SUNAIR ELECTRONICS INC
Form 8-K/A
August 19, 2005

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

FORM 8-K/A
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported) June 7, 2005
SUNAIR ELECTRONICS, INC.
(Exact name of registrant as specified in its charter)

Florida	**1-04334**	**59-0780772**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3005 Southwest Third Avenue
Fort Lauderdale, Florida 33315
(Address of Principal Executive Office) (Zip Code)
(954) 525-1505
(Registrant s telephone number, including area code)
Not Applicable
(Former Name or Former Address, If Changed Since Last Report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

Section 1 Registrant s Business and Operations

Item 1.01. Entry into a Material Definitive Agreement.

This Current Report on Form 8-K/A amends the Form 8-K filed with the Commission on June 10, 2005, relating to the acquisition by Sunair Electronics, Inc. (the Company), through its subsidiary, Sunair Southeast Pest Holdings, Inc. (Sunair Southeast), of 100% of the issued and outstanding capital stock of Middleton Pest Control, Inc., a Florida corporation (Middleton) for an aggregate purchase price of: (i) $35.0 million in cash; (ii) $5.0 million in the form of a subordinated promissory note; and (iii) 1,084,599 shares of the Company s common stock, in accordance with a stock purchase agreement, dated June 7, 2005, among Sunair Southeast and the selling shareholders of Middleton.

Following the closing of the Middleton acquisition, the Company and the selling shareholders of Middleton determined that the final number of shares of the Company s common stock to be issued to the selling shareholders of Middleton should be 1,028,807 shares pursuant to the stock purchase agreement, not 1,084,599 shares as previously contemplated. Accordingly, new stock certificates representing an aggregate amount of 1,028,807 shares of the Company s common stock were issued to the selling shareholders of Middleton, and the original stock certificates representing an aggregate of 1,084,599 shares of the Company s common stock were cancelled. The newly issued stock certificates bear the restrictive legend contained on the original stock certificates, and are dated June 7, 2005, the date of the closing of the stock purchase agreement.

Section 9 Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

This Current Report on Form 8-K/A contains the information required by Item 9.01 of Form 8-K relating to the Middleton acquisition.

(a) Financial Statements of Business Acquired.

The financial statements of Middleton are attached as Exhibit A to this Current Report on Form 8-K/A.

(b) Pro Forma Financial Information.

The pro forma financial information relating to the Middleton acquisition are attached as Exhibit B to this Current Report on Form 8-K/A.

SIGNATURES

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

SUNAIR ELECTRONICS, INC.

Date: August 19, 2005

By: /s/ SYNNOTT B. DURHAM
Synnott B. Durham
Chief Financial Officer

EXHIBIT A

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MIDDLETON PEST CONTROL, INC.
COMPARATIVE BALANCE SHEET
MARCH 31, 2005
(Unaudited)

	March 31, 2005	**December 31, 2004**
ASSETS		
Current Assets:		
Cash	$ 1,769,171	$ 1,245,777
Accounts receivable	1,522,971	1,333,943
Inventory	467,235	492,706
Prepaid expenses and other current assets	626,211	389,104
Total current assets	4,385,588	3,461,530
Property and equipment (net of accumulated depreciation of $3,680,435)	1,573,705	1,545,621
Other Assets	63,582	59,096
Total Assets	$ 6,022,875	$ 5,066,247
LIABILITIES AND STOCKHOLDER S EQUITY		
Current Liabilities		
Accounts payable	$ 839,942	$ 412,064
Accrued expenses and other current liabilities	807,848	694,601
Deferred revenues		
Customer deposits	1,481,435	1,338,229
Current portion of long-term debt	99,232	109,251
Total current liabilities	3,228,457	2,554,145
Long-Term Debt		
Notes payable	380,132	396,110
Total Liabilities	3,608,589	2,950,255
Stockholder s Equity:		
Common stock Class A (par value $1.00 per share, 500 shares authorized, issued and outstanding)	500	500
Additional paid-in capital	23,227	23,227
Retained earnings	2,390,559	2,092,265

Total stockholder s equity	2,414,286		2,115,992
Total Liabilities and Stockholder s Equity	$ 6,022,875	$	5,066,247

See Independent Auditors Report and Notes to the Financial Statements

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MIDDLETON PEST CONTROL, INC.
COMPARATIVE STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE THREE MONTHS ENDED MARCH 31,
(Unaudited)

	2005	2004
Revenues	$ 7,950,369	$ 7,001,890
Cost of revenues	5,454,091	4,458,420
Gross profit	2,496,278	2,543,470
Selling, general and administrative expenses	1,954,016	1,983,518
Income from operations	542,262	559,952
Other income (expenses):		
Gain on disposal of equipment		1,500
Interest income	1,773	773
Interest expense	(6,939)	(2,372)
Total other expense	(5,166)	(99)
NET INCOME	537,096	559,853
Retained earnings, January 1	2,092,265	2,468,423
Shareholder distributions	(238,802)	(622,095)
Retained earnings, March 31	$ 2,390,559	$ 2,406,181

