

P96000049812

Document Number Only

CT CORPORATION SYSTEM

Requestor's Name

660 East Jefferson Street

Address

Tallahassee, FL 32301 222-1092

City

State

Zip

Phone

CORPORATION(S) NAME

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*****43.75 *****8.75

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*****122.50 *****122.50

APR 1996

☒ Profit-~~Loss~~.

☐ NonProfit

☐ Limited Liability Co.

☐ Foreign

☐ Amendment

☐ Merger

☐ Dissolution/Withdrawal

☐ Mark

☐ Limited Partnership

☐ Annual Report

☐ Other

☐ Reinstatement

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6/14/96

CR2E031 (1-89)

ARTICLES OF INCORPORATION

of

ARS FHAC INC.

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96 JUN 11 PM 3:33

SECRETARY OF STATE
TALLAHASSEE, FLORIDA

FIRST: The name of the corporation is ARS FHAC Inc. (the "Corporation").

SECOND: The street address of the initial principal office and the mailing address of the Corporation is 5850 San Felipe, Suite 500, Houston, Texas 77057.

THIRD: The address of the registered office of the Corporation in the State of Florida is 1200 South Pine Island Road, City of Plantation, Florida 33324. The name of the registered agent of the Corporation at such address is CT Corporation System.

FOURTH: The purpose of the Corporation is to engage in the transaction of any and all lawful business for which corporations may be incorporated under the Florida Business Corporation Act.

FIFTH: The total number of shares of stock which the Corporation shall have the authority to issue is 1,000 shares of common stock, par value \$.01 per share ("Common Stock").

SIXTH: Each holder of Common Stock shall have one vote in respect of each share of Common Stock held by such holder on any matter submitted to the shareholders of the Corporation. The right to cumulative voting of shares of Common Stock is hereby expressly prohibited.

SEVENTH: The number of directors that shall constitute the whole Board of Directors of the Corporation shall be as from time to time fixed by, or in the manner provided in, the Bylaws of the Corporation. The election of directors need not be by written ballot, unless the Bylaws so provide.

EIGHTH: The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors of the Corporation. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly

authorized to adopt, amend or repeal the Bylaws of the Corporation; provided, however, that the grant of such authority shall not divest the stockholders of the Corporation of the power, nor limit their power to adopt, amend or repeal the Bylaws.

NINTH: A director of the Corporation shall not be liable to the Corporation or its shareholders for monetary damages for an act or omission in the director's capacity as a director, except that this Article Ninth does not eliminate or limit the liability of a director to the extent the director is found liable for: (a) a violation of the criminal law, unless the director had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe his conduct was unlawful; (b) a transaction from which the director derived an improper personal benefit, either directly or indirectly; (c) an unlawful distribution on the stock of the Corporation in violation of the Florida Business Corporation Act; (d) in a proceeding by or in the right of the Corporation to procure a judgement in its favor or by or in the right of a shareholder, conscious disregard for the best interest of the Corporation, or willful misconduct; or (e) in a proceeding by or in the right of someone other than the Corporation or a shareholder, recklessness or an act or omission which was committed in bad faith or with malicious purpose or in a manner exhibiting wanton and wilful disregard of human rights, safety, or property.

If the Florida Business Corporation Act or other applicable law is amended, after the date hereof, to authorize action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by such statutes or other applicable law, as so amended.

Any repeal or modification of this Article Ninth shall not adversely affect any right of protection of a director of the Corporation existing at the time of such repeal or modification.

TENTH: The name and mailing address of the sole incorporator are as follows:

Name	Mailing Address
Jonnie L. Callahan	Baker & Botts, L.L.P. 2001 Ross Avenue Dallas, Texas 75201

ELEVENTH: The powers of the sole incorporator shall terminate upon the filing of these Articles of Incorporation. The number of directors constituting the initial board of directors of the Corporation is one (1), and the name and mailing address of the person who is to serve as sole director of the Corporation until the first annual meeting of shareholders or until his successor is elected and qualified are as follows:

Name of Director

Mailing Address

John D. Held

c/o American Residential Services, Inc.
5850 San Felipe, Suite 500
Houston, Texas 77057

IN WITNESS WHEREOF, the undersigned has executed these Articles of Incorporation as of June 10, 1996 in her capacity as sole incorporator.



Jonnie L. Callahan, Incorporator

ACCEPTANCE BY THE REGISTERED AGENT AS REQUIRED IN SECTION
607.0501(3) OF THE FLORIDA BUSINESS CORPORATION ACT:

CT Corporation System is familiar with and accepts the obligations provided for
in Section 607.0505 of the Florida Business Corporation Act.

Dated: June 10, 1996.

CT CORPORATION SYSTEM

By: 
Daniel R. Glatz
Asst Vice President
(Type Name of Officer)

(Title of Officer)

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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

P96000049812

Document Number Only

CT CORPORATION SYSTEM

660 EAST JEFFERSON STREET

Requestor's Name
TALLAHASSEE, FL 32301

Address
222-1092

City State Zip Phone

CORPORATION(S) NAME

Florida Heating and Air Conditioning, Inc.

Merging into: ARS FHAC INC.

- | | | |
|--|---|---|
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| <input type="checkbox"/> NonProfit | <input type="checkbox"/> Dissolution/Withdrawal | <input type="checkbox"/> Mark |
| <input type="checkbox"/> Limited Liability Co. | <input type="checkbox"/> Annual Report | <input type="checkbox"/> Other |
| <input type="checkbox"/> Foreign | <input type="checkbox"/> Reservation | <input type="checkbox"/> Change of R.A. |
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per
S.P.

John Meyer
& Name Change

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DIVISION OF CORPORATION

P96000049812

ARTICLES OF MERGER
Merger Sheet

MERGING: -----

FLORIDA HEATING AND AIR CONDITIONING, INC., a Florida corporation,
364778

INTO

ARS FHAC INC. which changed its name to

FLORIDA HEATING & AIR CONDITIONING, INC., a Florida corporation,
P96000049812.

File date: September 24, 1996 , effective September 27, 1996

Corporate Specialist: Joy Moon-French

ARTICLES OF MERGER
OF
FLORIDA HEATING AND AIR CONDITIONING, INC.
(a Florida corporation)

WITH AND INTO

ARS FHAC INC.
(a Florida corporation)

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SECRETARY OF STATE
TALLAHASSEE FLORIDA

EFFECTIVE DATE
9/27/96

Pursuant to Section 607.1105 of the Florida Business Corporation Act, each of the undersigned corporations hereby adopts the following articles of merger pursuant to which Florida Heating and Air Conditioning, Inc., a Florida corporation ("Florida HAC"), will be merged (the "Merger") with and into ARS FHAC Inc., a Florida corporation ("ARS FHAC"), with ARS FHAC to continue in existence following the Merger as the surviving corporation (the "Surviving Corporation"):

- FIRST:** The plan of merger ("Plan of Merger") relating to the Merger is set forth in the Agreement and Plan of Reorganization dated as of June 13, 1996 by and among American Residential Services, Inc., a Delaware corporation and the sole shareholder of ARS FHAC, ARS FHAC, Florida HAC and the shareholder of Florida HAC named therein, a copy of which is attached hereto as Exhibit A and incorporated herein by this reference.
- SECOND:** These Articles of Merger and the Merger shall become effective at 9:00 a.m. (Eastern Daylight Savings Time) on September 27, 1996.
- THIRD:** The Plan of Merger was duly adopted by written consent of the sole shareholder of Florida HAC on June 12, 1996 and by written consent of the sole shareholder of ARS FHAC on June 12, 1996.
- FOURTH:** As provided in the Plan of Merger, the Articles of Incorporation of ARS FHAC shall be amended as set forth below and, as so amended, those Articles of Incorporation shall be the Articles of Incorporation of the Surviving Corporation until such time as they may be amended in accordance with applicable law.

Article FIRST of the Articles of Incorporation of the Surviving Corporation is amended to read in its entirety as follows:

"**FIRST:** The name of this corporation is: Florida Heating & Air Conditioning, Inc."

IN WITNESS WHEREOF, each of the undersigned corporations has caused these Articles of Merger to be executed on its behalf as of the 22 day of September, 1996.

ARS FHAC INC.

By: _____

C. Clifford Wright, Jr.
C. Clifford Wright, Jr.
President

FLORIDA HEATING AND AIR CONDITIONING, INC.

By: _____

Elliot Sokolow
President

IN WITNESS WHEREOF, each of the undersigned corporations has caused these Articles of Merger to be executed on its behalf as of the 23 day of September, 1996.

ARS FHAC INC.

By: _____
C. Clifford Wright, Jr.
President

FLORIDA HEATING AND AIR CONDITIONING, INC.

By: Elliot Sokolow
Elliot Sokolow
President

Exhibit A

AGREEMENT AND PLAN OF REORGANIZATION

dated as of June 13, 1996

by and among

AMERICAN RESIDENTIAL SERVICES, INC.,

ARS FHAC INC.,

FLORIDA HEATING AND AIR CONDITIONING, INC.

and

the STOCKHOLDER named herein

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS	1
ARTICLE II THE MERGER AND RELATED MATTERS	5
Section 2.01. Certificate of Merger	5
Section 2.02. The Effective Time	5
Section 2.03. Certain Effects of the Merger	5
Section 2.04. Effect of the Merger on Capital Stock	6
Section 2.05. Delivery, Exchange and Payment	6
ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDER ..	8
Section 3.01. By the Stockholder	8
ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDER	8
Section 4.01. By the Company and the Stockholder	8
ARTICLE V REPRESENTATIONS AND WARRANTIES OF ARS AND NEWCO	10
Section 5.01. By ARS and Newco	10
ARTICLE VI COVENANTS EXTENDING TO THE EFFECTIVE TIME	10
Section 6.01. Of Each Party	10
ARTICLE VII THE CLOSING AND CONDITIONS TO CLOSING AND CONSUMMATION	10
Section 7.01. The Closing and Certain Conditions	10
ARTICLE VIII COVENANTS FOLLOWING THE EFFECTIVE TIME	11
Section 8.01. Of Each Party Other Than the Company	11
ARTICLE IX INDEMNIFICATION	12
Section 9.01. Indemnification Rights and Obligations	12
ARTICLE X LIMITATIONS ON COMPETITION	12
Section 10.01. Prohibited Activities	12
Section 10.02. Damages	13
Section 10.03. Reasonable Restraint	13
Section 10.04. Severability; Reformation	13
Section 10.05. Independent Covenant	13
Section 10.06. Materiality	13

ARTICLE XI	GENERAL PROVISIONS	14
Section 11.01.	Treatment of Confidential Information	14
Section 11.02.	[Intentionally Omitted]	14
Section 11.03.	Brokers and Agents	14
Section 11.04.	Assignment; No Third Party Beneficiaries	14
Section 11.05.	Entire Agreement; Amendment; Waivers	14
Section 11.06.	Counterparts	14
Section 11.07.	Expenses	14
Section 11.08.	Notices	15
Section 11.09.	Governing Law	16
Section 11.10.	Exercise of Rights and Remedies	16
Section 11.11.	Time	16
Section 11.12.	Reformation and Severability	17
Section 11.13.	Remedies Cumulative	17
Section 11.14.	Respecting the IPO	17
ARTICLE XII	TERMINATION	17
Section 12.01.	Termination of This Agreement	17
Section 12.02.	Liabilities in Event of Termination	18

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (this "Agreement") is made as of June 13, 1996, by and among American Residential Services, Inc., a Delaware corporation ("ARS"), ARS FHAC Inc., a Florida corporation and a wholly owned subsidiary of ARS ("Newco"), FLORIDA HEATING AND AIR CONDITIONING, INC., a Florida corporation (the "Company"), and the person listed on the signature pages hereof under the caption "Stockholder" (the "Stockholder").

