option exercisable for shares of Company common stock that is in-the-money (i.e., when the exercise price of such stock option is greater than $3.50) will vest (if not previously vested), and the holder thereof will be entitled to receive in exchange therefor an amount in cash equal to the product of (i) the excess, if any, of (x) $3.50 over (y) the exercise price per share of Company common stock subject to such in-the-money stock option multiplied by (ii) the number of shares of Company common stock represented by such stock option. Each grant of stock appreciation rights that is in-the-money will vest (if not previously vested) and the holder thereof will be entitled to receive in exchange therefor an amount in cash equal to the product of (i) the excess, if any, of (x) $3.50 over (y) the exercise price of such in-the-money stock appreciation right, multiplied by (ii) the number of units represented by such stock appreciation rights. Each stock option and stock appreciation right that is outstanding and unexercised immediately prior to the effective time of the merger that is not in-the-money will expire and be cancelled as of the effective time for no consideration.

Each warrant that is in-the-money that is outstanding and unexercised immediately prior to the effective time of the merger will expire and be cancelled for no consideration.

As of July 14, 2011, none of the outstanding stock options or warrants of the Company were in-the-money, and 95,711.43 shares of common stock were subject to stock appreciation rights that were in-the-money, assuming a fair market value of $3.50 per share.

Treatment of Restricted Stock (page 51)

Each share of restricted stock of the Company that is outstanding immediately prior to the effective time of the merger will vest (if not previously vested) and the holder thereof will be entitled to receive the per share consideration in exchange therefor. As of July 14, 2011, no unvested shares of restricted stock were outstanding.

Effective Time of the Merger (page 43)

The closing of the merger will occur no later than the fifth business day after the conditions to the merger set forth in the merger agreement have been satisfied or waived or at such other time as agreed to by the Company, SCI and Merger Sub. Although we expect to complete the merger in our fiscal quarter ending October 31, 2011, we cannot assure you that the Company, SCI and Merger Sub will satisfy or waive all of the conditions to the merger.

Market Price and Dividend Data (page 14)

Our common stock is listed on Nasdaq under the symbol SERV. On June 24, 2011, the last full trading day prior to the public announcement of the merger, the closing price for our common stock was $2.26 per

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share. On [ ], 2011, the last trading day prior to the date of this proxy statement, the closing price for our common stock was $[ ] per share.

Material Federal Income Tax Consequences of the Merger (page 47)

The receipt of cash pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes, and may also be a taxable transaction under applicable state, local, or foreign income or other tax laws. Generally, for U.S. federal income tax purposes, a shareholder will recognize gain or loss equal to the difference between the amount of cash received by the shareholder in the merger and the shareholder s adjusted tax basis in the shares of Company common stock converted into cash in the merger. If the shares of Company common stock are held by a shareholder as capital assets, gain or loss recognized by such shareholder will be capital gain or loss, which will be long-term capital gain or loss if the shareholder s holding period for the shares of Company common stock exceeds one year. Capital gains recognized by an individual upon a disposition of a share of the Company that has been held for more than one year generally will be subject to a maximum U.S. federal income tax rate of 15% or, in the case of a share that has been held for one year or less, will be subject to tax at ordinary income tax rates. In addition, there are limits on the deductibility of capital losses. Because individual circumstances may differ, you should consult your own tax advisor to determine the particular tax effects to you.

Reasons for the Merger and Recommendation of the Special Committee and the Board of Directors (page 29)

In the course of reaching its decision to approve the merger agreement and to recommend that our shareholders vote to approve the merger agreement, a special committee of our board of directors, consisting of all four (4) of our non-management directors (which we refer to as the special committee), and our entire board of directors consulted with our senior management, financial advisors and legal counsel, reviewed a significant amount of information, and considered a number of factors, including, among others, the per share consideration to be received by holders of Company common stock in the merger and the current and historical market prices of Company common stock, the current and anticipated future competitive landscape of our industry, the formal support of the merger agreement from holders of approximately 56% of our shares of common stock, the status and history of discussions with other potential bidders, the Company s tangible book value and total book value per share, the written opinion of our financial advisor, Ladenburg Thalmann & Co. Inc. (who we refer to as Ladenburg), and the terms and conditions of the merger agreement, including our ability to, under certain circumstances, furnish information to, and conduct negotiations with, a third party if we receive an acquisition proposal superior to SCI s proposal.

For the reasons set forth above and under the caption The Merger Reasons for the Merger and Recommendation of the Special Committee and the Board of Directors, our board of directors, based upon the unanimous recommendation of the special committee, (i) unanimously determined the merger, the merger agreement and the transactions contemplated thereby to be advisable and fair to and in the best interests of the Company and its shareholders, (ii) approved and adopted the merger and the merger agreement, (iii) authorized and approved the execution, delivery and performance of the merger agreement by the Company, directed that the merger and merger agreement be submitted for approval by our shareholders at the special meeting and (iv) recommended that our shareholders vote FOR approval of the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Opinion of the Company s Financial Advisor (page 31 and Annex D)

Ladenburg made a presentation to the special committee on June 24, 2011 and subsequently delivered its written opinion to the effect that, as of the date of the written opinion, and based upon and subject to the considerations described in the written opinion, the per share consideration of $3.50 per share in cash to be received by the holders of our common stock pursuant to the merger agreement was fair, from a financial point of view, to the holders of our

common stock.

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The full text of the written opinion of Ladenburg which sets forth the assumptions made, procedures followed, matters considered, and limitations on the review undertaken in connection with the opinion is attached as Annex D to this proxy statement. You should read the opinion in its entirety. Ladenburg provided its opinion for the information and assistance of the special committee in connection with its consideration of the transaction contemplated by the merger agreement. The Ladenburg opinion is not a recommendation as to how any holder of our common stock should vote or act with respect to the transaction or any other matter. Ladenburg has received a fee of $150,000 in connection with the preparation and issuance of its opinion and rendering advice to the special committee with respect to the merger, and will be reimbursed for its reasonable expenses, including attorneys fees, none of which payments were contingent upon the execution of the merger agreement or the completion of the merger.

The Special Meeting of the Company s Shareholders (page 15)

Date, Time, Place. A special meeting of our shareholders will be held on [ ], 2011, at the Company s corporate headquarters located at 1945 The Exchange, Suite 300, Atlanta, Georgia 30339-2029, at 11:00 a.m., local time, to:

consider and vote upon a proposal to approve the merger agreement;

consider and vote upon a proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers; and

consider and vote on a proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes in favor of the proposal to approve the merger agreement.

Record Date and Voting Power. You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on July 20, 2011, the record date for the special meeting. You will have one (1) vote at the special meeting for each share of our common stock that you owned at the close of business on the record date. There are [ ] shares of our common stock entitled to be voted at the special meeting as of the record date. As of July 20, 2011, our directors and executive officers beneficially owned approximately [ ]% of the shares entitled to vote at the special meeting (which includes stock options that may be exercised within sixty (60) days of July 20, 2011), and may have interests that are different from yours.