MIDDLETON PEST CONTROL, INC.
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31,
(Unaudited)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 537,096	$ 559,853
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	126,010	107,614
(Increase) decrease in:		
Accounts receivable	(189,028)	(83,714)
Inventory	25,471	(33,516)
Prepaid expenses and other current assets	(237,107)	(189,065)
Other assets	(4,486)	11,626
Increase (decrease) in:		
Accounts payable	427,878	440,911
Accrued expenses and other current liabilities	113,247	111,883
Deferred revenues		(39,574)
Customer deposits	143,206	270,383
Net cash provided by operating activities	942,287	1,156,401
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(154,094)	(73,222)
Net cash used in investing activities	(154,094)	(73,222)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle payments of notes payable	(25,997)	(21,203)
Distributions to shareholders	(238,802)	(622,095)
Net cash used in financing activities	(264,799)	(643,298)
NET INCREASE IN CASH	523,394	439,881
Cash, January 1	1,245,777	1,807,370
Cash, March 31	$ 1,769,171	$ 2,247,251
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 6,939	$ 2,372

Cash paid during the year for income taxes	$	$

March 24, 2005

Board of Directors
Middleton Pest Control, Inc.
Orlando, Florida

INDEPENDENT AUDITOR S REPORT

We have audited the accompanying balance sheets of Middleton Pest Control, Inc. as of December 31, 2004 and 2003, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middleton Pest Control, Inc., as of December 31, 2004 and 2003, and the results of its activities and cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.

/s/ Linder & Thornley
Linder & Thornley
Certified Public Accountant

MIDDLETON PEST CONTROL, INC.
COMPARATIVE BALANCE SHEET

	December 31, 2004	December 31, 2003
ASSETS		
CURRENT ASSETS		
Cash	$ 1,245,777	$ 1,807,370
Accounts receivable	1,333,943	1,090,203
Inventories	492,706	434,842
Employee advances	11,406	10,924
Prepaid expenses	377,698	258,113
Total Current Assets	3,461,530	3,601,452
PROPERTY AND EQUIPMENT		
Leasehold and building improvements	540,122	558,536
Equipment	364,976	277,921
Vehicles	2,332,604	2,371,298
Computer equipment	695,102	629,341
Office furniture and equipment	517,543	468,136
In progress fixed assets	649,699	17,034
	5,100,046	4,322,266
Less allowance for depreciation	(3,554,425)	(3,220,871)
Net Property and Equipment	1,545,621	1,101,395
OTHER ASSETS		
Deposits and other assets	59,096	64,086
Total Other Assets	59,096	64,086
Total Assets	$ 5,066,247	$ 4,766,933

See accompanying notes to financial statements.

MIDDLETON PEST CONTROL, INC.
COMPARATIVE BALANCE SHEET

	December 31, 2004	December 31, 2003
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 412,064	$ 246,930
Accrued expenses	694,601	601,475
Deferred revenue Note C	51,364	250,397
Customer deposits	1,286,865	1,044,046
Current portion of long-term debt Note B	109,251	80,901
Total Current Liabilities	2,554,145	2,223,749
LONG-TERM DEBT		
Less: current portion Note B	396,110	51,034
Total Liabilities	2,950,255	2,274,783
LEASES NOTE B		
SHAREHOLDERS EQUITY		
Common stock Class A, par value $1.00 per share- 500 shares authorized, issued and outstanding		
Non-voting common stock-Class B, 5,000 shares authorized, 4,500 issued and outstanding	500	500
Paid-in capital	23,227	23,227
Retained earnings	2,092,265	2,468,423
Total Shareholders Equity	2,115,992	2,492,150
Total Liabilities and Shareholders Equity	$ 5,066,247	$ 4,766,933

See accompanying notes to financial statements.

MIDDLETON PEST CONTROL, INC.
COMPARATIVE STATEMENT OF INCOME

	Years Ended December 31, 2004	2003
Net sales	$ 30,164,101	$ 25,102,352
Cost of sales	16,892,863	13,862,088
Gross profit	13,271,238	11,240,264
General and administrative expenses	11,219,470	9,752,629
Income from operations	2,051,768	1,487,635
Other income (expense)		
Gain on sale of assets	6,000	15,301
Interest income	4,124	2,701
Interest expense	(12,621)	(12,668)
Total other income (expense)	(2,497)	5,334
Net income	$ 2,049,271	$ 1,492,969

See accompanying notes to financial statements.

MIDDLETON PEST CONTROL, INC.
COMPARATIVE STATEMENT OF SHAREHOLDERS EQUITY

	Common Stock	Paid-in Capital	Retained Earnings
Balance at December 31, 2002	$ 500	$ 23,227	$ 1,255,490
Net Income			1,492,969
Distributions			(280,036)
Balance at December 31, 2003	500	23,227	2,468,423
Net Income			2,049,271
Distributions			(2,425,429)
Balance at December 31, 2004	$ 500	$ 23,227	$ 2,092,265

See accompanying notes to financial statements.