PRELIMINARY STATEMENT

The parties to this Agreement have determined it is in their best long-term interests to effect a business combination pursuant to which:

(a) the Company will merge into Newco on the terms and subject to the conditions set forth herein (that merger being the "Merger");

(b) ARS will acquire the stock of all or some of the entities listed in the accompanying Addendum 1 (each an "Other Founding Company" and, collectively with the Company, the "Founding Companies") pursuant to agreements that are (i) similar to this Agreement and (ii) entered into among those entities and their equity owners, ARS and subsidiaries of ARS (collectively, the "Other Agreements"); and

(c) ARS shall effect a public offering of shares of its common stock and issue and sell those shares.

NOW, THEREFORE, in consideration of the premises and the mutual agreements, representations and undertakings contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms. As used in this Agreement, the following terms have the meanings assigned to them below in this Section 1.01. Capitalized terms used in this Agreement and not defined below in this Section 1.01 have the meanings assigned to them in the Preliminary Statement or Article I of the Uniform Provisions (the text of which Article hereby is incorporated herein by this reference), as the case may be.

"Adjustment Determination Date" means the date that is 30 days following the delivery by ARS of the Post-closing Statement to the Stockholder, unless the Closing Date Working Capital and the Positive Working Capital Adjustment or the Negative Working

Capital Adjustment, as the case may be, are determined pursuant to Section 2.05 by Arthur Andersen LLP, in which event the Adjustment Determination Date is the date Arthur Andersen LLP delivers those determinations in writing to ARS.

"Agreed Rate" means 8.0% per annum.

"Agreement" means this Agreement, including the Disclosure Statement relating to this Agreement and all attached Schedules, Annexes and Exhibits, as each of the same may be amended, modified or supplemented from time to time pursuant to the provisions hereof or thereof.

"ARS" means American Residential Services, Inc., a Delaware corporation.

"ARS Acquisition Candidate" means any Entity engaged in any of the businesses of providing repair, maintenance, replacement or warranty and annual contract maintenance services for Plumbing, heating/air conditioning and electrical systems to owners or occupants of single-family homes, duplexes, condominiums and small commercial facilities, designing and installing of any of those systems in new construction, selling and servicing home appliances and other similar residential and building services (a) which was called on by any of the Company, ARS or the Subsidiaries of the Company or ARS in connection with the possible acquisition by any of them of that Entity or (b) of which any of them has made an acquisition analysis.

"Closing Date Balance Sheet" means a combined balance sheet of the Combined Companies as at the IPO Closing Date which is prepared in accordance with GAAP on a basis consistent with the basis on which the Current Balance Sheet was prepared.

"Closing Date Working Capital" means the Working Capital as determined from the Closing Date Balance Sheet, provided, that if that determination is made pursuant to Section 2.05 by Arthur Andersen LLP, the amount equal to 50% of the fees and expenses of Arthur Andersen LLP which are attributable to its audit of the Closing Date Balance Sheet and its making of that determination will be deemed a liability of the Combined Companies for the purpose of determining the Closing Date Working Capital and resulting Positive Working Capital Adjustment or Negative Working Capital Adjustment, as the case may be.

"Closing Memorandum" means the form of closing memorandum to be prepared by ARS for the Closing under this Agreement in which are included the forms of certificates of officers, the opinions of counsel and certain other documents to be delivered at the Closing as provided in Article VII.

"Combined Companies" means Florida Heating and Air Conditioning, Inc., Florida Heating and Air Conditioning Service, Inc., Florida Heating and Air Duct, Inc. and Bullseye Air Conditioning, Inc., each of which is a Florida corporation.

"Combined Financial Statements" means (a) the audited combined balance sheet of the Combined Companies as of December 31, 1995 and the related audited combined statements of operations, cash flows and shareholders' equity for the year then ended, together with the related audit report of Arthur Andersen LLP, and, if audited by Arthur Andersen LLP, (b) the audited combined balance sheet of the Combined Companies as of December 31, 1994 and the related audited combined statements of operations, cash flows and shareholders' equity for the year then ended, together with the related audit report of Arthur Andersen LLP.

"Company" means Florida Heating and Air Conditioning, Inc., a Florida corporation.

"Company Common Stock" means the common stock, par value \$10.00 per share, of the Company.

"Counsel for ARS and Newco" means Baker & Botts, L.L.P.

"Counsel for the Company and the Stockholder" means Weinstein, Rosenthal & Tobin, P.C.

"Current Balance Sheet" means the audited combined balance sheet of the Combined Companies at December 31, 1995.

"Current Balance Sheet Date" means December 31, 1995.

"Disclosure Statement" means the written statement executed by the Company and the Stockholder and delivered to ARS prior to the execution and delivery of this Agreement by ARS and Newco in which either (a) exceptions are taken to each of certain of the representations and warranties made by the Company and the Stockholder herein or (b) it is confirmed that no exception is taken to that representation and warranty.

"FBCA" means the Florida Business Corporation Act.

"Initial Financial Statements" means the Combined Financial Statements.

"Interim Date Balance Sheet" means the combined balance sheet of the Combined Companies at the end of the Company's fiscal quarter next preceding the date of the Closing which is included in the Financial Statements.

"Interim Date Working Capital" means the Working Capital as determined from the Interim Date Balance Sheet by ARS on a basis consistent with the determination of the Working Capital from the Current Balance Sheet.

"Interim Negative Working Capital Adjustment" means the amount, if any, by which \$137,376 exceeds the Interim Date Working Capital.

"Interim Positive Working Capital Adjustment" means (a) the amount, if any, by which the Interim Date Working Capital exceeds \$137,376, or if that Closing Date Working Capital equals \$137,376, (b) zero.

"Merger Consideration" has the meaning specified in Section 2.04.

"Negative Working Capital Adjustment" means the amount, if any, by which \$137,376 exceeds the Company's Closing Date Working Capital.

"Newco" means ARS FHAC Inc., a Florida corporation.

"Positive Working Capital Adjustment" means (a) the amount, if any, by which the Closing Date Working Capital exceeds \$137,376, or if that Closing Date Working Capital equals \$137,376, (b) zero.

"Post-closing Statement" has the meaning specified in Section 2.05.

"Pro Rata Share" of the Stockholder means 100%.

"Responsible Officer" means Elliot Sokolow.

"Retained Amount" has the meaning specified in Section 2.05.

"Scheduled Agreement" means the agreement described in Schedule 4.11.

"Sokolow Employment Agreement" means the Employment Agreement entered into as of June 13, 1996 between ARS and Elliot Sokolow.

"Stockholders Agreement" means the Stockholders' Agreement entered into as of June 13, 1996 among ARS and the other Persons parties thereto.

"Surviving Corporation" means Newco, the Person to be designated in the Certificate of Merger as the surviving corporation of the Merger.

"Territory" has the meaning specified in Section 10.01.

"Threshold Amount" means 2% of the Transaction Value.

"Transaction Value" means (a) at any time prior to the Adjustment Determination Date, \$4,999,999, and (b) on and after the Adjustment Determination Date, \$4,999,999 plus

the Positive Working Capital Adjustment, if any, or minus the Negative Working Capital Adjustment, if any.

"Transfer Taxes" has the meaning specified in Section 11.07.

"Uniform Provisions" means the Uniform Provisions of ARS for the Acquisition of Founding Companies attached hereto as Annex 1.

"Working Capital" means, as at any date and as determined by reference to a combined balance sheet of the Combined Companies as at that date which is prepared in accordance with GAAP, the amount by which (a) the sum, without duplication of amounts, of all amounts that are included and classified as current assets on that balance sheet exceeds, or is exceeded by, (b) the sum, without duplication of amounts, of all amounts that are included and classified as liabilities or as mandatorily redeemable Capital Stock on that balance sheet; if at any time those current assets are exceeded by those liabilities, Working Capital will be expressed as a negative amount.

ARTICLE II

THE MERGER AND RELATED MATTERS

Section 2.01. Certificate of Merger. Subject to the terms and conditions hereof, Newco will cause a Certificate of Merger to be duly executed and delivered on or promptly after the date of the Closing to the Department of State of the State of Florida.

Section 2.02. The Effective Time. The effective time of the Merger (the "Effective Time") will be the time on the IPO Closing Date which the Certificate of Merger specifies or, if the Certificate of Merger does not specify another time, 8:00 a.m., eastern daylight standard time, on the IPO Closing Date.

Section 2.03. Certain Effects of the Merger. At and as of the Effective Time, (a) the Company will be merged with and into Newco in accordance with the provisions of the FBCA, (b) the Company will cease to exist as a separate legal entity, (c) the articles of incorporation of Newco will be amended to change its name to "Florida Heating & Air Conditioning, Inc.", (d) Newco will be the Surviving Corporation and, as such, will, all with the effect provided by the FBCA, (i) possess all the properties and rights, and be subject to all the restrictions and duties, of the Company and Newco and (ii) be governed by the laws of the State of Florida, (e) the Charter Documents of Newco then in effect (after giving effect to the amendment of Newco's articles of incorporation specified in clause (c) of this sentence) will become and thereafter remain (until changed in accordance with (i) applicable law (in the case of the articles of incorporation) or (ii) their terms (in the case of the bylaws)) the Charter Documents of the Surviving Corporation, (f) the initial board of directors of the Surviving Corporation will be the persons named in Schedule 2.03, and those persons will hold the office of director of the Surviving Corporation subject to the provisions of the applicable laws

of the State of Florida and the Charter Documents of the Surviving Corporation, and (g) the initial officers of the Surviving Corporation will be as set forth in Schedule 2.03, and each of those persons will serve in each office specified for that person in Schedule 2.03, subject to the provisions of the Charter Documents of the Surviving Corporation, until that person's successor is duly elected to, and, if necessary, qualified for, that office.

Section 2.04. Effect of the Merger on Capital Stock. As of the Effective Time, as a result of the Merger and without any action on the part of any holder thereof:

(a) the shares of Company Common Stock issued and outstanding immediately prior to the Effective Time will (i) be converted into the right to receive, subject to the provisions of Section 2.05, without interest, on surrender of the certificates evidencing those shares, the amount of cash set forth or determined as provided in Schedule 2.04 (the "Merger Consideration"), (ii) cease to be outstanding and to exist and (iii) be canceled and retired;

(b) each share of Company Common Stock held in the treasury of the Company or any Company Subsidiary will (i) cease to be outstanding and to exist and (ii) be canceled and retired; and

(c) each share of Newco Common Stock issued and outstanding immediately prior to the Effective Time will remain unchanged and will constitute all the issued and outstanding shares of Capital Stock of the Surviving Corporation.

Each holder of a certificate representing shares of Company Common Stock immediately prior to the Effective Time will, as of the Effective Time and thereafter, cease to have any rights respecting those shares other than the right to receive, subject to the provisions of Section 2.05, without interest, the Merger Consideration.

Section 2.05. Delivery, Exchange and Payment. (a) At or after the Effective Time: (i) the Stockholder, as the holder of certificates representing shares of Company Common Stock, will, on surrender of those certificates to ARS (or any agent that may be appointed by ARS for purposes of this Section 2.05), receive, subject to the provisions of this Section 2.05, the Merger Consideration.