Quorum. The holders of a majority of the outstanding shares of our common stock entitled to vote must be present, either in person or by proxy, to constitute a quorum at the special meeting.

Required Vote. The approval of the merger agreement requires the affirmative vote of a majority of the shares of our common stock outstanding at the close of business on the record date. The affirmative vote of the holders of at least a majority of the shares present in person or by proxy at the special meeting and entitled to vote thereon, is required, (i) provided that a quorum is present, to approve the proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers and (ii) whether or not a quorum is present, to approve the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes in favor of the proposal to approve the merger agreement.

Certain of our shareholders, which as of July 14, 2011 held approximately 56% of the outstanding shares of Company common stock, have entered into voting and support agreements (which we refer to as support agreements) pursuant to which the shareholders have agreed, among other things, to vote in favor of the merger and against alternative transactions, subject to, with respect to approximately 27% of the outstanding shares of Company common stock, termination of such voting obligations under certain circumstances which would then allow them to vote in their

discretion as is more fully described elsewhere in this proxy statement.

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Interests of Company Directors and Executive Officers in the Merger (page 39)

In considering the recommendations of the Company s special committee and our board of directors with respect to the merger agreement, shareholders should be aware that the Company s directors and executive officers have interests in the merger, and have arrangements that are different from, or in addition to, those of the Company s shareholders generally. These interests could create potential conflicts of interest. These interests relate to or arise from:

- payment of severance and certain other separation benefits to two (2) executive officers who, as a result of the merger, are expected to lose employment with the Company following consummation of the merger;
- the expectation that the other two (2) Company executive officers will continue employment with the Company after the consummation of the merger;
- repayment of loans made to the Company by certain directors and executive officers;
- acceleration of vesting of all in-the-money stock appreciation rights to the extent not vested, and the cash out of any in-the-money stock appreciation rights held by executive officers;
- distribution of vested nonqualified deferred compensation plan accounts to directors participating in such plans, and distribution of vested 401(k) and nonqualified deferred compensation plan accounts to those executive officers participating in such plans;
- reimbursement by the Company of certain personal legal expenses incurred by executive officers in connection with the merger up to a maximum of $5,000 each;
- indemnification, expense advancement and liability exculpation provisions in the merger agreement in favor of the Company s directors and officers; and
- the purchase by SCI of a six-year tail directors and officers liability insurance policy to cover the directors and officers currently covered by the Company s directors and officers liability insurance policy.

Litigation Relating to the Merger (page 48)

The Company, SCI, Merger Sub and the Company s board of directors have been named as defendants in a putative class action lawsuit filed in Georgia brought by an alleged Company shareholder challenging the merger.

The complaint alleges, among other things, that the Company s board of directors breached their fiduciary duties by: (1) conducting an inadequate sales process that undervalued the Company; (2) agreeing to unfairly preclusive deal protection measures; and (3) approving merger terms that unfairly vest some of the board members with benefits not shared equally by other Company shareholders. The complaint also alleges that SCI knowingly aided and abetted these fiduciary duty breaches. The complaints seek to enjoin the merger.

The defendants believe the claims asserted in the lawsuit are without merit and intend to vigorously defend against them.

Conditions to Completion of the Merger (page 63)

The consummation of the merger by SCI and Merger Sub depends on the satisfaction or waiver of a number of customary conditions, including the following:

the representations and warranties of the Company contained in the merger agreement, other than certain specified representations, must be true and correct as of the date of the merger agreement and on the closing date, except for inaccuracies which do not constitute and could not reasonably be expected to result in a material adverse effect on the Company, and we must comply with or perform in all material respects all of our covenants and obligations in the merger agreement;

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approval of the merger agreement by the required shareholder vote, and holders of less than 5% in the aggregate of the shares of Company common stock entitled to vote have delivered dissenter s notice to the Company before the vote is taken;

the absence of certain legal prohibitions or restraints against the merger, or adversely affecting SCI;

the absence of certain pending or threatened proceedings by a governmental authority relating to the merger;

the absence of pending legal proceedings against the merger or adversely affecting SCI;

SCI s receipt of assurances that the Company has repaid all outstanding principal and interest due to certain affiliated lenders;

the delivery to SCI of certain final Phase I environmental site assessment reports on three (3) parcels of real estate owned by the Company, certifying the absence of certain adverse environmental conditions;

the delivery of certain title reports for the three (3) parcels of owned real property evidencing title owned free and clear of most encumbrances;

termination of the Company s deferred compensation plans, 401-K plan and severance plan; and

the absence of a material adverse effect on the Company.

Additionally, the consummation of the merger by the Company depends on the satisfaction or waiver of a number of other customary conditions.

Termination of the Merger Agreement (page 64)

The merger agreement may be terminated prior to the effective time of the merger (whether before or after the approval of the merger agreement by the required shareholder vote):

by mutual consent of SCI and us;

subject to certain limitations, by SCI or us if the merger has not been consummated by December 31, 2011;

subject to certain limitations, by SCI or us if a U.S. court of competent jurisdiction or other U.S. governmental body has issued a final and non-appealable order having the effect of permanently restraining, enjoining or otherwise prohibiting the merger;

by SCI or us if our shareholders have taken a final vote at the special meeting or any adjournment or postponement thereof and have voted not to approve the merger agreement;

by SCI (at any time prior to the approval of the merger agreement by the required shareholder vote) under certain circumstances involving competing transactions, a change in our board of directors recommendation that our shareholders vote to approve the merger agreement or if certain other triggering events have occurred;

by SCI if (i) we have breached any of our covenants or obligations under the merger agreement, or if any of our representations or warranties are inaccurate, such that the conditions to closing relating to such covenants,

obligations, representations and warranties would not be satisfied, in each case, subject to a right to cure or (ii) a material adverse effect has occurred following the date of the merger agreement; or

by us if SCI has breached any of its covenants or obligations under the merger agreement, or if any of SCI s representations or warranties are inaccurate, such that the conditions to closing relating to such covenants, obligations, representations and warranties would not be satisfied, in each case, subject to a right to cure.

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Termination Fees and Expenses (page 66)

If the merger agreement is terminated by SCI under certain circumstances involving competing transactions, a change in our board of directors recommendation that our shareholders vote to approve the merger agreement or certain other triggering events, we may be required to pay to SCI a termination fee of $460,000. If the merger agreement is terminated because our shareholders do not approve the merger agreement, we may be required to reimburse SCI s merger-related expenses up to a maximum of $450,000. In addition, in connection with a termination of the merger agreement due to the failure of the Company s shareholders to approve the merger, if we enter into an alternative transaction within twelve (12) months of the termination of the merger agreement, we may be required to pay SCI a termination fee of $460,000 in addition to the expense reimbursement mentioned above.