MIDDLETON PEST CONTROL, INC.
COMPARATIVE STATEMENT OF CASH FLOWS

	Years Ended December 31, 2004	2003
OPERATING ACTIVITIES		
Net income	$ 2,049,271	$ 1,492,969
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	469,341	644,022
Gain on sale of assets	(6,000)	(15,301)
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(243,740)	(207,626)
(Increase) in inventories	(57,864)	(97,498)
(Decrease) Increase in prepaid expenses and advances	(120,067)	36,479
Increase in customer deposits	242,819	63,430
Increase in accounts payable and accrued expenses	258,262	227,539
Decrease (Increase) in deposits and other assets	4,988	(9,899)
(Decrease) in deferred revenue	(199,033)	(262,612)
Net Cash Provided by Operating Activities	2,397,977	1,871,503
INVESTING ACTIVITIES		
Purchases of vehicles and equipment	(267,664)	(281,870)
Building improvements	(13,828)	(20,529)
Purchase of in progress assets	(632,075)	0
Proceeds from sale of vehicles and equipment	6,000	24,205
Net Cash Used in Investing Activities	(907,567)	(278,194)
FINANCING ACTIVITIES		
Shareholder distributions	(2,425,429)	(280,036)
Borrowings	450,000	0
Payments on short and long-term borrowings	(76,574)	(93,782)
Net Cash Used in Financing Activities	(2,052,003)	(373,818)
(Decrease) Increase in Cash and Cash Equivalents	(561,593)	1,219,491
Cash at Beginning of Year	1,807,370	587,879
Cash at End of Year	$ 1,245,777	$ 1,807,370

Interest paid see Note B

See accompanying notes to financial statements.

MIDDLETON PEST CONTROL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A SIGNIFICANT ACCOUNTING POLICIES

Middleton Pest Control, Inc. was incorporated in the state of Florida on December 1, 1977. The Company operates sixteen branch locations in the Central Florida area.

Accounts receivable are recorded at net realizable value. Uncollectible accounts are written off in the period in which management deems them to be uncollectible and are immaterial in relation to sales. These accounts are turned over to collection agencies and, if recovered, are credited against bad debts. Receivables are due from customers in the state of Florida.

Inventories are recorded at the lower of cost or market. Cost is determined by the FIFO (first-in, first-out) method.

Cash and cash equivalents are all highly liquid investments with a maturity of three months or less. Some of these cash funds are invested in a tax-exempt money fund which is not insured by the FDIC.

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the assets. Depreciation is computed using the straight-line method as follows:

Vehicles	3 - 5 years
Equipment	5 years
Furniture & Fixtures	5 - 7 years

Effective January 1, 1989, the Company elected to be taxed as a Small Business Corporation under Subchapter S of the Internal Revenue Code. All taxable income is apportioned to the shareholders for inclusion in their individual income tax returns. This election was terminated on June 30, 1994. From July 1, 1994 to February 28, 1998, the corporation was liable for state and federal income taxes on taxable income earned. As of March 1,1998 the corporation has elected to again be S-Corporation (see note D).

MIDDLETON PEST CONTROL, INC.
NOTES TO FINANCIAL STATEMENTS
NOTE B LONG-TERM DEBT AND LEASES
Long-term debt consists of the following:

	2004	2003
Notes payable to First National Bank of Central Florida. Borrowings are repaid over a 3 to 5 year term. Interest is due at rates ranging from 6.75% to 8.0%. Notes are secured by vehicles.	$ 31,032	$ 66,760
Note payable to Bank of America payable in 50 monthly installments of $2,522.32 including principal and interest at 6.8%. Note is secured by equipment.	38,491	65,175
Note payable to Bank of America in monthly installments of $5,793.64 including interest at 5.25%. Note is secured by computer equipment and matures 9/29/08.	235,838	0
Note payable to Bank of America in interest only installments of 5.6% Note is secured by office build out and matures 3/29/11.	200,000	0
Less current portion:	(109,251)	(80,901)
	$ 396,110	$ 51,034

Interest paid in 2004 and 2003 totaled $12,621 and $12,668, respectively.

Maturities of long-term borrowings as of December 31, 2004, are as follows:

2005	$ 109,251
2006	70,969
2007	60,219
2008	64,922
2009	0
Thereafter	200,000
	$ 505,361

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MIDDLETON PEST CONTROL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B LONG-TERM DEBT AND LEASES CONTINUED

Rental expense for property operating leases amounted to $932,393 and $852,272 in 2004 and 2003, respectively. The Company also leases vehicles over terms ranging from 3 to 5 years. Vehicle lease expense amounted to $1,038,529 and $785,243 in 2004 and 2003 respectively. Payments due under noncancellable operating leases that have initial or remaining terms in excess of one year as of December 31, 2004, are as follows:

	Property Leases	Vehicle Leases	Total
2005	$ 798,881	1,135,027	1,933,908
2006	653,764	878,608	1,532,372
2007	591,084	521,453	1,112,537
2008	561,449	226,275	787,724
2009	445,595	114,555	560,150
Thereafter	763,976	72,818	836,794
	$3,814,749	2,948,736	6,763,485

NOTE C DEFERRED REVENUE

One of the services offered by Middleton Pest Control is an annual pest control program. The customer pays in advance for one year of service which includes an initial treatment and three subsequent treatments during the year. Deferred revenue represents sales invoiced for which the production has not yet been made. The sales and production are accounted for by branch and adjusted monthly.

NOTE D INCOME TAXES

Beginning March 1, 1998 the corporation elected to be a small business corporation (S-Corporation). As an S-Corporation the corporate net profit or loss is reported on the shareholders individual income tax returns. There is no state or federal income tax liability.