(b) The Stockholder will deliver to ARS (or any agent that may be appointed by ARS for purposes of this Section 2.05) on or before the IPO Closing Date the certificates representing Company Common Stock owned by the Stockholder, duly endorsed in blank by that Person, or accompanied by duly executed stock powers in blank, and with all necessary transfer tax and other revenue stamps, acquired at that Person's expense, affixed and canceled. The Stockholder shall cure any deficiencies in the endorsement of the certificates or other documents of conveyance respecting, or in the stock powers accompanying, the certificates representing Company Common Stock delivered by that Person.

(c) Prior to the date of the Closing, ARS will cause to be prepared and delivered to the Stockholder a statement setting forth the Interim Positive Working Capital Adjustment, if any, or the Interim Negative Working Capital Adjustment, if any. If an Interim Positive Working Capital Adjustment has been determined, ARS will, promptly after the Effective Time, but subject to the certificate surrender requirements of Section 2.05(a), pay to the Stockholder, without interest, the amount of the Interim Positive Working Capital Adjustment. If an Interim Negative Working Capital Adjustment has been determined, ARS will, notwithstanding the provisions of Section 2.04, hold back from the Stockholder the amount of the Interim Negative Working Capital Adjustment (the "Retained Amount") for disposition pursuant to Section 2.05(e).

(d) As soon as practicable, and in any event within 60 days, following the Effective Time, ARS will cause to be prepared and delivered to the Stockholder (i) the Closing Date Balance Sheet and (ii) a statement (the "Post-closing Statement") of the Closing Date Working Capital and the Positive Working Capital Adjustment, if any, or the Negative Working Capital Adjustment, if any. The Post-closing Statement will be final and binding on ARS and the Stockholder unless, within 30 days following the delivery of the Post-closing Statement, the Stockholder notifies ARS in writing that the Stockholder does not accept as correct the amount of the Closing Date Working Capital or the amount of the Positive Working Capital Adjustment or the Negative Working Capital Adjustment, as the case may be, as set forth in the Post-closing Statement. If the Stockholder timely delivers to ARS that notice respecting the Post-closing Statement, the Closing Date Balance Sheet will be audited, and the Closing Date Working Capital and the Positive Working Capital Adjustment or the Negative Working Capital Adjustment, as the case may be, will be determined within 30 days after the delivery to ARS of that notice, by Arthur Andersen LLP, and these determinations will be final and binding on ARS and the Stockholder.

(e) If a Positive Working Capital Adjustment is determined with finality pursuant to Section 2.05(d), ARS will, promptly after the Adjustment Determination Date, but subject to the certificate surrender requirements of Section 2.05(a), pay to the Stockholder the sum, together with interest thereon from (and including) the IPO Closing Date to (but excluding) the Adjustment Determination Date at the Agreed Rate, of (i) the entire Retained Amount, if any, and (ii) the amount by which (A) the amount of the Positive Working Capital Adjustment exceeds (B) the amount of the Interim Positive Working Capital Adjustment, if any. If a Negative Working Capital Adjustment is determined with finality pursuant to Section 2.05(d), then, subject to the certificate surrender requirements of Section 2.05(a):

(i) ARS will (A) be entitled to retain for itself out of the Retained Amount an amount equal to the lesser of (1) the amount of the Negative Working Capital Adjustment, together with interest thereon at the Agreed Rate from (and including) the IPO Closing Date to (but excluding) the Adjustment Determination Date, and (2) the Retained Amount, and if there is any remaining portion of the Retained Amount that ARS is not entitled to retain for itself pursuant to the foregoing provisions of this clause (i), (B) promptly pay to the Stockholder that remaining amount, together with interest thereon at the Agreed Rate from

(and including) the IPO Closing Date to (but excluding) the Adjustment Determination Date; and

(ii) If the sum of the Negative Working Capital Adjustment and the interest thereon at the Agreed Rate which has accrued during the period referred to in clause (i)(A)(1) of this sentence exceeds the Retained Amount, if any, the Stockholder will, no later than 10 Houston, Texas business days after ARS makes a written request therefor, pay in cash the sum of (A) the amount of that excess and (B) the Interim Positive Working Capital Adjustment, if any, together with interest on that sum at the Agreed Rate from (and including) the IPO Closing Date to (but excluding) the Adjustment Determination Date.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDER

Section 3.01. By the Stockholder. The Stockholder represents and warrants to ARS that all the following representations and warranties in this Article III are as of the date of this Agreement, and will be, as amended or supplemented pursuant to Section 6.08, on the date of the Closing and the IPO Closing Date, true and correct:

(a) the representations and warranties contained in Article III of the Uniform Provisions (the text of which Article hereby is incorporated herein by this reference) are true and correct, and the agreements set forth in that Article hereby are agreed to; and

(b) (i) the terms and conditions of the Scheduled Agreement are no less favorable to the Company than the Company reasonably could have expected to obtain in an arm's-length transaction with a Person other than an Affiliate of the Company and (ii) the rentals provided for in the Scheduled Agreement do not exceed fair market rentals of the property being leased under the Scheduled Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDER

Section 4.01. By the Company and the Stockholder. The Company and the Stockholder jointly and severally represent and warrant to, and agree with, ARS that all the following representations and warranties in this Article IV are as of the date of this Agreement, and will be, as amended or supplemented pursuant to Section 6.08, on the date of the Closing and the IPO Closing Date, true and correct:

(a) the Organization State of the Company is the State of Florida, and the Company (i) is a corporation duly organized, validly existing and in good standing under the laws of that State, (ii) has all requisite corporate power and authority under those laws and its Charter Documents to own or lease and to operate its properties and to carry on its business as now conducted and (iii) is duly qualified and in good standing as a foreign corporation in all jurisdictions (other than the State of Florida) in which it owns or leases property or in which the carrying on of its business as now conducted so requires except where the failure to be so qualified, singly or in the aggregate, would not have a Material Adverse Effect;

(b) (i) the authorized Capital Stock of the Company is comprised of 1,000 shares of Company Common Stock, of which 800 shares have been issued and are now outstanding and no shares are held by the Company as treasury shares, and (ii) no outstanding Derivative Securities of the Company exist;

(c) the Combined Financial Statements (including the related notes) delivered to ARS present fairly, in all material respects, the combined financial position of the Combined Companies at December 31, 1995 and the combined results of their operations and their combined cash flows and stockholders' equity for the year ended December 31, 1995 and have been prepared in accordance with GAAP. As of the Current Balance Sheet Date, the Combined Companies then did not have any outstanding indebtedness to any Person or any liabilities of any kind (including contingent obligations, tax assessments or unusual forward or long-term commitments), or any unrealized or anticipated loss, which in the aggregate then were Material to the Combined Companies and required to be reflected in the Combined Financial Statements or in the notes related thereto in accordance with GAAP which were not so reflected;

(d) the Company has made an election with the IRS to be taxed as an S corporation within the meaning of Section 1361 of the Code, and that election is in effect. The Company owns no assets the disposition of which would cause the Company to have a net recognized built-in gain within the meaning of Section 1374 of the Code. The Company has no item of income that has not been taken into account by the Company and that would be treated as a recognized built-in gain under Section 1374(d)(5) of the Code. The transfer of the Company's assets pursuant to the Merger shall not cause the Company to be liable for any federal, state, city or local taxes; and

(e) the representations and warranties contained in Article IV of the Uniform Provisions (the text of which Article hereby is incorporated herein by this reference) are true and correct, and the agreements set forth in that Article hereby are agreed to.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF ARS AND NEWCO

Section 5.01. By ARS and Newco. ARS and Newco jointly and severally represent and warrant to the Company and the Stockholder that all the following representations and warranties in this Article V are as of the date of this Agreement, and will be on the date of the Closing and the IPO Closing Date, true and correct: (a) Newco is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, (b) no Derivative Securities of Newco are outstanding and (c) the representations and warranties contained in Article V of the Uniform Provisions (the text of which Article hereby is incorporated herein by this reference) are true and correct.

ARTICLE VI

COVENANTS EXTENDING TO THE EFFECTIVE TIME

Section 6.01. Of Each Party. Until the Effective Time, subject to the waiver provisions of Section 11.05, each party hereto will comply with each covenant for which provision is made in Article VI of the Uniform Provisions (the text of which Article hereby is incorporated herein by this reference) to be performed or observed by that party. For purposes of Section 6.10, the financial statements required to be delivered by the Company will include financial statements of the Combined Companies corresponding to the financial statements of the Company referred to therein.

ARTICLE VII

THE CLOSING AND CONDITIONS TO CLOSING AND CONSUMMATION

Section 7.01. The Closing and Certain Conditions. (a) The Closing. On the IPO Pricing Date, the parties hereto will take all actions necessary to (i) effect the Merger (including, as permitted by the FBCA, (A) the execution of a Certificate of Merger (1) meeting the requirements of the FBCA and (2) providing that the Merger will become effective on the IPO Closing Date and (B) the filing of that Certificate with the Department of State of the State of Florida), (ii) verify the existence and ownership of the certificates evidencing the Company Common Stock to be exchanged for the Merger Consideration pursuant to Section 2.05 and (iii) satisfy the document delivery requirements to which the obligations of the parties to effect the Merger and the other transactions contemplated hereby are conditioned by the provisions of this Article VII (all those actions collectively being the "Closing"). The Closing will take place at the offices of Baker & Botts, L.L.P., 38th Floor, 910 Louisiana, Houston, Texas at 10:00 a.m., Houston time, or at such later time on the IPO Pricing Date as ARS shall specify by written notice to Elliot Sokolow. The actions taken at the Closing will not include the completion of either the Merger or the delivery of the Company Common Stock or the Merger Consideration pursuant to Section 2.05. Instead, on the IPO Closing

Date, the Certificate of Merger will become effective pursuant to Section 2.02, and all transactions contemplated by this Agreement to be closed or completed on or before the IPO Closing Date, including the surrender of the Company Common Stock in exchange for the Merger Consideration (including a certified check or checks in an amount equal to the Merger Consideration (less the Retained Amount, if any)) will be closed or completed, as the case may be. During the period from the Closing to the IPO Closing Date, this Agreement may be terminated by the parties only pursuant to Section 12.01(b)(i).

(b) Certain Conditions to the Obligations of the Company and the Stockholder. The obligations of the Company and the Stockholder with respect to the actions to be taken by them at or before the Closing are subject to the satisfaction on or before the date of the Closing, or waiver by them pursuant to Section 11.05, of all the conditions set forth in Sections 7.02(a) and 7.03. The obligations of the Stockholder with respect to the actions to be taken on the IPO Closing Date are subject to the satisfaction on that date to the following conditions: (i) the Sokolow Employment Agreement then shall be in full force and effect; and (ii) all the conditions set forth in Sections 7.02(b) and 7.03.

(c) Certain Conditions to the Obligations of ARS and Newco. The obligations of ARS and Newco with respect to actions to be taken by them at or before the Closing are subject to the satisfaction on or before the date of the Closing, or waiver by them pursuant to Section 11.05, of the following conditions: (i) the Company shall have delivered to ARS a copy of the articles of incorporation, as amended to the date of the Closing and certified by the Department of State of the State of Florida as of a Current Date, of the Company; and (ii) all the conditions set forth in Sections 7.02(a) and 7.04(a).