No Other Negotiations (page 57)

Under the merger agreement we are not permitted to take or resolve or publicly propose to take any of the following actions:

- solicit, initiate, encourage, assist, induce or facilitate the making, submission or announcement of any alternative acquisition proposal or acquisition inquiry or take any other action that could reasonably be expected to lead to an alternative acquisition proposal or acquisition inquiry;
- furnish or otherwise provide access to any information regarding the Company (or any subsidiary of the Company) to any person in connection with or in response to an alternative acquisition proposal or acquisition inquiry; or
- engage in discussions or negotiations with any person with respect to any alternative acquisition proposal or acquisition inquiry.

In addition, the merger agreement provides that (subject to certain exceptions) our board of directors may not resolve, directly or indirectly, agree or publicly propose to take any of the following actions:

- withdraw or modify in a manner adverse to SCI or Merger Sub our board of directors recommendation to our shareholders that our shareholders vote to approve the merger agreement;
- recommend the approval, acceptance or adoption of, or approve, endorse, accept or adopt, any alternative acquisition proposal; or
- approve or recommend, or cause or permit the Company (or any subsidiary of the Company) to execute or enter into any agreement or document constituting or relating to, or that contemplates or could reasonably be expected to result in an alternative acquisition transaction.

Notwithstanding these restrictions, under certain circumstances, and so long as we comply with certain terms of the merger agreement described under The Merger Agreement Limitation on Soliciting, Discussing or Negotiating Other Acquisition Proposals, our board of directors may (i) respond to a bona fide unsolicited acquisition proposal not obtained in violation of our covenants in the merger agreement, and (ii) recommend a superior offer and, in connection with such recommendation, withdraw or modify its recommendation that our shareholders vote to approve the merger agreement, where, among other things, our board of directors determines in good faith, after consultation with an independent financial advisor of nationally recognized reputation and its outside legal counsel, that failure to take such action would constitute a breach of its fiduciary duties to our shareholders under Georgia law. Such a

recommendation change, however, would not relieve the Company from its obligation under the merger agreement to submit the merger to the shareholders at the special meeting.

Support Agreements (page 68 and Annexes B and C)

Concurrently with the execution and delivery of the merger agreement, certain of our shareholders, which as of July 14, 2011 held approximately 28% of the outstanding shares of Company common stock, including our Chairman and Chief Executive Officer and our Executive Vice President and certain of their family

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members and affiliated entities, executed support agreements pursuant to which such shareholders have agreed to vote in favor of the merger, and against competing transactions, and have granted an irrevocable proxy to SCI with respect to these matters.

Certain other of our shareholders, which as of July 14, 2011 held approximately 27% of the outstanding shares of Company common stock, executed support agreements pursuant to which such shareholders have agreed to vote in favor of the merger, and against competing transactions, and have granted a proxy to SCI with respect to these matters; provided, however, these support agreements, and the related proxies, will terminate upon the withdrawal or modification of the recommendation of our board of directors to the shareholders to approve the merger agreement. As a result, if the board of directors withdraws or modifies its recommendation to approve the merger agreement due to a superior offer, then these certain other shareholders will be released from their support agreements and may vote in favor of such competing offer.

As a result, so long as these support agreements are not terminated in connection with the withdrawal or modification of the recommendation of our board of directors, the approval of the merger agreement by our shareholders at the special meeting is assured.

Dissenters Rights (page 43 and Annex E)

Our shareholders have the right under Georgia law to exercise dissenters rights and to receive payment in cash for the fair value of their shares of our common stock. The fair value of shares of our common stock, as so determined, may be more or less than the per share consideration to be paid to non-dissenting Company shareholders in the merger. To preserve their rights, shareholders who wish to exercise dissenters rights must (a) deliver to us before the vote is taken at the special meeting written notice of their intent to demand payment for their shares, (b) not vote in favor of the approval of the merger agreement and (c) follow specific procedures. Company shareholders must precisely follow these specific procedures to exercise dissenters rights, or their dissenters rights may be lost. These procedures are described in this proxy statement, and the provisions of Georgia law that grant dissenters rights and govern such procedures are attached as Annex E to this proxy statement. You are encouraged to read these provisions carefully and in their entirety.

Delisting and Deregistration of our Common Stock (page 47)

If the merger is completed, our common stock will be delisted from Nasdaq and deregistered under the Securities Exchange Act of 1934, as amended, or the Exchange Act. As such, we would no longer file periodic reports with the Securities and Exchange Commission, or the SEC, with respect to our common stock.

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Questions and Answers About the Special Meeting And The Merger

The following questions and answers are intended to address some commonly asked questions regarding the special meeting and the merger. These questions and answers may not address all questions that may be important to you as a Company shareholder. We encourage you to refer to and read carefully this entire proxy statement, the annexes to this proxy statement, and the documents referred to in this proxy statement for a complete understanding of the special meeting and the merger.

Q: When and where is the special meeting?

A: The special meeting of our shareholders will be held on [ ], 2011, at our headquarters at 1945 The Exchange, Suite 300, Atlanta, Georgia 30339-2029 at 11:00 a.m., local time.

Q: What am I being asked to vote on at the special meeting?

A: You are being asked to vote (1) to approve a merger agreement that provides for the acquisition of the Company by SCI; (2) to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers; and (3) to vote to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger agreement in the event that there are insufficient votes represented at the special meeting. The proposed acquisition would be accomplished through a merger of Scrabble Acquisition, Inc., a wholly-owned subsidiary of SCI, with and into the Company. As a result of the merger, the Company will become a wholly-owned subsidiary of SCI and the Company common stock will cease to be listed on Nasdaq, will not be publicly traded and will be deregistered under the Exchange Act.

Q: What will I receive in the merger?

A: As a result of the merger, our shareholders will receive the per share consideration of $3.50 cash, without interest and less any applicable withholding tax, for each share of Company common stock they own. For example, if you own 100 shares of Company common stock as of the closing date of the merger, you will be entitled to receive $350.00 in cash, without interest, less any applicable withholding tax in exchange for your shares.

Q: What will holders of stock options and stock appreciation rights of the Company receive as a result of the merger?

A: Each stock option exercisable for shares of Company common stock that is in-the-money (i.e., when the exercise price of the stock option is less than $3.50) will vest (if not previously vested), and the holder thereof will be entitled to receive in exchange therefor an amount in cash equal to the product of (i) the excess, if any, of (x) $3.50 over (y) the exercise price per share of Company common stock subject to such in-the-money stock option multiplied by (ii) the number of shares of Company common stock represented by such stock option. Each stock appreciation right that is in-the-money will vest (if not previously vested), and the holder thereof will be entitled to receive in exchange therefor an amount in cash equal to the product of (i) the excess, if any, of (x) $3.50 over (y) the exercise price of such in-the-money stock appreciation rights, multiplied by (ii) the number of units represented by such stock appreciation rights. Each stock option and stock appreciation right that is outstanding and unexercised immediately prior to the effective time of the merger that is not in-the-money will expire and be cancelled, as of the effective time, for no consideration. As of July 14, 2011, no in-the-money stock options were outstanding and 70,140 shares of common stock were subject to in-the-money stock appreciation rights, assuming a fair market value of $3.50 per share.