NOTE E RETIREMENT PLAN

The company matches employee contributions to its 401K plan at a rate of 40%. Contributions for 2004 and 2003 were $122,562 and $71,216 respectively.

EXHIBIT B

SUNAIR ELECTRONICS INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED INFORMATION
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SUNAIR ELECTRONICS INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED INFORMATION

INTRODUCTION TO PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma combined financial information gives effect to the acquisition of Middleton Pest Control, Inc.(Middleton).

On June 7, 2005 (Effective Date), the Registrant, Sunair Electronics, Inc (Sunair) completed an acquisition (the Acquisition) of all the issued and outstanding common stock of Middleton. The Acquisition was consummated pursuant to the terms and provisions of a Stock Purchase Agreement dated as of June 7, 2005. As a result, Middleton became a wholly owned-subsidiary of Sunair. The consideration paid by Sunair consisted of cash of $35,000,000, 1,028,807 shares of its $.10 par value common stock valued at $10,000,000 based on an average price of $9.72 over the thirty trading days prior to the Acquisition and a promissory note of $5,000,000. Interest due on the note payable is at prime, payable semi-annually. The note matures on June 7, 2010.

The unaudited pro forma condensed combined balance sheet gives effect to the Acquisition as if it had occurred on March 31, 2005. The unaudited pro forma combined statements of operations for the year ended September 30, 2004 and the six months ended March 31, 2005 gives effect to the Acquisition as if it had occurred at the beginning of the earliest periods presented.

The unaudited pro forma combined financial information has been included as required and allowed by the rules of the Securities and Exchange Commission and is presented for illustrative purposes only. Such information is not necessarily indicative of the operating results or financial position that would have occurred had the Acquisition taken place on March 31, 2005 or October 1, 2004 or 2003. The pro forma condensed combined financial statements should be read in conjunction with the Company s Form 10-KSB for the year ended September 30, 2004 and the related notes included in this Current Report on Form 8-K/A.

SUNAIR ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
MARCH 31, 2005

	Sunair and Subsidiaries Historical	Middleton Historical	Combined Total	Pro-forma Adjustments	See Note 3 Pro-forma Adjustments	Pro-forma Combined
ASSETS						
Cash	$ 1,894,814	$ 1,769,171	$ 3,663,985	$ 10,904,000	1	
				(9,149,762)	2	$ 5,418,223
Accounts receivable, net	3,375,073	1,522,971	4,898,044			4,898,044
Interest receivable	10,875		10,875			10,875
Inventory	7,106,299	467,235	7,573,534			7,573,534
Prepaid and other current assets	809,022	626,211	1,435,233			1,435,233
Deferred tax asset	969,000		969,000			969,000
Investments	25,850,238		25,850,238	(25,850,238)	2	
Property and equipment, net	660,205	1,573,704	2,233,909			2,233,909
Software costs, net	4,037,384		4,037,384			4,037,384
Customer list				10,500,000	3	10,500,000
Notes receivable	70,604		70,604			70,604
Investment in subsidiary				53,100,000	2	
				(53,100,000)	3	
Other assets	(35,183)	63,582	28,399	96,000	1	124,399
Goodwill	852,683		852,683	40,185,714	3	41,038,397
Total Assets	$ 45,601,014	$ 6,022,874	$ 51,623,888	$ 26,685,714		$ 78,309,602
LIABILITIES AND STOCKHOLDERS EQUITY						
Accounts payable	$ 1,131,976	$ 839,942	$ 1,971,918	$ 3,100,000	1	$ 5,071,918
Accrued expenses and other liabilities	845,189	807,848	1,653,037			1,653,037
Income tax payable	186,950		186,950	261,400	4	448,350
Deferred tax liability	1,368,282		1,368,282			1,368,282
Unearned revenues	100,689		100,689			100,689
Customer deposits		1,481,435	1,481,435			1,481,435
Bank line of credit	47,000		47,000			47,000
Due to shareholder	22,800		22,800			22,800
Loan from parent						
Notes payable and capital leases	23,028	479,363	502,391	11,000,000	1	11,502,391
				5,000,000	2	5,000,000

Total Liabilities	3,725,914	3,608,588	7,334,502	19,361,400		26,695,902
Common stock	901,487	500	901,987	102,881	**2**	
				(500)	**3**	1,004,368
Additional paid-in capital	27,612,264	23,227	27,635,491	9,897,119	**2**	
				(23,227)	**3**	37,509,383
Retained earnings (deficit)	13,320,818	2,390,559	15,711,377	(2,390,559)	**3**	
				(261,400)	**4**	13,059,418
Translation adjustment	40,531		40,531			40,531
Total Stockholders Equity	41,875,100	2,414,286	44,289,386	7,324,314		51,613,700
Total Liabilities and Stockholders Equity	$ 45,601,014	$ 6,022,874	$ 51,623,888	$ 26,685,714		$ 78,309,602

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SUNAIR ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED MARCH 31, 2005