(d) The obligations of ARS and Newco with respect to the actions to be taken on the IPO Closing Date are subject to the satisfaction on that date of the following conditions: (i) the Sokolow Employment Agreement then shall be in full force and effect; and (ii) all the conditions set forth in Sections 7.02(b) and 7.04(b).

(e) The text of Article VII of the Uniform Provisions hereby is incorporated herein by this reference.

ARTICLE VIII

COVENANTS FOLLOWING THE EFFECTIVE TIME

Section 8.01. Of Each Party Other Than the Company. From and after the Effective Time, subject to the waiver provisions of Section 11.05, each party hereto (other than the Company) will comply with each covenant for which provision is made in Article VIII of the Uniform Provisions (the text of which Article hereby is incorporated herein by this reference) to be performed or observed by that party.

ARTICLE IX

INDEMNIFICATION

Section 9.01. Indemnification Rights and Obligations. The text of Article IX of the Uniform Provisions hereby is incorporated herein by this reference.

ARTICLE X

LIMITATIONS ON COMPETITION

Section 10.01. Prohibited Activities. The Stockholder agrees that he will not, during the period beginning on the date hereof and ending on the third anniversary of the date hereof, directly or indirectly, for any reason, for his own account or on behalf of or together with any other Person:

(a) engage as an officer, director or in any other managerial capacity or as an owner, co-owner or other investor of or in, whether as an employee, independent contractor, consultant or advisor, or as a sales representative or distributor of any kind, in any business selling any products or providing any services in competition with the Company, any Company Subsidiary or ARS or any Subsidiary of ARS (ARS and its Subsidiaries collectively being "ARS" for purposes of this Article X) within a radius of 100 miles of each location in which any of the Company or the Company Subsidiaries was engaged in business on the date hereof or immediately prior to the Effective Time (those locations collectively being the "Territory");

(b) call on any natural person who is at that time employed by the Company, any Company Subsidiary or ARS in any managerial capacity with the purpose or intent of attracting that person from the employ of the Company, any Company Subsidiary or ARS, provided that the Stockholder may call on and hire any of his Immediate Family Members;

(c) call on any Person that at that time is, or at any time within one year prior to that time was, a customer of the Company, any Company Subsidiary or ARS within the Territory, (i) for the purpose of soliciting or selling any product or service in competition with the Company, any Company Subsidiary or ARS within the Territory and (ii) with the knowledge of that customer relationship; or

(d) call on any ARS Acquisition Candidate, with the knowledge of that Person's status as an ARS Acquisition Candidate, for the purpose of acquiring that Person or arranging the acquisition of that Person by any Person other than ARS.

Notwithstanding the foregoing, the Stockholder may own and hold as a passive investment up to 1% of the outstanding Capital Stock of a competing Entity if that class of Capital Stock is listed on the

New York Stock Exchange or included in the Nasdaq National Market. For purposes hereof and the respective tax reporting positions of the parties hereto, each party hereto agrees that the percentage of the cash portion of the Merger Consideration to be received by the Stockholder pursuant to Section 2.04 which equals 1% of the Stockholder's Pro Rata Share of the Transaction Value will represent, and be received as, consideration for the Stockholder's agreement to observe the covenants in this Section 10.01.

Section 10.02. Damages. Because of the difficulty of measuring economic losses to ARS as a result of any breach by the Stockholder of his covenants in Section 10.01, and because of the immediate and irreparable damage that could be caused to ARS for which it would have no other adequate remedy, the Stockholder agrees that ARS may enforce the provisions of Section 10.01 by injunctions and restraining orders against the Stockholder if he breaches any of those provisions.

Section 10.03. Reasonable Restraint. The parties hereto each agree that Sections 10.01 and 10.02 impose a reasonable restraint on the Stockholder in light of the activities and business of ARS on the date hereof, the current business plans of ARS and the investment by the Stockholder in ARS pursuant to one of the Other Agreements.

Section 10.04. Severability; Reformation. The covenants in this Article X are severable and separate, and the unenforceability of any specific covenant in this Article X is not intended by any party hereto to, and shall not, affect the provisions of any other covenant in this Article X. If any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth in Section 10.01 are unreasonable as applied to the Stockholder, the parties hereto, including the Stockholder, acknowledge their mutual intention and agreement that those restrictions be enforced to the fullest extent the court deems reasonable, and thereby shall be reformed to that extent as applied to the Stockholder.

Section 10.05. Independent Covenant. All the covenants in this Article X are intended by each party hereto to, and shall, be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of the Stockholder against ARS, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by ARS of any covenant in this Article X. It is specifically agreed that the period specified in Section 10.01 shall be computed by excluding from that computation any time during which the Stockholder is in violation of any provision of Section 10.01. The covenants contained in this Article X shall not be affected by any breach of any other provision hereof by any party hereto.

Section 10.06. Materiality. The Company and the Stockholder hereby agree that this Article X is a material and substantial part of the transactions contemplated hereby.

ARTICLE XI
GENERAL PROVISIONS

Section 11.01. Treatment of Confidential Information. Each party hereto will comply with each covenant for which provision is made in Section 11.01 of the Uniform Provisions (the text of which Section hereby is incorporated herein by this reference) to be performed or observed by that party.

Section 11.02. [Intentionally Omitted]

Section 11.03. Brokers and Agents. The Stockholder represents and warrants to ARS that the Company has not directly or indirectly employed or become obligated to pay any broker or similar agent in connection with the transactions contemplated hereby and agrees, without regard to the Threshold Amount limitations set forth in Article IX, to indemnify ARS against all Damage Claims arising out of claims for any and all fees and commissions of brokers or similar agents employed or promised payment by the Company.

Section 11.04. Assignment; No Third Party Beneficiaries. This Agreement and the rights of the parties hereunder may not be assigned (except by operation of law) and shall be binding on and inure to the benefit of the parties hereto, the successors of ARS, and the heirs and legal representatives of the Stockholder. Neither this Agreement nor any other Transaction Document is intended, or shall be construed, deemed or interpreted, to confer on any Person not a party hereto or thereto any rights or remedies hereunder or thereunder, except as provided in Section 6.05(b) or 11.14, in Article IX or as otherwise provided expressly herein or therein.

Section 11.05. Entire Agreement; Amendment; Waivers. This Agreement and the documents delivered pursuant hereto constitute the entire agreement and understanding among the Stockholders, the Company, Newco and ARS and supersede all prior agreements and understandings, both written and oral, relating to the subject matter of this Agreement. This Agreement may be amended, modified or supplemented, and any right hereunder may be waived, if, but only if, that amendment, modification, supplement or waiver is in writing and signed by the Stockholder, the Company and ARS. The waiver of any of the terms and conditions hereof shall not be construed or interpreted as, or deemed to be, a waiver of any other term or condition hereof.

Section 11.06. Counterparts. This Agreement may be executed in multiple counterparts, each of which will be an original, but all of which together will constitute one and the same instrument.

Section 11.07. Expenses. Whether or not the transactions contemplated hereby are consummated, (a) ARS will pay the fees, expenses and disbursements of ARS and Newco and their Representatives which are incurred in connection with the subject matter of this Agreement and any amendments thereto, including all costs and expenses incurred in the performance of and compliance

with all conditions to be performed by ARS and Newco under this Agreement, including the costs of preparing the Registration Statement, (b) the Stockholder will pay from personal funds, and not from funds of the Company or any Company Subsidiary, all sales, use, transfer and other similar taxes and fees (collectively, "Transfer Taxes") incurred in connection with the transactions contemplated hereby and (c) the Company will pay the fees, expenses and disbursements of Counsel for the Company and the Stockholder incurred in connection with the subject matter of this Agreement and the Registration Statement on or before the IPO Closing Date (which fees, expenses and disbursements, together with the fees, expenses and disbursements of counsel for the other Combined Companies and their stockholders, will, to the extent accrued through the IPO Closing Date but then unpaid, be recorded as a liability of the Company for the purpose of determining the Closing Date Working Capital and resulting Positive Working Capital Adjustment or Negative Working Capital Adjustment, as the case may be); provided, however, if the Company or the Stockholder terminates this Agreement otherwise than as permitted by Article XII, the Company will, no later than 10 Houston, Texas business days after ARS makes a written request therefor, reimburse ARS in the amount equal to the aggregate fees, costs and other expenses invoiced to ARS by Arthur Andersen LLP in connection with its audit of the financial statements of the Combined Companies at December 31, 1995 and for the 12-month period then ended. The Stockholder will file all necessary documentation and Returns with respect to all Transfer Taxes. In addition, the Stockholder acknowledges that he, and not the Company or ARS or the Surviving Corporation, will pay all Taxes due upon receipt of the consideration payable to the Stockholder pursuant to Article II.

Section 11.08. Notices. All notices required or permitted hereunder shall be in writing, and shall be deemed to be delivered and received (a) if personally delivered or if delivered by telex, telegram, facsimile or courier service, when actually received by the party to whom notice is sent or (b) if delivered by mail (whether actually received or not), at the close of business on the third Houston, Texas business day next following the day when placed in the mail, postage prepaid, certified or registered, addressed to the appropriate party or parties, at the address of such party set forth below (or at such other address as such party may designate by written notice to all other parties in accordance herewith):

- (i) if to ARS or Newco, addressed to it at:

American Residential Services, Inc.
5850 San Felipe
Suite 500
Houston, Texas 77057
Attn.: C. Clifford Wright, Jr.
Chief Executive Officer

with copies (which shall not constitute notice for purposes of this Agreement) to:

Baker & Botts, L.L.P.
One Shell Plaza
Houston, Texas 77002-4995
Attn: James L. Leader, Esq.;

(ii) If to the Stockholder, addressed to him at his address set forth in Schedule 2.04; and

(iii) If to the Company, addressed to it at:

FLORIDA HEATING AND AIR CONDITIONING, INC.
1700 Banks Road
Margate, Florida 33063
Attn: Elliot Sokolow

with copies (which shall not constitute notice for purposes of this Agreement) to:

Weinstein, Rosenthal & Tobin, P.C.
1776 Resurgens Plaza
945 East Paces Ferry Road, N.E.
Atlanta, Georgia 30326
Attn: Melvin E. Weinstein, Esq.

Section 11.09. Governing Law. This Agreement and the rights and obligations of the parties hereto shall be governed by and construed and enforced in accordance with the substantive laws of the State of New York without regard to the conflicts of law provisions thereof; provided, however, that Article X and the rights and obligations thereunder of the parties thereto will be governed by and construed in accordance with the substantive laws of the State of Florida without regard to the conflicts of law provisions thereof.

Section 11.10. Exercise of Rights and Remedies. Except as otherwise provided herein, no delay or omission in the exercise of any right, power or remedy accruing to any party hereto as a result of any breach or default hereunder by any other party hereto shall impair any such right, power or remedy, nor shall it be construed, deemed or interpreted as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be construed, deemed or interpreted as a waiver of any other breach or default hereunder occurring before or after that waiver.

Section 11.11. Time. Time is of the essence in the performance of this Agreement in all respects.

Section 11.12. Reformation and Severability. If any provision of this Agreement is invalid, illegal or unenforceable, that provision shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties hereto as expressed herein, and if such a modification is not possible, that provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

Section 11.13. Remedies Cumulative. No right, remedy or election given by any term of this Agreement shall be deemed exclusive, but each shall be cumulative with all other rights, remedies and elections available at law or in equity.