Q: What do I need to do now?

A: We urge you to read this entire proxy statement carefully and to consider how the merger affects you. Then mail your completed, dated and signed proxy card in the enclosed return envelope, or vote via the Internet or telephone, as soon as possible so that your shares can be represented and voted at the special meeting. If you hold your shares in street name, follow the instructions you receive from your broker on how to vote your shares. Please do not send in your stock certificates with your proxy card.

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Q: How does the Company s board of directors recommend that I vote?

A: Our board of directors unanimously recommends that you vote **FOR** the proposal to approve the merger agreement, **FOR** the proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the merger agreement.

Q: What factors did our board of directors consider in making its recommendations?

A: In making its recommendations, our board of directors took into account, among other things, the unanimous recommendation of the special committee of the board; the per share consideration to be received by holders of Company common stock in the merger, and the current and historical market prices of Company common stock; the current and anticipated future competitive landscape of our industry; the status and history of discussions with other potential bidders; the Company s tangible book value and total book value per share; the written opinion of our financial advisor, Ladenburg; and the terms and conditions of the merger agreement, including our ability to, under certain circumstances, furnish information to, and conduct negotiations with, a third party, if we receive an acquisition proposal superior to SCI s proposal.

Q: Who is entitled to vote at the special meeting?

A: Only shareholders of record as of the close of business on July 20, 2011 are entitled to receive notice of the special meeting and to vote the shares of Company common stock that they held at that time at the special meeting, or at any adjournments or postponements of the special meeting.

Q: What vote of the shareholders is required to approve the proposals?

A: The voting requirements to approve the proposals are as follows:

The approval of the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of our common stock of record as of July 20, 2011. There are [ ] outstanding shares of our common stock entitled to be voted at the special meeting.

The approval, on an advisory basis, of the merger-related compensation for the Company s named executive officers requires the affirmative vote of the holders of at least a majority of the shares present, in person or by proxy, at the special meeting and entitled to vote thereon, provided a quorum is present.

The approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes in favor of the proposal to approve the merger agreement requires the affirmative vote of the holders at least a majority of the shares present, in person or by proxy, at the special meeting and entitled to vote thereon, whether or not a quorum is present.

Q: Have any shareholders already agreed to approve the merger agreement?

A: Yes. In connection with the merger agreement, certain shareholders of the Company, which as of July 14, 2011 held approximately 56% of the outstanding shares of common stock of the Company, have entered into support agreements pursuant to which the shareholders have agreed, among other things, to vote in favor of the merger and against alternative transactions, subject to, with respect to approximately 27% of the outstanding shares of common stock of the Company, termination of such support agreements under certain circumstances which

would allow them to vote in their discretion, as is more fully described elsewhere in this proxy statement. See The Support Agreements.

Q: May I vote in person?

A: Yes. If your shares are not held in street name through a broker or bank, you may attend the special meeting and vote your shares in person, rather than signing and returning your proxy card or voting via the Internet or telephone. If your shares are held in street name, you must get a proxy from your broker or bank in order to attend the special meeting and vote.

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Q: How else can I cast a vote?

A: If your shares are registered in your name, you can vote your shares using any one of the following methods:

complete and return a proxy card;

vote through the Internet at the website shown on the proxy card;

vote by telephone using the toll-free number shown on the proxy card; or

vote in person at the special meeting.

Internet and telephone voting are available 24 hours a day, and if you use one of these methods, you do not need to return a proxy card. The deadline for voting through the Internet or by telephone is 1:00 a.m., Central Time, on [ ], 2011. You must have the enclosed proxy card available, and follow the instructions on such proxy card, in order to submit a proxy over the Internet or telephone.

If your shares are held in street name through a broker or bank, you may vote by completing and returning the voting form provided by your broker or bank, or by the Internet or telephone through your broker or bank if such a service is provided. To vote via the Internet or telephone through your broker or bank, you should follow the instructions on the voting form provided by your broker or bank.

Q: What happens if I do not return my proxy card, vote via the Internet or telephone, or attend the special meeting and vote in person?

A: Approval of the merger agreement requires the affirmative vote of the holders of a majority of the shares of our common stock outstanding on the record date. Therefore, if you do not return your proxy card, vote via the Internet or telephone, or attend the special meeting and vote in person, or instruct your broker or bank how to vote your shares if your shares are held in street name, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and it will have the same effect as a vote against approval of the merger agreement.

Q: May I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting using any one of the following methods:

If you submitted a proxy card, you can execute and deliver a written notice of revocation to the Corporate Secretary, Servidyne, Inc., 1945 The Exchange, Suite 300, Atlanta, Georgia 30339-2029, or you can complete, execute, and deliver to the Secretary of the Company a new, later-dated proxy card for the same shares.

If you submitted the proxy you are seeking to revoke via the Internet or telephone, you may submit a later-dated new proxy using the same method of transmission (Internet or telephone) as the proxy being revoked, provided the new proxy is received by 1:00 a.m., Central Time, on [ ], 2011.

You can attend the meeting and vote in person, although your attendance alone will not revoke your proxy.

If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions.

Q: If my broker holds my shares in street name, will my broker vote my shares for me?

A: Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares following the procedure provided by your broker. Without instructions, your shares will not be voted, which will have the same effect as if you voted against approval of the merger agreement. Broker non-votes will have no effect on (i) the proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers or (ii) the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

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Broker non-votes occur on a matter up for vote when a broker, bank or other holder of shares you own in street name is not permitted to vote on that particular matter without instructions from you, you do not give such instructions, and the broker or other nominee indicates on its proxy card, or otherwise notifies us, that it does not have authority to vote its shares on that matter. Whether a broker has authority to vote its shares on uninstructed matters is determined by stock exchange rules.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a shareholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date, and return (or vote via the Internet or telephone with respect to) each proxy card and voting instruction card that you receive.

Q: What happens if I sell my shares of Company common stock before the special meeting?

A: The record date for the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you transfer your shares of Company common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will transfer the right to receive the per share consideration to be received by our shareholders in the merger.

Q: Will the merger be taxable to me?

A: Generally, yes. The exchange of shares of Company common stock for the cash per share consideration will be a taxable transaction to our shareholders for United States federal income tax purposes.

Tax matters can be complicated, and the tax consequences of the merger to you will depend on the facts of your own situation. We encourage you to consult your own tax advisor to fully understand the tax consequences of the merger to you.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible and expect to consummate the merger in our fiscal quarter ending October 31, 2011. In addition to obtaining shareholder approval, we must satisfy all other closing conditions before completing the merger. See The Merger Agreement Conditions to Closing.

Q: Am I entitled to dissenters rights?