	Sunair Electronics, Inc. Historical	Middleton Historical	Pro-forma Adjustments	See Note 3 Pro-forma Adjustments	Pro-forma Combined
Revenues	$ 9,940,320	$ 15,669,377	$		$ 25,609,697
Cost of revenues	5,537,526	10,764,908			16,302,434
Gross profit	4,402,794	4,904,469			9,307,263
Selling, general and administrative expenses	3,419,467	4,262,344			7,681,811
Income from operations	983,327	642,125			1,625,452
Other income:	99,980	28,089			128,069
Income before provision for income taxes	1,083,307	670,214			1,753,521
Provision for income taxes	(347,800)		(261,400)	**4**	(609,200)
NET INCOME	$ 735,507	$ 670,214	$		$ 1,144,321
Pro-forma net income per common share					
Basic	$ 0.14				$ 0.18
Diluted	$ 0.11				$ 0.15
Weighted average of pro-forma shares outstanding:					
Basic	5,412,524				6,441,331
Diluted	6,667,402				7,696,209

SUNAIR ELECTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Sunair Electronics, Inc. Historical	Middleton Historical	Pro-forma Adjustments	See Note 3 Pro-forma Adjustments	Pro-forma Combined
Revenues	$ 9,885,375	$ 28,948,849	$		$ 38,834,224
Cost of revenues	5,685,222	18,874,447			24,559,669
Gross profit	4,200,153	10,074,402			14,274,555
Selling, general and administrative expenses	2,747,579	7,755,583			10,503,162
Income from operations	1,452,574	2,318,819			3,771,393
Other income:	178,001	1,768			179,769
Income before provision for income taxes	1,630,575	2,320,587			3,951,162
Provision for income taxes	(500,855)		(905,000)	4	(1,405,855)
NET INCOME	$ 1,129,720	$ 2,320,587	$		$ 2,545,307
Pro-forma net income per common share Basic	$ 0.30				$ 0.52
Diluted	$ 0.29				$ 0.51
Weighted average of pro-forma shares outstanding:					
Basic	3,830,487				4,859,293
Diluted	3,919,127				4,947,933

SUNAIR ELECTRONICS, INC AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED
FINANCIAL STATEMENTS

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed combined financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and certain footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations; however, management believes that the disclosures are adequate to make the information presented not misleading.

NOTE 2 STOCK PURCHASE AGREEMENT

On June 7, 2005, Sunair paid $35,000,000 in cash, gave a promissory note of $5,000,000 and issued an aggregate number of 1,028,807 shares of its $0.10 par value common stock (totaling $10,000,000) in exchange for all of the issued and outstanding shares of Middleton Pest Control, Inc. Sunair also estimated closing costs of approximately $1,700,000 and a charge of approximately $1,400,000 for Middleton s built-in capital gains tax for a total purchase price of approximately $53,100,000.

The following table set forth the preliminary allocation of the purchase price to Middleton s tangible and intangible assets acquired and liabilities assumed as of March 31, 2005

Cash	$ 1,769,171
A/R	1,522,971
Inventory	467,235
Prepaid assests	626,211
Fixed assets	1,573,704
Other assets	63,582
Customer list	10,500,000
Goodwill	40,185,714
Accounts payable	(839,942)
Accrued liabilities	(807,848)
Customer deposits	(1,481,435)
Notes payable vehicles	(26,337)
Notes payable	(453,026)
Total	$ 53,100,000

NOTE 3 PRO FORMA ADJUSTMENTS

1. To reflect a Bank Line of Credit acquired by Sunair of $11,000,000 less $96,000 in closing costs to complete the acquisition of Middleton.

2. Reflects common stock of Sunair issued at $.10 par value and additional paid-in capital as a result of the issuance, the promissory note given and the cash disbursed in connection with the acquisition of Middleton. Also included in the investment and recorded to accounts payable are acquisition costs of $1,700,000 and the estimated tax effect of built-in capital gains of 1,400,000 as a result of Middleton relinquishing its status as an S-Corporation.

3. To reflect consolidation of the common stock, additional paid-in capital and retained earnings of Middleton and to reflect adjustment from book value to market value. The excess of purchase price over the book value was allocated first to customer lists at the appraised value on the date of purchase. The remainder was allocated to goodwill.

4. Middleton Pest Control, Inc. had elected in 1998 to be taxed as a Small Business Corporation under Subchapter S of the Internal Revenue Code. All taxable income was apportioned to the shareholders for inclusion in their individual income tax returns. The Company is reflecting the effect of Federal and State income taxes at a blended rate of 39%, as if Middleton was combined with Sunair as a C corporation.

ge provided for the named executive officers: Mr. James W. Everson, $17,816; Mr. Scott A. Everson $816; Mr. Greenwood $809; and Mr. Lodes $1,282.

3 The amounts shown in this column relates to an award of restricted stock under the Company’s 2008 Stock Incentive Plan.
4 The amount shown includes $84,000 attributable to an award of restricted stock under the Company’s 2008 Stock Incentive Plan for service on the Boards of Directors of the Company and the Bank.