Section 11.14. Respecting the IPO. Each of the Company and the Stockholder acknowledges and agrees that: (a) no firm commitment, binding agreement or promise or other assurance of any kind, whether express or implied, oral or written, exists at the date hereof that the Registration Statement will become effective or that the IPO will occur at a particular price or within a particular range of prices or occur at all; (b) neither ARS or any of its Representatives nor any prospective underwriters in the IPO will have any liability to the Company, the Stockholder or any of their respective Affiliates or associates for any failure of (i) the Registration Statement to become effective (provided, however, that ARS will use its reasonable best efforts to cause the Registration Statement to become effective prior to December 31, 1996) or (ii) the IPO to occur at a particular price or within a particular range of prices or to occur at all; and (c) the decision of the Stockholder to enter into this Agreement, or to vote in favor of or consent to the Merger, has been or will be made independent of, and without reliance on, any statements, opinions or other communications of, or due diligence investigations that have been or will be made or performed by, any prospective underwriter relative to ARS or the IPO. The Underwriter shall have no obligation to either the Company or the Stockholder with respect to any disclosure contained in the Registration Statement.

ARTICLE XII

TERMINATION

Section 12.01. Termination of This Agreement. (a) This Agreement may be terminated at any time prior to the Effective Time solely:

- (i) by the mutual written consent of ARS and the Company;
- (ii) by the Stockholder or the Company, on the one hand, or by ARS, on the other hand, if the transactions contemplated by this Agreement to take place at the Closing shall not have been consummated by December 31, 1996, unless the failure of such transactions to be consummated results from the willful failure of the party (or in the case of the Stockholder and the Company, either of them) seeking to terminate this Agreement to perform or adhere to any agreement required hereby to be performed or adhered to by it prior to or at the Closing or thereafter on the IPO Closing Date;

(iii) by the Stockholder or the Company, on the one hand, or by ARS, on the other hand, if a material breach or default shall be made by the other party (or in the case of the Stockholder and the Company, either of them) in the observance or in the due and timely performance of any of the covenants, agreements or conditions contained herein; or

(iv) by ARS if it is entitled to do so as provided in Section 6.08.

(b) This Agreement may be terminated after the Closing solely:

(i) by ARS or the Company if the Underwriting Agreement is terminated pursuant to its terms after the Closing and prior to the consummation of the IPO; or

(ii) automatically and without action on the part of any party hereto if the IPO is not consummated within 15 New York City business days after the date of the Closing.

(c) If this Agreement is terminated pursuant to this Section 12.01, the Merger will be deemed for all purposes to have been abandoned and of no force or effect. If this Agreement is terminated pursuant to this Section 12.01 after the Certificate of Merger has been filed with the Department of State of the State of Florida, but before the IPO has been consummated, ARS will take all actions that Counsel for the Company and the Stockholder advises ARS are required by the applicable laws of the State of Florida in order to rescind the Merger.

Section 12.02. Liabilities in Event of Termination. If this Agreement is terminated pursuant to Section 12.01, there shall be no liability or obligation on the part of any party hereto except (a) as provided in Section 11.07 and (b) to the extent that such liability is based on the breach by that party of any of its representations, warranties or covenants set forth in this Agreement.

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P. 3

JUN-14-96 FRI 12:27 PM BAKER BOTTS

Signature Page for Agreement P. 3

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the
date first above written.

AMERICAN RESIDENTIAL SERVICES, INC.

By: _____
C. Clifford Wright, Jr.
Chief Executive Officer and President

ARS PHAC INC.

By: _____
C. Clifford Wright, Jr.
Chief Executive Officer and President

FLORIDA HEATING AND
AIR CONDITIONING, INC.

By: Elliot Sokolow
Elliot Sokolow
President

STOCKHOLDER:

Elliot Sokolow
Elliot Sokolow

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

AMERICAN RESIDENTIAL SERVICES, INC.

By: C. Clifford Wright, Jr.
C. Clifford Wright, Jr.
Chief Executive Officer and President

ARS FHAC INC.

By: C. Clifford Wright, Jr.
C. Clifford Wright, Jr.
Chief Executive Officer and President

**FLORIDA HEATING AND
AIR CONDITIONING, INC.**

By: _____
Elliot Sokolow
President

STOCKHOLDER:

Elliot Sokolow

ADDENDUM 1

to the

**Agreement and Plan of Reorganization
dated as of June 13, 1996**

by and among

American Residential Services, Inc.

ARS FHAC Inc.,

FLORIDA HEATING AND AIR CONDITIONING, INC.

and

the Stockholder named therein

A. Words and terms used in this Addendum which are defined in the captioned Agreement to which this is an Addendum are used herein as therein defined.

B. The Founding Companies are:

Atlas Services, Inc.

Bullseye Air Conditioning, Inc.

Climatic Corporation of Vero Beach

DIAL ONE Meridian and Hoosier, Inc.

Enterprises Holding Company

Florida Heating and Air Conditioning, Inc.

Florida Heating and Air Conditioning Service, Inc.

Florida Heating and Air Duct, Inc.

General Heating Engineering Company, Inc.

SCHEDULE 2.03

to the

**Agreement and Plan of Reorganization
dated as of June 13, 1996
by and among
American Residential Services, Inc.,
ARS FHAC Inc.,
FLORIDA HEATING AND AIR CONDITIONING, INC.
and
the Stockholder named therein**

A. Words and terms used in this Schedule which are defined in the captioned Agreement to which this Schedule is attached as Schedule 2.03 are used herein as defined therein.

B. The directors of the Surviving Corporation immediately after the Effective Time are as follows: Howard S. Hoover, Jr., William P. McCaughey and C. Clifford Wright, Jr.

C. The officers of the Surviving Corporation immediately following the Effective Time are as follows:

President Elliot Sokolow

Vice President and Assistant Secretary . William P. McCaughey

Vice President and Secretary John D. Held

SCHEDULE 2.04

to the

**Agreement and Plan of Reorganization
dated as of June 13, 1996
by and among
American Residential Services, Inc.,
ARS FHAC Inc.,
FLORIDA HEATING AND AIR CONDITIONING, INC.
and
the Stockholder named therein**

A. Words and terms used in this Schedule which are defined in the captioned Agreement to which this Schedule is attached as Schedule 2.04 are used herein as defined therein.

B. The name and address of the Stockholder is as follows:

Address

Elliot Sokolow	2751 Northeast 47th Street Lighthouse Point, Florida 33064
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C. Subject to increase or reduction by the application of the Positive Working Capital Adjustment or the Negative Working Capital Adjustment, as the case may be, the aggregate Merger Consideration will be comprised of \$4,999,999 in cash, and the Stockholder, who owns all 800 outstanding shares of Company Common Stock, will be entitled to receive the entire Merger Consideration pursuant to Section 2.04 subject to the provisions of Section 2.05.

SCHEDULE 3.02

to the

**Agreement and Plan of Reorganization
dated as of June 13, 1996
by and among**

**American Residential Services, Inc.,
ARS FHAC Inc.,**

**FLORIDA HEATING AND AIR CONDITIONING, INC.
and**

the Stockholder named therein

A. Words and terms used in this Schedule which are defined in the captioned Agreement to which this Schedule is attached as Schedule 3.2 are used herein as defined therein.

B. Elliot Sokolow owns all the 800 outstanding shares of Company Common Stock.

C. Exception is taken for such Lien as is attributable to the Common Stock Option dated December 21, 1987 and granted by the Stockholder in favor of Charles Meyer, which option the Stockholder will purchase from Mr. Meyer on the IPO Closing Date.

SCHEDULE 3.07

to the

**Agreement and Plan of Reorganization
dated as of June 13, 1996
by and among
American Residential Services, Inc.,
ARS FHAC Inc.,
FLORIDA HEATING AND AIR CONDITIONING, INC.
and
the Stockholder named therein**

A. Words and terms used in this Schedule which are defined in the captioned Agreement to which this Schedule is attached as Schedule 3.07 are used herein as defined therein.

B. The Stockholder is, alone or with one or more other Persons, the controlling Affiliate of the following Entities, businesses or trades (other than the Company and the Company Subsidiaries, if the Stockholder is an Affiliate of the Company) that (a) are engaged in any line of business which is the same as or similar to any line of business in which the Company or any Company Subsidiary is engaged or (b) are, or have within the three-year period ending on the date of this Agreement, engaged in any transaction with the Company or any Company Subsidiary, except for transactions in the ordinary course of business of the Company or that Company Subsidiary:

1. Florida Heating and Air Conditioning, Inc., Florida Heating and Air Conditioning Service, Inc., Bullseye Air Conditioning, Inc., and Florida Heating and Air Duct, Inc., all have common ownership or somewhat common ownership. The common ownership is disclosed more fully in Schedule 3.02 for each of those companies.

2. The Company leases space from FHAC Building Limited, which is owned or controlled by Elliot P. Sokolow and Robert J. Rogoff.

SCHEDULE 4.11

to the

**Agreement and Plan of Reorganization
dated as of June 13, 1996
by and among**

**American Residential Services, Inc.,
ARS FHAC Inc.,**

FLORIDA HEATING AND AIR CONDITIONING, INC.,

and

the Stockholder named therein

A. Words and terms used in this Schedule which are defined in the captioned Agreement to which this Schedule is attached as Schedule 4.11 are used herein as defined therein.

B. The following Related Party Agreement will be permitted to continue in effect past the date of the Closing in accordance with its terms:

Office/Warehouse Lease Agreement dated as of November 1, 1989 between E.M.E.S., Ltd. d/b/a FHAC Commerce Center, as lessor, and the Company, as lessee, relating to the Company's main office and warehouse facility in Margate, Florida and the related Addendum and the Assumption and Indemnity Agreement between E.M.E.S., Ltd. and FHAC Building, Ltd. The building was sold on 1/27/90 to FHAC Building, Ltd. The lease term in such Lease Agreement will be extended through May 31, 2005. The owners of FHAC Building, Ltd. are Elliot P. Sokolow (79% interest), Robert J. Rogoff (20% interest) and a corporate general partner (1%) owned and controlled by Sokolow, the name of which corporate general partner is FHAC Building, Inc.

SCHEDULE 6.04

to the

**Agreement and Plan of Reorganization
dated as of June 13, 1996
by and among**

**American Residential Services, Inc.,
ARS FHAC Inc.,
FLORIDA HEATING AND AIR CONDITIONING, INC.
and
the Stockholder named therein**

A. Words and terms used in this Schedule which are defined in the captioned Agreement to which this Schedule is attached as Schedule 6.04 are used herein as defined therein.

B. The Company and the Company Subsidiaries may make the following Restricted Payments prior to the Effective Time:

None

SCHEDULE 6.12

to the

**Agreement and Plan of Reorganization
dated as of June 13, 1996
by and among
American Residential Services, Inc.,
ARS FHAC Inc.,
FLORIDA HEATING AND AIR CONDITIONING, INC.
and
the Stockholder named therein**

A. Words and terms used in this Schedule which are defined in the captioned Agreement to which this Schedule is attached as Schedule 6.12 are used herein as defined therein.

B. The Company will make all arrangements and take all such actions as are necessary and satisfactory to ARS to dispose, prior to the Effective Time, of the following assets:

None

SCHEDULE 8.05

to the

Agreement and Plan of Reorganization
dated as of June 13, 1996
by and among
American Residential Services, Inc.,
ARS FHAC Inc.,
FLORIDA HEATING AND AIR CONDITIONING, INC.
and
the Stockholder named therein

A. Words and terms used in this Schedule which are defined in the captioned Agreement to which this Schedule is attached as Schedule 8.05 are used herein as defined therein.