A: Yes. As a holder of Company common stock, you are entitled to dissenters rights under the Georgia Business Corporation Code, or the GBCC, in connection with the merger if you meet certain conditions, which conditions are described in this proxy statement under the caption The Merger Dissenters Rights.

Q: Should I send my Company stock certificates now?

A: No. As soon as reasonably practicable after the merger is consummated, you will be sent a letter of transmittal containing written instructions for exchanging your share certificates for the per share consideration. These instructions will tell you how and where to send in your certificates for your per share consideration. You will

receive your cash payment after the paying agent receives your stock certificates and any other documents requested in the instructions.

Q: Where can I find more information about the Company?

A: We file certain information with the SEC. You may read and copy this information at the SEC s public reference facilities. This information is also available on the SEC s website at www.sec.gov and on our website at www.servidyne.com. Information contained on our website is not part of, or incorporated into, this proxy statement. You can also request copies of these documents from us. See Where You Can Find More Information on page 73.

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Q: Who will solicit and pay the cost of soliciting proxies?

A: We will bear the cost of soliciting proxies for the special meeting. Our board of directors is soliciting your proxy on our behalf. Our directors, officers and employees may solicit proxies by telephone, telegram, facsimile and electronic mail, by mail or in person. They will not be paid any additional amounts for soliciting proxies. We also will request that banking institutions, brokerage firms, custodians, trustees, nominees, fiduciaries and other like parties forward the solicitation materials to the beneficial owners of Company common stock held of record by such person, and we will, upon request of such record holders, reimburse forwarding charges and out-of-pocket expenses.

Q: Who can help answer my questions?

A: If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger, including the procedures for voting your shares, you should contact:

Servidyne, Inc.
Attn: Corporate Secretary
1945 The Exchange
Suite 300
Atlanta, Georgia 30339-2029
(770) 953-0304

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Forward-Looking Information

Certain statements contained in this proxy statement, including without limitation, statements containing the words believes, anticipates, estimates, expects, plans, projects, forecasts and words of similar import, are forwa statement, as defined in Section 21E of the Exchange Act. Forward-looking statements are based on our current expectations, assumptions, beliefs, estimates and projections about our company and our industry. Such forward-looking statements involve known and unknown risks, uncertainties and other matters which may cause the actual past results, performance or achievements of the Company to be materially different from any future results, performance or uncertainties expressed or implied by such forward-looking statements. Those statements include, among other things, the risk that the merger may not be consummated in a timely manner if at all, the risk that the merger agreement may be terminated in circumstances which require our payment to SCI of a termination fee of $460,000 or reimbursement of expenses not to exceed $450,000, the risk that the Company s financial performance will not meet the projections summarized under the caption The Merger Projected Financial Information, risks regarding a loss of or substantial decrease in purchases by our major customers, risks regarding employee retention and other risks detailed in our current filings with the SEC, including our most recent filings on Form 10-K or Form 10-Q, which discuss these and other important risk factors concerning our operations. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release publicly any revisions of these forward-looking statements to reflect future events or circumstances except as we are required to do so by law.

Market Price and Dividend Data

Our common stock is listed on Nasdaq under the symbol SERV. This table shows, for the periods indicated, the range of low and high per share closing sales prices for our common stock as reported on Nasdaq.

	Servidyne Common Stock Closing Price	
	Low	**High**
Year ended April 30, 2009:		
First Quarter(1)	$ 4.00	$ 5.66
Second Quarter	3.20	5.40
Third Quarter	1.29	3.76
Fourth Quarter	1.50	2.36
Year ended April 30, 2010:		
First Quarter	$ 1.63	$ 2.90
Second Quarter	1.75	2.50
Third Quarter	1.60	2.30
Fourth Quarter	1.60	4.47
Year ended April 30, 2011:		
First Quarter	$ 1.84	$ 3.35

Second Quarter	2.10	2.77
Third Quarter	2.18	2.65
Fourth Quarter	2.26	3.02
Year ended April 30, 2012:		
First Quarter (through July 14, 2011)	$ 2.18	$ 3.46

(1) Adjusted to reflect a 105:100 stock split effected on June 16, 2008.

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The following table sets forth the closing per share sales price of our common stock, as reported on Nasdaq on June 24, 2011, the last full trading day before the public announcement of the merger, and on [ ], 2011, the latest trading day before the printing of this proxy statement:

	Servidyne Common Stock Closing Price
June 24, 2011	$ 2.26
[ ]	[ ]

Following the merger there will be no further market for our common stock and our stock will be de-listed from Nasdaq and deregistered under the Exchange Act.

Historically, we have paid a quarterly cash dividend to our shareholders. Under the merger agreement, we have agreed to limit any dividends (whether in cash, shares or property or any combination thereof) on our common stock before the completion of the merger to a quarterly cash dividend of $0.01 per share.

The Special Meeting

General

This proxy statement is being furnished to our shareholders in connection with the solicitation of proxies by our board of directors to be used at the special meeting of shareholders to be held at our corporate headquarters located at 1945 The Exchange, Suite 300, Atlanta, Georgia 30339-2029, on [ ], 2011 at 11:00 a.m., local time, and at any adjournment or postponement of that meeting. This proxy statement and the enclosed form of proxy are being sent to our shareholders on or about [ ], 2011.

Purpose of Special Meeting

At the special meeting, we are asking holders of record of our common stock to consider and vote on the following proposals:

- the approval of the Agreement and Plan of Merger, dated as of June 26, 2011, among SCI, Merger Sub, a wholly-owned subsidiary of SCI, and the Company;
- the approval, on an advisory basis, of the merger-related compensation for the Company s named executive officers; and
- the approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger agreement.

The only matters expected to be presented at the special meeting are the matters outlined above. If any other matters properly come before the special meeting, the persons named in the enclosed proxy card will vote the shares represented by all properly executed proxies on such matters in accordance with their discretion.

A copy of the merger agreement is attached to this proxy statement as Annex A. You should review the merger agreement and this proxy statement carefully and in their entirety before deciding how to vote.

Recommendation of the Board of Directors

After careful consideration, both the special committee, consisting of all four (4) of our non-management directors, and our entire board of directors unanimously determined the merger, the merger agreement and the transactions contemplated thereby to be advisable and fair to and in the best interests of the Company and its shareholders and approved and adopted the merger and the merger agreement. **Therefore, our board of**

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directors unanimously recommends that you vote FOR approval of the proposal to approve the merger agreement, FOR the proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers and FOR the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes in favor of the proposal to approve the merger agreement.

Record Date; Stock Entitled to Vote

Our board of directors has established the close of business on July 20, 2011 as the record date for the special meeting. Only holders of record of our common stock at the close of business on the record date are entitled to notice of and to vote at the special meeting. For each share of our common stock that you owned on the record date, you are entitled to cast one (1) vote on each matter voted upon at the special meeting. As of the close of business on the record date, there were [ ] shares of our common stock outstanding and entitled to vote, which were held by [ ] holders of record. These numbers do not reflect outstanding stock options and stock appreciation rights, which are not entitled to vote at the special meeting.