In keeping with the Board's belief that a key to attracting and retaining good management and directors is a competitive compensation program, in 2009 the Board, through the recommendation of its Compensation Committee, implemented a restricted stock awards program in accordance with the terms of the shareholder-approved United Bancorp, Inc. 2008 Stock Incentive Plan. In accordance with that plan, the Company issued 180,000 restricted common stock awards to certain Officers and Directors of the Company during 2009. These awards will cliff vest at the earliest of the individuals' normal retirement date or 9 years and 6 months from date of grant. At December 31, 2009, no shares were vested pursuant to these awards. However, these shares are entitled to receive dividends and may be voted on matters requiring shareholder approval by the respective participants. These awards were considered in the Company's dilutive earnings per share computation for 2009 but did not have a material impact on such calculation.

The Corporation maintains a cash-based incentive compensation plan, payments pursuant to which are reported under the column headed "Non-Equity Incentive Plan Compensation. The amount of the annual cash bonus that may be earned by an executive officer under this plan is based on his or her base salary and is weighted to reflect each participant's ability to affect the performance of United Bancorp, with the Chief Executive Officer having the largest weighting. The multiple by which the bonus of the Chief Executive Officer is determined under the plan is set at 25% of his base salary for the year (the "Base Multiple"). The Base Multiple for the Corporations Senior Vice President and Chief Operating Officer S. Everson is 25%. The Base Multiples for the Corporation's Senior Vice President (Messrs. Greenwood) and Vice President (Messrs. Lodes) are set at 20% of their respective base salaries for the year.

Awards under the Corporation's cash incentive compensation plan are based on two general and independent criteria: (1) the Corporation's earnings per share growth and/or a discretionary level of cash incentive award ; and (2) the performance of The Citizens Bank in the following categories: loan and deposit growth; return on average assets; and return on average equity. Under the plan, the potential incentive award of the Corporation's Chief Executive Officer for the year is based upon the Corporation meeting or exceeding its earnings per share from the previous year, while 75% and 50%, respectively, of the Senior Vice Presidents' and Vice Presidents' potential bonuses are usually determined by reference to earnings per share. The balance of their incentive compensation is based upon their individual bank's financial performance. Under the Corporation's cash incentive compensation plan, each executive officer is entitled to receive earnings per share or discretionary incentive awards as follows:

- Earnings per share equal to previous year: 75% of Base Multiple
- 05% Increase in earnings per share over previous year: 100% of Base Multiple
- 10% Increase in earnings per share over previous year: 125% of Base Multiple
- 15% Increase in earnings per share over previous year: 150% of Base Multiple
- 17% Increase in earnings per share over previous year: 175% of Base Multiple
- 20% Increase in earnings per share over previous year: 200% of Base Multiple

While the Corporation's earnings per share for 2009 decreased from 2008, the Compensation Committee, after consideration of the Corporation's performance in relation to the overall banking industry and as part of the cash incentive compensation plan approved by the Board of Directors, granted a discretionary incentive award to the Corporation's Officers at the 75% base multiple level.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards1					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
James W. Everson	-	1,815	-	$ 10.15	1/16/2015	-	-	-	-
	-	-	-	-	-	25,000	213,250		
Randall M. Greenwood	-	13,245	-	9.63	5/15/2015	-	-	-	-
	-	-	-	-	-	15,000	127,950	-	-
Scott A. Everson	-	13,245	-	9.63	5/15/2015	-	-	-	-
	-	12,100	-	12.15	8/23/2014	-	-	-	-
	-	-	-	-	-	25,000	213,250	-	-
	-	-	-	-	-	-	-	-	-

1. All outstanding options were awarded under the Corporations stock option plan, which expired in 2005.
2. Market value of the Registrants stock as of December 31, 2009.

EMPLOYMENT CONTRACTS AND PAYMENTS UPON TERMINATION OR "CHANGE IN CONTROL"

The Corporation has entered into change-in-control agreements with Messrs. James W. Everson, Scott A. Everson, Greenwood, and Lodes. The agreements provide that Mr. James W. Everson, Mr. Scott A. Everson, Mr. Greenwood, and Mr. Lodes will be entitled to a lump sum severance benefit in the event of their involuntary termination of employment (other than for cause) following a "change in control" of the Corporation, as defined in the Agreements. In the event of a change in control and the involuntary termination of employment, the agreements provide that: Mr. James W. Everson will receive a lump sum cash payment equal to 2.99 times his annual compensation; Mr. Scott A. Everson will receive a lump sum cash payment equal to 2.0 times his annual compensation; Mr. Greenwood will receive a lump sum cash payment equal to 2.0 times his annual compensation; and Mr. Lodes will receive a lump sum cash payment equal to 1.0 times his annual compensation.

The material terms of the Corporation's defined benefit pension plan, its 401(k) and Employee Stock Ownership Plan, and the split-dollar life insurance arrangements the Corporation maintains with its executive officers and certain directors are discussed in the section of this proxy statement captioned "Compensation Overview."