B. At or within 60 days following the Effective Time, ARS will cause the following Stockholder Guaranties to be terminated:

FORD MOTOR CREDIT
3111 N. University Drive #800
Coral Springs, FL 33075

PJA953EP5K
PJA953EROX
PJA953EROR
PJA953EROT
PJA953EP5N
PJA953EP5M
PJA953EN6G
PJA953EROW
PJA953EW1Y
PJA953EW1X
TFA210599J

Truck Loan

"
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"
"
"
"
"
"
"

BARNETT BANK
P.O. Box 2759
Jacksonville, FL 32256

060-960-3697257-9001

Car Loan

REPUBLIC SECURITY BANK
7601 N. Federal Highway
Boca Raton, FL 33487

8000679001

Truck Loan

RHEEM MANUFACTURING
P.O. Box 249-F
St. Louis, MO 63150
Purchases

Florida Heating & Air Conditioning Inc.

CARRIER CORPORATION
2100 NW 88 Ct.
Miami, FL 33172
Purchases

Florida Heating & Air Conditioning Inc.

AMWEST SURETY INSURANCE CO.
P.O. Box 4500
Woodlands Hills, CA 91365-4500

Bonds

FLORIDA HEATING AND AIR CONDITIONING, INC.
Annex 1

AMERICAN RESIDENTIAL SERVICES, INC.

UNIFORM PROVISIONS
FOR THE
ACQUISITION
OF
FOUNDING COMPANIES

Words and terms used in these Uniform Provisions which are defined in the Agreement and Plan of Reorganization among American Residential Services, Inc., ARS FHAC Inc., FLORIDA HEATING AND AIR CONDITIONING SERVICE, INC. and the Stockholder named therein (called therein and herein "this Agreement") to which these Uniform Provisions are attached as Annex 1 are used herein as defined therein.

TABLE OF CONTENTS

	Page
ARTICLE I ADDITIONAL DEFINITIONS	-1-
Section 1.02. Additional Defined Terms	-1-
Section 1.03. Other Definitional Provisions	-14-
Section 1.04. Captions	-15-
 ARTICLE III REPRESENTATIONS AND WARRANTIES OF EACH STOCKHOLDER	 -16-
Section 3.02. Ownership and Status of Company Capital Stock.	-16-
Section 3.03. Power of the Stockholder; Approval of the Merger.	-16-
Section 3.04. No Conflicts or Litigation.	-16-
Section 3.05. No Brokers.	-17-
Section 3.06. Preemptive and Other Rights; Waiver.	-17-
Section 3.07. Control of Related Businesses.	-17-
 ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDERS	 -18-
Section 4.02. Qualification.	-18-
Section 4.03. Authorization; Enforceability; Absence of Conflicts; Required Consents	-18-
Section 4.04. Charter Documents and Records; No Violation.	-19-
Section 4.05. No Defaults.	-19-
Section 4.06. Company Subsidiaries	-19-
Section 4.07. Capital Stock of the Company and the Company Subsidiaries	-20-
Section 4.08. Transactions in Capital Stock	-20-
Section 4.09. No Bonus Shares.	-20-
Section 4.10. Predecessor Status; etc.	-20-
Section 4.11. Related Party Agreements	-21-
Section 4.12. Litigation	-21-
Section 4.13. Financial Statements; Disclosure	-21-
Section 4.14. Compliance With Laws	-22-
Section 4.15. Certain Environmental Matters	-23-
Section 4.16. Liabilities and Obligations	-23-
Section 4.17. Receivables	-24-
Section 4.18. Owned and Leased Real Properties	-24-
Section 4.19. Owned and Leased Property, Plant and Equipment	-25-
Section 4.20. Proprietary Rights	-25-
Section 4.21. Title to Other Properties	-25-
Section 4.22. Commitments	-26-
Section 4.23. Capital Expenditures	-27-
Section 4.24. Inventories	-27-
Section 4.25. Insurance	-28-

Section 4.26. Employee Matters	-28-
Section 4.27. Compliance With ERISA, etc.	-31-
Section 4.28. Taxes	-33-
Section 4.29. Government Contracts	-34-
Section 4.30. Absence of Changes	-34-
Section 4.31. Bank Relations; Powers of Attorney	-36-
Section 4.32. Relations With Governments, etc.	-36-
 ARTICLE V REPRESENTATIONS AND WARRANTIES OF ARS AND NEWCO ...	 -37-
Section 5.02. Organization; Power	-37-
Section 5.03. Authorization; Enforceability; Absence of Conflicts; Required Consents	-37-
Section 5.04. Charter Documents	-38-
Section 5.05. Capital Stock of ARS and Newco	-38-
Section 5.06. Subsidiaries	-39-
Section 5.07. Liabilities	-39-
Section 5.08. Compliance With Laws; No Litigation	-39-
Section 5.09. No Brokers	-39-
 ARTICLE VI COVENANTS EXTENDING TO THE EFFECTIVE TIME	 -40-
Section 6.02. Access and Cooperation; Due Diligence	-40-
Section 6.03. Conduct of Business Pending Closing	-40-
Section 6.04. Prohibited Activities	-41-
Section 6.05. No Shop; Release of Directors	-42-
Section 6.06. Notice to Bargaining Agents	-43-
Section 6.07. Notification of Certain Matters	-43-
Section 6.08. Supplemental Information	-44-
Section 6.09. Cooperation in Connection With the IPO	-44-
Section 6.10. Additional Financial Statements	-45-
Section 6.11. Termination of Plans	-45-
Section 6.12. Disposition of Unwanted Assets	-45-
Section 6.13. HSR Act Matters	-45-
 ARTICLE VII THE CLOSING AND CONDITIONS TO CLOSING AND CONSUMMATION	 -46-
Section 7.02. Conditions to the Obligations of Each Party	-46-
Section 7.03. Conditions to the Obligations of the Company and the Stockholders ..	-47-
Section 7.04. Conditions to the Obligations of ARS and Newco	-48-
 ARTICLE VIII COVENANTS FOLLOWING THE EFFECTIVE TIME	 -50-
Section 8.02. Disclosure	-50-
Section 8.03. Preparation and Filing of Tax Returns	-50-
Section 8.04. Directors	-50-

Section 8.05. Removal of Guaranties	-50-
ARTICLE IX INDEMNIFICATION	-51-
Section 9.02. Survival of Representations and Warranties	-51-
Section 9.03. Indemnification of ARS Indemnified Parties	-51-
Section 9.04. Indemnification of Stockholder Indemnified Parties	-52-
Section 9.05. Conditions of Indemnification	-53-
Section 9.06. Remedies Not Exclusive	-55-
Section 9.07. Limitations on Indemnification	-55-
ARTICLE XI GENERAL PROVISIONS	-56-
Section 11.01. Treatment of Confidential Information	-56-

THE UNIFORM PROVISIONS

ARTICLE I

ADDITIONAL DEFINITIONS

Section 1.02. Additional Defined Terms. As used in this Agreement, the following terms have the meanings assigned to them below:

"Acquisition Proposal" has the meaning specified in Section 6.05.

"Affiliate" means, as to any specified Person, any other Person that, directly or indirectly through one or more intermediaries or otherwise, controls, is controlled by or is under common control with the specified Person. As used in this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person (whether through ownership of Capital Stock of that Person, by contract or otherwise).

"Air Conditioning and Refrigeration Contracting" means the design, installation, construction, maintenance, service, repair, alteration or modification of any appliance, equipment or other product used in environmental air conditioning or filtering, commercial refrigeration or process cooling or heating systems.

"ARS Common Stock" means the common stock, par value \$.001 per share, of ARS.

"ARS Indemnified Party" means ARS and its Affiliates and each of their respective officers, directors, employees, agents and counsel; provided, however, that no Person who indemnifies ARS Indemnified Parties in this Agreement in his capacity as a Stockholder will be an ARS Indemnified Party for purposes of this Agreement, notwithstanding that the Person is an ARS Indemnified Party for purposes of one or more of the Other Agreements.

"ARS Indemnified Loss" has the meaning specified in Section 9.03.

"Capital Lease" means a lease of (or other agreement conveying the right to use) real or personal property that is required to be classified and accounted for as a capital lease under GAAP as in effect on the date of this Agreement.

"Capital Stock" means, with respect to: (a) any corporation, any share, or any depository receipt or other certificate representing any share, of an equity ownership interest in that corporation; and (b) any other Entity, any share, membership or other percentage interest, unit of participation or other equivalent (however designated) of an equity interest in that Entity.

"Cash Compensation" means, as applied to any employee, nonemployee director or officer of, or any natural person who performs consulting or other independent contractor services for, the Company or any Company Subsidiary, the wages, salaries, bonuses (discretionary and formula), fees and other cash compensation paid or payable by the Company and each Company Subsidiary to that employee or other natural person.

"CERCLA" means the Comprehensive Environmental Response, Conservation, and Liability Act of 1980.

"Certificate of Merger" means: (a) if the Surviving Corporation is a Delaware corporation, the certificate of merger respecting the Merger which contains the information required by the DGCL to effect the Merger; and (b) if the Company's Organization State is not Delaware, the articles or certificate of merger respecting the Merger which contains the information required by the laws of the Company's Organization State to effect the Merger.

"Charter Documents" means, with respect to any Entity at any time, in each case as amended, modified and supplemented at that time, the articles or certificate of formation, incorporation or organization (or the equivalent organizational documents) of that Entity, (b) the bylaws or limited liability company agreement or regulations (or the equivalent governing documents) of that Entity and (c) each document setting forth the designation, amount and relative rights, limitations and preferences of any class or series of that Entity's Capital Stock or of any rights in respect of that Entity's Capital Stock.

"Claim Notice" has the meaning specified in Section 9.05.

"Closing" has the meaning specified in Section 7.01.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company Commitment" has the meaning specified in Section 4.22.

"Company ERISA Benefit Plan" has the meaning specified in Section 4.26.

"Company ERISA Pension Plan" has the meaning specified in Section 4.26.

"Company Subsidiary" means at any time any Entity that is a Subsidiary of the Company at that time.

"Confidential Information" means, with respect to any Person, all trade secrets and other confidential, nonpublic and/or proprietary information of that Person, including information derived from reports, investigations, research, work in progress, codes, marketing and sales programs, capital expenditure projects, cost summaries, pricing formulae, contract analyses, financial information, projections, confidential filings with any

Governmental Authority and all other confidential, nonpublic concepts, methods of doing business, ideas, materials or information prepared or performed for, by or on behalf of that Person.

"Current Balance Sheet" has the meaning specified in Section 1.01.

"Current Balance Sheet Date" has the meaning specified in Section 1.01.

"Current Date" means any day during the 20-day period ending on the date of the Closing.

"Damage" to any specified Person means any cost, damage (including any consequential, exemplary, punitive or treble damage) or expense (including reasonable fees and actual disbursements by attorneys, consultants, experts or other Representatives and Litigation costs) to, any fine of or penalty on or any liability (including loss of earnings or profits) of any other nature of that Person.

"Damage Claim" means, as asserted (a) against any specified Person, any claim, demand or Litigation made or pending against that Person for Damages to any other Person, or (b) by the specified Person, any claim or demand of the specified Person against any other Person for Damages to the specified Person.