Quorum

A quorum of shareholders is necessary to hold the special meeting. The presence in person or representation by proxy at any meeting of our shareholders of a majority of the outstanding shares of our common stock entitled to vote at the meeting will constitute a quorum. You will be deemed to be present if you attend the meeting or if you submit a proxy card that is received at or prior to the meeting that is not timely revoked.

Abstentions and broker non-votes, which are discussed below, are counted for purposes of determining whether a quorum is present at a special meeting. Shares held by us in our treasury do not count toward a quorum.

If a quorum is not present, the special meeting may be postponed or adjourned by the affirmative vote of the holders of a majority of the shares present, in person or by proxy, at the special meeting and entitled to vote thereat, to solicit additional proxies, without notice other than announcement at the special meeting (unless otherwise required by our bylaws or law), until a quorum is present or represented. At any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent meeting.

Vote Required

The approval of the merger agreement requires the affirmative vote of the holders of at least a majority of the shares of our common stock outstanding at the close of business on the record date for the special meeting. Because the vote on the proposal to approve the merger agreement is based on the total number of shares outstanding, rather than the number of actual votes cast, your failure to vote, or your decision to abstain from voting, on this proposal will have the same effect as a vote against the proposal. Similarly, a broker non-vote will also have the same effect as a vote against the proposal. Brokers and other nominees will not have discretionary authority on the proposal to approve the merger agreement.

The affirmative vote of the holders of at least a majority of the shares present, in person or by proxy at the special meeting and entitled to vote thereon, is required, (i) provided a quorum is present, to approve the proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers and (ii) whether or not a quorum is present, the proposal to adjourn the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes in favor of the proposal to approve the merger agreement. Abstentions will have the same effect as a vote against these proposals. Broker non-votes will not affect the outcome

of these two proposals.

Broker non-votes occur on a matter up for vote when a broker, bank or other holder of shares you own in street name is not permitted to vote on that particular matter without instructions from you, you do not give

such instructions, and the broker or other nominee indicates on its proxy card, or otherwise notifies us, that it does not have authority to vote its shares on that matter. Whether a broker has authority to vote its shares on uninstructed matters is determined by stock exchange rules.

Shares Owned by Our Directors and Executive Officers

As of July 20, 2011, our directors and executive officers beneficially owned [ ] shares of our common stock, which represented approximately [ ]% of the shares of our common stock outstanding on that date. These figures include stock options that may be exercised within sixty (60) days of July 20, 2011.

Voting; Proxies

If your shares of our common stock are registered in your name, you can vote those shares using one of the following methods:

complete and return the enclosed proxy card;

vote through the Internet at the website shown on the enclosed proxy card;

vote by telephone using the toll-free number shown on the enclosed proxy card; or

vote in person at the special meeting.

Voting by Proxy. All shares represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the shareholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted **FOR** the proposal to approve the merger agreement, **FOR** the proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers and **FOR** the proposal to adjourn the special meeting to solicit additional proxies, if necessary or appropriate, provided that no proxy that is specifically marked **AGAINST** the proposal to approve the merger agreement will be voted in favor of the proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers or the adjournment proposal, unless it is specifically marked **FOR** such proposals.

Although it is not currently expected, if the proposal to adjourn the special meeting to solicit additional proxies is approved, the special meeting may be adjourned for the purpose of soliciting additional proxies to approve the proposal to approve the merger agreement. Other than for the purposes of adjournment to solicit additional proxies, whether or not a quorum exists, holders of a majority of the outstanding common stock, present in person or represented by proxy at the special meeting and entitled to vote thereat may adjourn the special meeting. Any signed proxies received by us in which no voting instructions are provided on such matter will be voted in favor of an adjournment in these circumstances.

Any adjournment may be made without notice (if the adjournment is not for more than sixty days from the record date), other than by an announcement made at the special meeting of the time, date and place of the adjourned meeting. Any adjournment of the special meeting for the purpose of soliciting additional proxies will allow our shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Voting by Internet or Telephone. Internet and telephone voting are available 24 hours a day, and if you use one of these methods, you do not need to return a proxy card. The deadline for voting through the Internet or by telephone is 1:00 a.m., Central Time, on [ ], 2011. You must have the enclosed proxy card available, and follow the

instructions on such proxy card, in order to submit a proxy over the Internet or telephone.

Voting in Person. If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held in street name, which means your shares are held of record by a broker, bank or other nominee, and you wish to vote at the special meeting, you must bring to the special meeting a proxy from the record holder of the shares (your broker, bank or nominee) authorizing you to vote at the special meeting.

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Shares Held in Street Name. If your shares are held in a stock brokerage account or by a bank or other nominee, then your broker or bank has enclosed a voting instruction card for you to use to indicate your voting preference. It may provide that you can deliver your instructions by telephone or via the Internet. While you are welcome to attend the meeting, you are not the record holder, and you would not be permitted to vote unless you obtain a signed proxy from your nominee who is the holder of record.

Whether or not you expect to attend the special meeting, please complete, date, sign and promptly return the accompanying proxy (or vote via the Internet or telephone or follow the instructions given to you by your broker or nominee) so that your shares may be represented at the meeting.

Revocation of Proxies

You may change your vote at any time before your proxy card is voted at the special meeting by:

completing, executing and delivering a written notice of revocation to the Corporate Secretary, Servidyne, Inc., 1945 The Exchange, Suite 300, Atlanta, Georgia 30339-2029;

completing, executing and delivering to the Corporate Secretary of the Company a new, later-dated proxy card for the same shares; or

attending the meeting and voting in person.

If you submitted the proxy alone and you are seeking to revoke via the Internet or telephone, you may submit a later-dated new proxy using the same method of transmission (Internet or telephone) as the proxy being revoked, provided the new proxy is received by 1:00 a.m., Central Time, on [ ], 2011.

Attendance at the special meeting alone will not constitute a revocation of a proxy absent compliance with one of the foregoing methods of revocation. If your shares are held in a stock brokerage account or by a bank or other nominee, you must follow the instructions given to you by the broker or nominee to change your voting instructions.

Solicitation of Proxies

We will bear the cost of this proxy solicitation. Our directors, officers, and other employees may, without compensation other than reimbursement for actual expenses, solicit proxies by mail, in person or by telecommunication. We may reimburse brokers, fiduciaries, custodians, and other nominees for out-of-pocket expenses incurred in assisting in the distribution of our proxy materials to, and obtaining instructions relating to such materials from, beneficial owners.

Householding of Special Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our proxy statement may have been sent to multiple shareholders in each household. We will promptly deliver a separate copy of the proxy statement to any shareholder upon written or oral request to the Company s Corporate Secretary which may be contacted as set forth below under Assistance. If you are one of multiple shareholders sharing an address and would like to request householding in the future, please contact your broker and the Company s Corporate Secretary and inform them of your request. Be sure to include your name, the name of your brokerage firm and your account number.