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
John M. Hoopingarner	30,789	84,000	0	1,945	415	117,149
Terry A. McGhee	12,050	42,000	0	3,848	606	58,504
Samuel J. Jones	23,085	84,000	0	3,010	452	110,547
Richard L. Riesbeck	32,314	84,000	0	0	651	116,965
Matthew C. Thomas	29,799	84,000	0	5,999	320	120,118

1 This amount represents director fees reported as Salary in the Summary Compensation Table.

The table above provides information on the compensation paid to the Company's outside Directors during 2009. Information regarding compensation paid to J. Everson and S. Everson, including compensation paid to each for service in their capacities as Directors, is provided in the Summary Compensation Table and the supplemental narrative disclosure to that table provided above. United Bancorp compensates each director for services as a director in the following manner: each director receives an annual retainer fee of $7,500 regardless of board meeting attendance and $742 per meeting attended. Each member of the Executive Committee and Compensation Committee receives $244 for each meeting attended. The Chairman of the Audit Committee receives a annual retainer of $1,000 and $470 per Audit Committee meeting attended, while all other members of the Audit Committee receive $293 per Audit Committee meeting attended (other than those held in connection with a full meeting of the Board of Directors). Amounts indicated under the "All Other Compensation" column represent the annual economic benefit imputed to each of the respective directors under the Corporation's split dollar life insurance arrangement for the year 2009.

United Bancorp, Inc. has also established a deferred compensation plan for the benefit of its corporate directors and the directors of its subsidiary bank. Both James and Scott Everson participate in this plan in their capacity as directors, along with directors Hoopingarner, Jones, McGhee and Thomas. The Plan is an unfunded deferred compensation plan for tax purposes and for purposes of Title I of ERISA. Amounts deferred by directors under the Plan shall remain unrestricted assets of the Corporation, and participants have the status of general unsecured creditors of the Corporation. Any member of the Board of Directors who desires to participate in the Plan may elect for any year, on or before the 31st day of December of the preceding year, to defer all or a specified part of the fees which thereafter shall be payable to him for services in the succeeding year. Additionally, such an election may be made at any time within thirty (30) days following the date on which a person is elected to the Board of Directors if such person was not a member of the Board on the preceding December 31st, provided that such election shall apply only for fees earned for services performed subsequent to the election for such calendar year. A Director may also make such an election within thirty (30) days following adoption of the Plan by such subsidiary of United Bancorp, Inc. which had not previously participated in the Plan, provided that such election shall apply only for fees earned for services performed subsequent to the election for such calendar year. At least annually a Director's account balances or credits shall be deemed to be invested in United Bancorp, Inc. Common Stock and the Director's account shall be credited with any subsequent dividends with respect to the Common Stock credited to his or her account.

When a participating Director ceases to be a member of the Board, the Corporation shall pay him or her in equal annual installments or at his irrevocable election, in one lump sum, the aggregate number of shares of United Bancorp, Inc. Common Stock, (including, without limitation shares deemed to be acquired through reinvested dividends) that are credited to his or her account as of the close of business on the date of the termination of his membership on the Board, together with any cash account balance which has not yet been deemed invested in United Bancorp, Inc. Common Stock. The annual installment payment option shall be over a period not to exceed ten years.

Amounts deferred by participating directors during 2009 are indicated in the table below.

Name	Director Compensation Deferred in Last FY ($)
James W. Everson	31,952[1]
Scott A. Everson	18,507[1]
Samuel J. Jones	5,772
Terry A. McGhee	5,903
Matthew C. Thomas	7,450

1. This amount represents director fees reported as Salary in the Summary Compensation Table.

As discussed above in the section captioned “Compensation Overview,” in 2009 the Board, through the recommendation of its Compensation Committee, implemented a restricted stock awards program in accordance with the terms of the shareholder-approved United Bancorp, Inc. 2008 Stock Incentive Plan. In 2009, the Company issued 5,000 shares of restricted common stock to Directors for service on each of the Company’s and the Bank’s Board of Directors. All Directors received 10,000 shares of restricted common stock with the exception of Terry A. McGhee, who serves only on the Board of Directors of the Company. An additional 15,000 shares of restricted common stock were awarded to each of Directors James Everson and Scott Everson for service in their capacities as executive officers of the Company. The aggregate value for all such shares of restricted stock received by Directors James Everson and Scott Everson in their capacities as both Directors and executive officers is reported above in the Summary Compensation Table. All awards of restricted common stock will cliff vest at the earliest of each individual’s respective normal retirement date or 9 years and 6 months from date of grant. Prior to vesting, these shares are entitled to receive dividends and may be voted on matters requiring shareholder approval by the respective participants.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 of the Securities Exchange Act of 1934 requires United Bancorp’s executive officers, directors and more than ten percent shareholders (“Insiders”) to file with the Securities and Exchange Commission and United Bancorp reports of their ownership of United Bancorp securities. Based upon written representations and copies of reports furnished to United Bancorp by Insiders, all other Section 16 reporting requirements applicable to Insiders during 2009 were satisfied on a timely basis.

SHAREHOLDER PROPOSALS FOR NEXT ANNUAL MEETING AND COMMUNICATIONS WITH DIRECTORS

Proposals for Inclusion in Proxy Materials

Shareholders may submit proposals appropriate for shareholder action at the Corporation's Annual Meeting consistent with the regulations of the Securities and Exchange Commission. For proposals to be considered for inclusion in the Proxy Statement for the 2011 Annual Meeting, they must be received by the Corporation no later than November 24, 2010. Such proposals should be directed to United Bancorp, Inc., Attention: Chief Executive Officer, 201 South Fourth Street, Martins Ferry, Ohio 43935.