"DGCL" means the General Corporation Law of the State of Delaware.

"Derivative Securities" of a specified Entity means any Capital Stock or debt security or other Indebtedness of the specified Entity or any other Person which is convertible into or exchangeable for, or any option, warrant or other right to acquire, (a) any unissued Capital Stock of the specified Entity or (b) any Capital Stock of the specified Entity which has been issued and is being held by the Entity directly or indirectly as treasury Capital Stock.

"Effective Time" has the meaning specified in Section 2.02.

"Election Period" has the meaning specified in Section 9.05.

"Employee Policies and Procedures" means at any time all employee manuals and all material policies, procedures and work-related rules that apply at that time to any employee, nonemployee director or officer of, or any other natural person performing consulting or other independent contractor services for, the Company or any Company Subsidiary.

"Employment Agreement" means at any time any (a) agreement to which the Company or any Company Subsidiary is a party which then relates to the direct or indirect

employment or engagement, or arises from the past employment or engagement, of any natural person by the Company or any Company Subsidiary, whether as an employee, a nonemployee officer or director, a consultant or other independent contractor, a sales representative or a distributor of any kind, including any employee leasing or service agreement and any noncompetition agreement, and (b) agreement between the Company or any Company Subsidiary and any Person which arises from the sale of a business by that Person to the Company or any Company Subsidiary and limits that Person's competition with the Company or any Company Subsidiary.

"Entity" means any sole proprietorship, corporation, partnership of any kind having a separate legal status, limited liability company, business trust, unincorporated organization or association, mutual company, joint stock company or joint venture.

"Environmental Laws" means any and all Governmental Requirements relating to the environment or worker health or safety, including ambient air, surface water, land surface or subsurface strata, or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes (including Solid Wastes, Hazardous Wastes or Hazardous Substances) or noxious noise or odor into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, recycling, removal, transport or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes (including petroleum, petroleum distillates, asbestos or asbestos-containing material, polychlorinated biphenyls, chlorofluorocarbons (including chlorofluorocarbon-12) or hydrochlorofluorocarbons).

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means, with respect to any specified Person at any time, any other Person, including an Affiliate of the specified Person, that is, or at any time within six years of that time was, a member of any ERISA Group of which the specified Person is or was a member at the same time.

"ERISA Affiliate Pension Plan" has the meaning specified in Section 4.26.

"ERISA Employee Benefit Plan" means any "employee benefit plan" as defined in Section 3(3) of ERISA and includes any ERISA Pension Benefit Plan.

"ERISA Group" means any "group of organizations" within the meaning of Section 414(b), (c), (m) or (o) of the Code or any "controlled group" as defined in Section 4001(a)(14) of ERISA.

"ERISA Pension Benefit Plan" means any "employee pension benefit plan," as defined in Section 3(2) of ERISA, including any plan that is covered by Title IV of ERISA

or subject to the minimum funding standards under Section 412 of the Code (excluding any Multiemployer Plan).

"Exchange Act" means the Securities Exchange Act of 1934.

"Final Prospectus" means the prospectus included in the Registration Statement at the time it becomes effective, except that if the prospectus first furnished to the Underwriter after the Registration Statement becomes effective for use in connection with the IPO differs from the prospectus included in the Registration Statement at the time it becomes effective (whether or not that prospectus so furnished is required to be filed with the SEC pursuant to Securities Act Rule 424(b)), the prospectus so furnished is the "Final Prospectus."

"Financial Statements" means the Initial Financial Statements and the other financial statements of the Company and the Company Subsidiaries, if any, delivered to ARS pursuant to Section 6.10 prior to the Effective Time.

"GAAP" means generally accepted accounting principles and practices in the United States as in effect from time to time which (i) have been concurred in by Arthur Andersen LLP and (ii) have been or are applied on a basis consistent (except for changes concurred in by Arthur Andersen LLP) with the most recent audited Financial Statements delivered to ARS prior to the Effective Time.

"General Release" means the general release of the Company and the Company Subsidiaries to be executed at or before and delivered to ARS and the Company at the Closing, effective as of the Effective Time, by each Stockholder in the form of Exhibit 1.02-A with the blanks appropriately filled.

"Governmental Approval" means at any time any authorization, consent, approval, permit, franchise, certificate, license, implementing order or exemption of, or registration or filing with, any Governmental Authority, including any certification or licensing of a natural person to engage in a profession or trade or a specific regulated activity, at that time.

"Governmental Authority" means (a) any national, state, county, municipal or other government, domestic or foreign, or any agency, board, bureau, commission, court, department or other instrumentality of any such government, or (b) any Person having the authority under any applicable Governmental Requirement to assess and collect Taxes for its own account.

"Governmental Requirement" means at any time (a) any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, writ, edict, award, authorization or other requirement of any Governmental Authority in effect at that time or (b) any obligation included in any certificate, certification, franchise, permit or license

issued by any Governmental Authority or resulting from binding arbitration, including any requirement under common law, at that time.

"Guaranty" means, for any specified Person, without duplication, any liability, contingent or otherwise, of that Person guaranteeing or otherwise becoming liable for any obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any liability of the specified Person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) that obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment of that obligation, (b) to purchase property, securities or services for the purpose of assuring the owner of that obligation of its payment or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay that obligation; provided, that the term "Guaranty" does not include endorsements for collection or deposit in the ordinary course of the endorser's business.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"Immediate Family Member" of a Stockholder means at any time: (a) if that Stockholder is a natural person, any child or grandchild (by blood or legal adoption) or spouse of that Stockholder at that time, or any child of that spouse; and (b) if that Stockholder is an Entity whose ultimate beneficial owner is a natural person, or a natural person and his spouse, any child or grandchild (by blood or legal adoption) or spouse at that time (if not then an ultimate beneficial owner of that Entity), or any child of that spouse, of the ultimate beneficial owner or owners.

"Indebtedness" of any Person means, without duplication, (a) any liability of that Person (i) for borrowed money or arising out of any extension of credit to or for the account of that Person (including reimbursement or payment obligations with respect to surety bonds, letters of credit, banker's acceptances and similar instruments), for the deferred purchase price of property or services or arising under conditional sale or other title retention agreements, other than trade payables arising in the ordinary course of business, (ii) evidenced by notes, bonds, debentures or similar instruments, (iii) in respect of Capital Leases or (iv) in respect of Interest Rate Protection Agreements, (b) any liability secured by any Lien upon any property or assets of that Person (or upon any revenues, income or profits of that Person therefrom), whether or not that Person has assumed that liability or otherwise become liable for the payment thereof or (c) any liability of others of the type described in the preceding clause (a) or (b) in respect of which that Person has incurred, assumed or acquired a liability by means of a Guaranty.

"Indemnity Notice" has the meaning specified in Section 9.05.

"Indemnified Party" has the meaning specified in Section 9.05.

"Indemnifying Party" has the meaning specified in Section 9.05.

"Information" means written information, including (a) data, certificates, reports and statements (excluding Financial Statements) and (b) summaries of unwritten agreements, arrangements, contracts, plans, policies, programs or practices or of unwritten amendments or modifications of, supplements to or waivers under any of the foregoing documents.

"IPO" means the first time after May 1, 1996 a registration statement filed under the Securities Act and respecting a primary offering by ARS of shares of ARS Common Stock (other than a registration statement respecting shares being offered pursuant to a Company ERISA Benefit Plan or any Other Compensation Plan) is declared effective under the Securities Act and the shares registered by that registration statement are issued and sold by ARS (otherwise than pursuant to the exercise by the Underwriter of any over-allotment option).

"IPO Closing Date" means the date on which ARS first receives payment for the shares of ARS Common Stock it sells to the Underwriter in the IPO.

"IPO Price" means the price per share of ARS Common Stock which is set forth as the "price to public" on the cover page of the Final Prospectus.

"IPO Pricing Date" means the date, if any, on which ARS and the Underwriter agree in the Underwriting Agreement to the price per share of Common Stock at which the Underwriter, subject to the terms and conditions of the Underwriting Agreement, will purchase newly issued shares of ARS Common Stock from ARS on the IPO Closing Date.

"Interest Rate Protection Agreement" means, for any Person, an interest rate swap, cap or collar agreement or similar arrangement providing for the transfer or mitigation of interest rate risks of that Person either generally or under specific contingencies between that Person and any other Person.

"IRS" means the Internal Revenue Service.

"Lien" means, with respect to any property or asset of any Person (or any revenues, income or profits of that Person therefrom) (in each case whether the same is consensual or nonconsensual or arises by contract, operation of law, legal process or otherwise), (a) any mortgage, lien, security interest, pledge, attachment, levy or other charge or encumbrance of any kind thereupon or in respect thereof or (b) any other arrangement under which the same is transferred, sequestered or otherwise identified with the intention of subjecting the same to, or making the same available for, the payment or performance of any liability in priority to the payment of the ordinary, unsecured creditors of that Person, including any "adverse claim" (as defined in Section 8-302(b) of each applicable Uniform Commercial Code) in the case of any Capital Stock. For purposes of this Agreement, a Person shall be

deemed to own subject to a Lien any asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement relating to that asset.

"Litigation" means any action, case, proceeding, claim, grievance, suit or investigation or other proceeding conducted by or pending before any Governmental Authority or any arbitration proceeding.

"Material" means, as applied to any Entity, material to the business, operations, property or assets, liabilities, financial condition or results of operations of that Entity and its Subsidiaries considered as a whole.

"Material Adverse Effect" means, with respect to the consequences of any fact or circumstance (including the occurrence or non-occurrence of any event) to the Company and the Company Subsidiaries considered as a whole (or after the Effective Time the Surviving Corporation and the Company Subsidiaries considered as a whole), that such fact or circumstance has caused, is causing or will cause, directly, indirectly or consequentially, singly or in the aggregate with other facts and circumstances, any Damages in excess of the Threshold Amount.

"Material Agreement" of an Entity means any contract or agreement (a) to which that Entity or any of its Subsidiaries is a party, or by which that Entity or any of its Subsidiaries is bound or to which any property or assets of that Entity or any of its Subsidiaries is subject and (b) which is Material to that Entity.

"Minimum Cash Amount" has the meaning specified in Section 7.02.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA, Section 414 of the Code or Section 3(37) of ERISA.

"Newco Common Stock" means the common stock, par value \$.001 per share, of Newco.

"Organization State" means, as applied to (a) any corporation, its state or other jurisdiction of incorporation, (b) any limited liability company or limited partnership, the state or other jurisdiction under whose laws it is organized and existing in that legal form, and (c) any other Entity, the state or other jurisdiction whose laws govern that Entity's internal affairs.

"Other Agreements" has the meaning specified in the Preliminary Statement in this Agreement.

"Other Compensation Plan" means any compensation arrangement, plan, policy, practice or program established, maintained or sponsored by the Company or any Company Subsidiary, or to which the Company or any Company Subsidiary contributes, on behalf of any of its employees, nonemployee directors or officers or other natural persons performing consulting or other independent contractor services for the Company or any Company Subsidiary, (a) including all such arrangements, plans, policies, practices or programs providing for severance pay, deferred compensation, incentive, bonus or performance awards or the actual or phantom ownership of any Capital Stock or Derivative Securities of the Company or any Company Subsidiary, but (b) excluding all Company ERISA Pension Plans and Employment Agreements.

"Other Financing Sources" has the meaning specified in Section 7.02.