Shareholder List

A list of our shareholders entitled to vote at the special meeting will be available for examination by any Company shareholder at the special meeting.

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Other Business

We do not expect that any matter other than the (i) proposal to approve the merger agreement, (ii) proposal to approve, on an advisory basis, the merger-related compensation for the Company s named executive officers, and (iii) proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies, will be brought before the special meeting. If, however, other matters are properly presented at the special meeting, the persons named as proxies will vote in accordance with their best judgment with respect to those matters.

Servidyne Shareholder Account Maintenance

Our transfer agent is Computershare. All communications concerning accounts of our shareholders of record, including address changes, name changes, inquiries as to requirements to transfer common stock and similar issues may be handled by calling Computershare Customer Service, toll-free, at (800) 568-3476 or by writing to:

Computershare
P.O. Box 43078
Providence, Rhode Island 02940-3078

Assistance

If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact:

Servidyne, Inc.
Attn: Corporate Secretary
1945 The Exchange
Suite 300
Atlanta, Georgia 30339-2029
(770) 953-0304

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The Companies

Servidyne, Inc.

Servidyne, Inc. provides comprehensive energy efficiency and demand response solutions, sustainability programs and other building performance-enhancing products and services to owners and operators of existing buildings, energy services companies and public and investor-owned utilities. The Company serves a broad range of markets in the United States and internationally, including owners and operators of corporate, commercial office, hospitality, gaming, retail, light industrial, distribution, healthcare, government, multi-family and education facilities, as well as energy services companies and public and investor-owned utilities. Servidyne is publicly traded on Nasdaq under the symbol SERV.

The Company was organized under Delaware law in 1960 to succeed to the business of A. R. Abrams, Inc., which was founded in 1925 by Alfred R. Abrams as a sole proprietorship. In 1984, the Company changed its state of incorporation from Delaware to Georgia. In 2006, the Company changed its name from Abrams Industries, Inc. to Servidyne, Inc.

The Company s principal executive offices are located at 1945 The Exchange, Suite 300, Atlanta, Georgia 30339-2029, and its telephone number is (770) 953-0304. Additional information regarding the Company is contained in the Company s filings with the SEC. See Where You Can Find More Information.

Scientific Conservation, Inc.

Scientific Conservation, Inc. is a provider of energy efficiency solutions via predictive diagnostics and analytics for the $5 billion commercial building market. SCI s suite of energy management solutions uses the industry s first software-as-a-service (Saas) platform to help reduce annual energy spending by comparing predicted energy and system efficiencies against real-time operation. SCI s headquarters are in San Francisco, California, with its technology center in Atlanta, Georgia.

SCI s principal executive offices are located at 2 Bryant Street, Suite 210, San Francisco, California 94105, and its telephone number is (415) 625-4500.

Scrabble Acquisition, Inc.

Scrabble Acquisition, Inc. is a wholly-owned subsidiary of SCI. Merger Sub was organized solely for the purpose of entering into the merger agreement with us and completing the merger and has not conducted any other business operations. Merger Sub s principal executive offices are located at 2 Bryant Street, Suite 210, San Francisco, California 94105, and its telephone number is (415) 625-4500.

Proposal 1 Approval of the Merger Agreement

The Merger

Background of the Merger

Beginning in the early 1960s, the Company engaged in real estate activities, including the development, purchase, management, ownership and sale of shopping centers and other income-producing properties, primarily located in the

Southeast and Midwest. In 2001, the Company acquired the assets and operating business of Servidyne Systems, Inc., an energy engineering and maintenance management company. Through the subsequent acquisitions and integration of the assets and operating businesses of The Wheatstone Energy Group, Inc. (2003), iTendant, Inc. (2004) and Building Performance Engineers, Inc. (2004), the Company shifted its strategy away from real estate activities and towards providing building performance and energy efficiency solutions for buildings. In order to grow this newly-created Building Performance Efficiency, or BPE, Segment, the Company redeployed capital previously invested in its Real Estate Segment primarily through the sale of commercial income-producing properties and raw land.

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In its fiscal year ended April 2009, the Company s shareholders equity and available cash declined dramatically from prior levels. These adverse changes were a result of continuing losses from the BPE Segment operations, due in large part to the challenging macro economic environment, increasing regulatory compliance costs, and the acquisition and initial capitalization of the Company s lighting distribution business (acquired in June 2008). At the same time, the economic recession caused substantial devaluation of the Company s remaining real estate assets, which had been the Company s traditional source of capital. In order to improve its liquidity and fund the growth of its BPE Segment, in the summer of 2009, the Company began a process intended to attract new capital into the Company.

From the summer of 2009 through the fall of 2010, 34 financial and strategic parties were approached (including several investment banks) regarding potential investments in the Company. Nash Equity Capital, or NEC, which through its principal, Mr. Charles Nash, had provided financial advisory services to the Company for many years, and Energy Environmental Enterprises, a consulting firm with strong ties to the electrical utilities industry, were engaged to assist the Company in this process and to conduct initial approaches and communications with potential investors. All parties contacted during this process declined to invest in the Company due to, among other reasons, its weakened balance sheet and the historical lack of profitability of the Company and its BPE Segment.

During the search for new capital, one of the contacted parties, a large family of funds, indicated a potential interest in purchasing the BPE Segment from the Company rather than investing in the Company, and on June 9, 2010, delivered a written indication of interest to do so for a cash purchase price of $8 million. This entity is referred to herein as Interested Party #1. In response, the board of directors at a meeting held on June 9, 2010, empowered a special committee to review, consider, negotiate and, if it deemed appropriate in its sole discretion, recommend to the full board of directors, a sale of the BPE Segment, either on a stand alone basis or as part of the sale of the entire Company. The special committee consisted of all four (4) non-management members of the board of directors.

At a meeting of the special committee held on June 23, 2010, the law firm of Kilpatrick Townsend & Stockton LLP, or Kilpatrick Townsend, was engaged as counsel to the special committee and NEC was engaged as financial advisor to the special committee. At this meeting, Kilpatrick Townsend advised the board regarding its fiduciary duties under applicable law in light of the indication of interest from Interested Party #1. Discussions with Interested Party #1 continued through the month of July 2010, as it engaged in a preliminary due diligence investigation of the Company.

At a meeting held on July 27, 2010, the special committee reviewed with management and Mr. Nash of NEC the current financial outlook for the Company, based on a May 2010 internal financial report. The members of the special committee were concerned about the Company s cash levels and the BPE Segment s continuing losses, and concluded that the search for external financing was becoming more urgent. At that time, the written indication of interest from Interested Party #1 to purchase the BPE Segment for $8 million was the only firm indication of interest in an investment in or an acquisition of the Company, although three other strategic investors had indicated some general interest in the BPE Segment. Kilpatrick Townsend again advised the special committee regarding its fiduciary duties in the current situation, and emphasized the importance that the special committee be fully informed regarding all potentially available alternatives before deciding on any particular course of action. The special committee decided that given the capital needs of the Company and the risk that the BPE Segment might not achieve sufficient profitability as early as previously projected, there was a need to secure additional capital rapidly. Management, therefore, was instructed by the special committee to continue negotiations with Interested Party #1 in an attempt to negotiate the most favorable transaction possible for consideration by the special committee, and at the same time to continue efforts to attract potential investors in or purchasers of the BPE Segment or the Company as a whole.