Proposals Other than for Inclusion in Proxy Materials

Pursuant to the Corporation's Code of Regulations, if the Corporation provides less than 25 days' prior notice of the 2011 Annual Meeting date, the latest possible cut-off for any shareholder to propose any matter to be acted upon at the 2011 Annual Meeting of Shareholders is the close of business on the 10th day following the day on which such notice of the date of the meeting is mailed. Otherwise, in order to be timely, a shareholder's notice must be delivered to the principal executive officers of the Corporation not less than 25 days prior to the meeting date. If notice has not been provided by these respective dates, the business may not be considered at the Annual Meeting. The proxy cards delivered in connection with next year's Annual Meeting will confer discretionary voting authority, to be exercised in the judgment of the Corporation's Board of Directors, with respect to any shareholder proposal received less than 45 days prior to the anniversary of the mailing date of this year's proxy materials, which deadline will fall on or around February 8, 2011. The Corporation also retains its authority to discretionarily vote proxies with respect to shareholder proposals received after November 24, 2010 but prior to February 8, 2011, unless the proposing shareholder takes the necessary steps outlined in Rule 14a-4(c)(2) under the Securities Exchange Act of 1934 to ensure the proper delivery of proxy materials related to the proposal.

Director Nominations

In order to make a director nomination at a shareholder meeting, it is necessary that you notify United Bancorp not less than 40 days nor more than 60 days prior to the date of the meeting. In addition, the notice must meet all other requirements contained in the Corporation's Code of Regulations.

Communications with Directors

Shareholders may communicate directly to the Board of Directors in writing by sending a letter to the Board at: United Bancorp Board of Directors, 201 South Fourth Street, Martins Ferry, Ohio 43935. All letters directed to the Board of Directors will be received and processed by the Corporate Secretary and will be forwarded to the Chairman of the Nominating and Governance Committee without any editing or screening.

OTHER BUSINESS

Management is not aware of any other matter which may be presented for action at the meeting other than the matters set forth herein. Should any matter other than those set forth herein be presented for a vote of the shareholders, the proxy in the enclosed form directs the persons voting such proxy to vote in accordance with their judgment.

ANNUAL REPORT TO SHAREHOLDERS

United Bancorp's Annual Report for its fiscal year ended December 31, 2009 accompanies this Proxy Statement but is not part of our proxy soliciting material. Shareholders may obtain a copy of the Corporation's annual report on Form 10-K, including financial statements and the notes thereto, required to be filed with the Commission pursuant to SEC Rule 13a-1 for the Corporation's most recent fiscal year by submitting a written request to Randall M. Greenwood, Corporate Secretary, United Bancorp, Inc., 201 South 4th Street, Martins Ferry, Ohio. You may also request additional copies of our most recent Annual Report to Shareholders by submitting a written request to Mr. Greenwood's attention. A library of United Bancorp's annual reports can be accessed on the Corporation's website at www.unitedbancorp.com.

DELIVERY OF DOCUMENTS TO SHAREHOLDERS SHARING AN ADDRESS

The Securities and Exchange Commission has adopted rules that allow us to deliver a single annual report, proxy statement, proxy statement combined with a prospectus, or any information statement to any household at which two or more shareholders reside who share the same last name or whom we believe to be members of the same family. This is known as "householding."

If you share the same last name and address with one or more shareholders, from now on, unless we receive contrary instructions from you (or from one of these other shareholders), you and all other shareholders who share your home address will receive only one copy of any of our annual report, proxy statement for our Annual Meeting of Stockholders, proxy statement we file and deliver in connection with any other meeting of shareholders, proxy statement combined with a prospectus or information statement. We will include with the household materials for our annual meetings, or any other shareholders' meeting, a separate proxy card for each registered shareholder located at your home address.

If you do not wish to participate in the householding program, please contact our transfer agent, American Stock Transfer & Trust Company, at 1-800-937-5449 to "opt-out" or revoke your consent. If you "opt-out" or revoke your consent to householding, each primary account holder residing at your address will receive individual copies of the Corporation's proxy statement, annual report and other future shareholder mailings.

If you do not object to householding, (1) you are agreeing that your household will only receive one copy of future Corporation shareholder mailings, and (2) your consent will be implied and householding will start 60 days after the mailing of this notice, to the extent you have not previously consented to participation in the householding program. Your affirmative or implied consent to householding will remain in effect until you revoke it. The Corporation shall begin sending individual copies of applicable shareholder communications subject to householding rules to a security holder within 30 days after revocation by the shareholder of prior affirmative or implied consent. Your participation in the householding program is encouraged. It will reduce the volume of duplicate information received at your household as well as the cost to us of preparing and mailing duplicate materials.

Additionally, any shareholders sharing an address who continue to receive, for whatever reason, multiple copies of shareholder materials, and who would like to receive a single copy of such materials in the future, may do so by directing their request to our transfer agent in the manner provided above.

Most banks and brokers are delivering only one copy of the annual report and proxy statement to consenting street-name stockholders (you own shares in the name of a bank, broker or other holder of record on the books of our transfer agent) who share the same address. Those street-name stockholders who wish to receive separate copies may do so by contacting their bank or broker or other holder of record.

We urge you to sign and return the enclosed proxy form as promptly as possible or vote via phone or internet whether or not you plan to attend the meeting in person.