Discussions by management and NEC with potential investors continued, and in early August 2010 the Company received a revised indication of interest from Interested Party #1 (dated August 5) for a $9 million cash purchase price and a new indication of interest (dated August 9) from a strategic entity (which we refer to as Interested Party #2). At a meeting on August 10, 2010, the special committee considered these two (2) indications of interest, both of which

proposed an acquisition of all assets of the BPE Segment and one of

which required that the Company agree to exclusive negotiations as a condition of further discussions. At this meeting management reported that the Company s recent financial performance and level of available cash were both lower than forecasted. The special committee instructed management and NEC to continue immediate discussions with both of these entities, and to attempt to negotiate a higher purchase price and a shorter exclusivity period. The special committee also discussed the potential of engaging an additional financial advisor to further canvass the market for potential interest in acquiring the BPE Segment, and directed Mr. Robert McWhinney, the chairman of the special committee at that time, to begin the process of familiarizing potential additional financial advisors for the Company, and to secure fee proposals for their proposed services. The special committee also discussed with management the need to substantially reduce operating expenses in order to conserve cash and expedite the achievement of profitability, and directed management to develop a comprehensive plan to do so in the near term.

Management and NEC engaged in further negotiations with both of these parties during the next several days, in an effort to cause them to improve the terms of their offers. Interested Party #1 did improve its indication during that period but Interested Party #2 did not. At a meeting held on August 13, 2010, the special committee considered the indications of interest from both parties. After reviewing the terms of both indications, the special committee decided that the revised indication of interest from Interested Party #1 was clearly economically superior, less conditional, and more certain of closing. This revised offer from Interested Party #1, dated August 12, 2010, contemplated a payment of $10 million in cash at closing (an increase of $1 million from the August 5 offer), included a new provision for the assumption of $1 million of debt, in return for 100% of the assets of the BPE Segment, and contemplated a 60-day exclusivity period. The offer from Interested Party #2, which had not been improved from its offer dated August 9, 2010, was for $10 million in cash, with no assumption of debt or proposed exclusivity period, and was subject to a financing condition. The special committee determined that the economic terms reflected in the indication of interest from Interested Party #1 were the more favorable of the two proposals, and an exclusivity agreement for 30 days was entered into with this entity and discussions with Interested Party #2 were halted.

The BPE Segment generated lower than forecasted operating results in the quarter ended July 31, 2010, and the Company experienced a substantial deterioration in its cash position. When these results became known, Interested Party #1 communicated to the Company that it would defer any further discussions of a potential transaction with the Company until such time as the BPE Segment could demonstrate it had achieved a level of sustainable results above breakeven. In light of the disappointing quarterly financial results and the response of Interested Party #1, management redoubled efforts to identify substantial potential reductions in the BPE Segment s operating expenses in order to achieve sustainable results above breakeven. The resulting plan identified approximately $900,000 in potential annual operating expenses reductions at the BPE Segment, of which in excess of $700,000 were subsequently implemented during the fall of 2010. Subsequently the salary of the Company s Chairman and CEO and the fees paid to the non-management directors were also voluntarily reduced as an additional operating expense reduction effort.

During August-September 2010, management and NEC continued to try to generate interest from potential bidders for the BPE Segment or the Company as a whole, including Interested Party #2. Interested Party #1 indicated that while it was encouraged by the expense reductions being implemented at the BPE Segment, it would not engage in any further discussions of a potential transaction with the Company until such time that it could review the financial results of the quarter ended October 2010 to determine whether the BPE Segment had indeed achieved a level of sustainable results above breakeven. Despite the profitable operating results actually achieved by the BPE Segment in the fiscal quarter ended October 2010 and in subsequent quarters, this party never subsequently re-engaged in meaningful negotiations with the Company. Conversations were held during this period with two other strategic entities regarding a potential acquisition of the BPE Segment and with another strategic entity regarding a potential merger with the Company, but none of those parties put forth any concrete proposals.

At a meeting held on October 4, 2010, the special committee considered and discussed specific financial proposals made by three merger and acquisition advisory firms with respect to assisting the Company in further canvassing the market for the potential sale of the BPE Segment or the Company as a whole.

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In October 2010, a group of Company directors and officers loaned $500,000 to the Company to fulfill bonding requirements for a large contract with the State of Georgia. The loan was necessary because the Company s existing bonding company was reluctant to bond the project due to concerns about the nature, large size and length of the project, as well as the Company s cash burn rate.

During November 2010 the Company received an improved indication of interest from Interested Party #2 to acquire the BPE Segment for a total enterprise value of $14 million, but such indication was subject to a financing contingency which was considered to be very significant, and $2 million of the purchase price would be escrowed for two years to cover indemnification obligations of the Company and another $2 million of the purchase price was contingent earn-out payments based on achievement of earnings performance thresholds. After discussion, the special committee determined that the lack of firm financing, the conditional nature of the offer and the lack of firmness as to a substantial portion of the purchase price made this indication of interest relatively unattractive. This view, taken together with the fact that discussions were ongoing with four (4) other potential strategic parties regarding an investment in or acquisition of the BPE Segment or the Company, led the special committee to decide not to enter into an exclusivity arrangement with Interested Party #2 at that time, but rather to proceed to engage an additional financial advisor to further canvass the market for potential investors or acquirors of the BPE Segment.

On December 2, 2010, the Company engaged VRA Partners, or VRA, as an additional financial advisor to assist the special committee in the potential sale of the BPE Segment. VRA was selected to assist the special committee due to its broad experience in selling small to medium size companies such as the Company and/or the BPE Segment. VRA immediately began discussions with management of the Company to assess the value of the BPE Segment and to prepare marketing materials to more broadly canvass the market for a potential purchaser. VRA worked with management to identify potential financial and strategic entities that could have an interest in the potential purchase of the BPE Segment. VRA engaged in continuing discussions with Interested Party #2 and with another strategic entity that had already expressed an interest in purchasing the BPE Segment (which we refer to as Interested Party #3). At the direction of the special committee, the Company did not publicize these efforts to market the availability of the BPE Segment, due to concerns that widespread public knowledge of such proposed sale could harm employee morale and the Company s relations with its suppliers and customers, and could make the Company more vulnerable to attack from competitors. These risks were judged by the special committee to be more significant than the potential benefit of a public announcement of the offering of the BPE Segment, particularly given the private canvassing of the market that previously had been accomplished by the Company and its financial advisors.