"Other Transaction Documents" means the Other Agreements and the other written agreements, documents, instruments and certificates at any time executed pursuant to or in connection with the Other Agreements (other than the Transaction Documents and the Underwriting Agreement), all as amended, modified or supplemented from time to time.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Permitted Investments" means at the time of purchase or other acquisition by the Company or any Company Subsidiary (a) obligations issued or guaranteed by the United States of America with a remaining maturity not exceeding one year, (b) commercial paper with maturities of not more than 270 days and a published rating of not less than A-1 by S&P or P-1 by Moody's and (c) certificates of deposit and bankers' acceptances having maturities of not more than one year of any commercial bank or trust company if (A) that bank or trust company has a combined capital and surplus of at least \$500,000,000 and (B) its unsecured long-term debt obligations, or those of a holding company of which it is a subsidiary, are rated not less than A- by S&P or A3 by Moody's.

"Permitted Liens" means, as applied to the property or assets of any Person (or any revenues, income or profits of that Person therefrom): (a) Liens for Taxes if the same are not at the time due and delinquent; (b) Liens of carriers, warehousemen, mechanics, laborers and materialmen for sums not yet due; (c) Liens incurred in the ordinary course of that Person's business in connection with workmen's compensation, unemployment insurance and other social security legislation (other than pursuant to ERISA or Section 412(n) of the Code); (d) Liens incurred in the ordinary course of that Person's business in connection with deposit accounts or to secure the performance of bids, tenders, trade contracts, statutory obligations, surety and appeal bonds, performance and return-of-money bonds and other obligations of like nature; (e) easements, rights-of-way, reservations, restrictions and other similar encumbrances incurred in the ordinary course of that Person's business or existing on property and not materially interfering with the ordinary conduct of that Person's business or the use of that property; (f) defects or irregularities in that Person's title to its

real properties which do not materially (i) diminish the value of the surface estate or (ii) interfere with the ordinary conduct of that Person's business or the use of any of such properties; (g) any interest or title of a lessor of assets being leased by any Person pursuant to any Capital Lease disclosed in Section 4.19 of the Disclosure Statement or any lease that, pursuant to GAAP, would be accounted for as an operating lease; and (h) Liens securing purchase money Indebtedness disclosed in Section 4.18 or 4.19 of the Disclosure Statement so long as such Liens do not attach to any property or assets other than the properties or assets purchased with the proceeds of such Indebtedness.

"Person" means any natural person, Entity, estate, trust, union or employee organization or Governmental Authority or, for the purpose of the definition of "ERISA Affiliate," any trade or business.

"Plan" has the meaning specified in Section 4.27.

"Plumbing" means the installation, repair, service or maintenance of any piping, fixtures, appurtenances or appliances in and about buildings where any natural person or persons live, work or assemble for a supply of gas, water or liquids, or any combination thereof, or for the disposal of waste water or sewage.

"Plumbing Laws" means any and all Governmental Requirements related to Plumbing, such as Governmental Requirements relating to the planning, superintending, installation, alteration, repair, service and renovation of any pipeline, fixtures, appurtenances, appliances or drain or waste pipes, and including Governmental Requirements relating to the licensing of natural persons as plumbers of any classification.

"Private Placement Memorandum" means the ARS Private Placement Memorandum dated as of June 13, 1996 relating to the offer of ARS Common Stock in connection with the Merger.

"Professional Codes" means any and all Governmental Requirements relating to the licensing or other regulation of the business of Air Conditioning and Refrigeration Contracting, the installation, repair or replacement of electrical appliances, equipment and systems, Plumbing or other residential or commercial on-site services, including building, electric and mechanical codes, Plumbing Laws and Governmental Requirements relating to Residential Service Companies.

"Prohibited Transaction" means any transaction that is prohibited under Section 4975 of the Code or Section 406 of ERISA and not exempt under Section 4975 of the Code or Section 408 of ERISA.

"Property, Plant and Equipment" means at any time any property that then would be included and classified as property, plant and equipment on a consolidated balance sheet prepared in accordance with GAAP of the Company and the Company Subsidiaries.

"Proprietary Rights" means (a) patents, applications for patents and patent rights, (b) in each case, whether registered, unregistered or under pending registration, trademark rights, trade names, trade name rights, corporate names, business names, trade styles or dress, service marks and logos and other trade designations and copyrights and (c), in the case of the Company or any Company Subsidiary, all agreements relating to the technology, know-how or processes used in any business of the Company or any Company Subsidiary.

"Qualified Plans" has the meaning specified in Section 4.27.

"Registration Rights Agreement" means the registration rights agreement to be executed and delivered at the Closing by ARS and the Stockholders electing to be parties thereto in the form of Exhibit 1.02-B, with the blanks appropriately filled.

"Registration Statement" means the registration statement, including (a) each preliminary prospectus included therein prior to the date on which that registration statement is declared effective under the Securities Act (including any prospectus filed with the SEC pursuant to Securities Act Rule 424(b)), (b) the Final Prospectus and (c) any amendments thereof and all supplements and exhibits thereto, filed by ARS with the SEC to register shares of ARS Common Stock under the Securities Act for public offering and sale in the IPO.

"Returns" means the returns, reports or statements (including any information returns) any Governmental Requirement requires to be filed for purposes of any Tax.

"Related Party Agreement" means any contract or other agreement, written or oral, (a) to which the Company or any Company Subsidiary is a party or is bound or by which any property of the Company or any Company Subsidiary is bound or may be subject and (b) (i) to which any Stockholder or any of that Stockholder's Related Persons or Affiliates also is a party, (ii) of which any Stockholder or any of that Stockholder's Related Persons or Affiliates is a beneficiary or (iii) as to which any transaction contemplated thereby properly would be characterized (without regard to the amount involved) as a related party transaction for purposes of applying the disclosure requirements of GAAP or the SEC applicable to the Registration Statement.

"Related Person" of a Stockholder means: (a) if that Stockholder is a natural person, (i) any Immediate Family Member of that Stockholder, (ii) any Estate of that Stockholder or any Immediate Family Member of that Stockholder, (iii) the trustee of any inter vivos or testamentary trust of which all the beneficiaries are Related Persons of that Stockholder and (iv) any Entity the entire equity interest in which is owned by any one or more of that

Stockholder and Related Persons of that Stockholder; and (b) if that Stockholder is an Entity, Estate or trust, (i) any Person who owns an equity interest in that Stockholder on the date hereof, (ii) any Person who would be a Related Person under clause (a) of this definition of a natural person who is an ultimate beneficial owner of that Stockholder or (iii) any other Entity the entire equity interest in which is owned by any one or more of that Stockholder and Related Persons of that Stockholder. As used in this definition, "Estate" means, as to any natural person who has died or been adjudicated mentally incompetent by a court of competent jurisdiction, (i) that person's estate or (ii) the administrator, conservator, executor, guardian or representative of that estate.

"Representatives" means, with respect to any Person, the directors, officers, employees, Affiliates, accountants (including independent certified public accountants), advisors, attorneys, consultants or other agents of that Person, or any other representatives of that Person or of any of those directors, officers, employees, Affiliates, accountants (including independent certified public accountants), advisors, attorneys, consultants or other agents.

"Reportable Event" means, with respect to any Company ERISA Pension Plan, (a) the occurrence of any of the events set forth in Section 4043(b) or (c) (other than a Reportable Event as to which the provision of 30 days' notice to the PBGC is waived under applicable regulations), 4062(e) or 4063(a) of ERISA with respect to that plan, (b) any event requiring the Company or any ERISA Affiliate to provide security to that plan under Section 401(a)(29) of the Code or (c) any failure to make a payment required by Section 412(m) of the Code with respect to that plan.

"Residential Service Company" means any Person who issues and performs, or arranges to perform, services pursuant to a Residential Service Contract.

"Residential Service Contract" means any agreement or contract whereby, for a fee, a Person undertakes, for a specified period of time, to maintain, repair or replace all or any part of the structural components, the appliances or the electrical, plumbing, heating, cooling or air-conditioning systems on any residential property.

"RCRA" means the Resource Conservation and Recovery Act of 1976.

"Restricted Payment" means, with respect to any Entity at any time, any of the following effected by that Entity: (a) any declaration or payment of any dividend or other distribution, direct or indirect, on account of any Capital Stock of that Entity or any Affiliate of that Entity or (b) any direct or indirect redemption, retirement, purchase or other acquisition for value of, or any direct or indirect purchase, payment or sinking fund or similar deposit for the redemption, retirement, purchase or other acquisition for value of, or to obtain the surrender of, any then outstanding Capital Stock of that Entity or any Affiliate of that Entity or any then outstanding warrants, options or other rights to acquire or

subscribe for or purchase unissued or treasury Capital Stock of that Entity or any Affiliate of that Entity.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933.

"Solid Wastes, Hazardous Wastes or Hazardous Substances" have the meanings ascribed to those terms in CERCLA, RCRA or any other Environmental Law applicable to the business or operations of the Company or any Company Subsidiary which imparts a broader meaning to any of those terms than does CERCLA or RCRA.

"S&P" means Standard and Poor's Rating Group.

"Stockholder Indemnified Party" means (a) each Stockholder and each of that Stockholder's Affiliates (other than the Company or, following the Effective Time, the Surviving Corporation or ARS or any of its Subsidiaries, if the Stockholder is an Affiliate of ARS), agents and counsel and (b) prior to the Effective Time, the Company and each of its officers, directors, employees, agents and counsel who are not Stockholder Indemnified Parties within the meaning of clause (a) of this definition.

"Stockholder Indemnified Loss" has the meaning specified in Section 9.04.

"Subsidiary" of any specified Person at any time, means any entity a majority of the Capital Stock of which is at that time owned or controlled, directly or indirectly, by the specified Person.

"Supplemental Information" has the meaning specified in Section 6.08.

"Tax" or "Taxes" means all net or gross income, gross receipts, net proceeds, sales, use, ad valorem, value added, franchise, bank shares, withholding, payroll, employment, excise, property, deed, stamp, alternative or add-on minimum, environmental or other taxes, assessments, duties, fees, levies or other governmental charges or assessments of any nature whatever imposed by any Governmental Requirement, whether disputed or not, together with any interest, penalties, additions to tax or additional amounts with respect thereto.

"Taxing Authority" means any Governmental Authority having or purporting to exercise jurisdiction with respect to any Tax.

"Termination Event" means, with respect to any Company ERISA Pension Plan, (a) any Reportable Event with respect to that plan which is likely to result in the termination of that plan, (b) the termination of, or the filing of a notice of intent to terminate, that plan or the treatment of any amendment to that plan as a termination under Section 4041(c) of

ERISA or (c) the institution of proceedings to terminate, or the appointment of a trustee to administer, that plan under Section 4042 of ERISA.

"Third Party Claim" has the meaning specified in Section 9.05.

"Transaction Document" means this Agreement, the Certificates of Merger, the General Releases, the Registration Rights Agreement and the other written agreements, documents, instruments and certificates executed pursuant to or in connection with this Agreement (other than the Other Transaction Documents and the Underwriting Agreement), including those specified in Article VII to be delivered at or before the Closing, all as amended, modified or supplemented from time to time.

"Underwriter" means collectively (a) the investment banking firms that prospectively may enter into the Underwriting Agreement and (b) from and after the IPO Pricing Date, the investment banking firms parties to the Underwriting Agreement.

"Underwriting Agreement" has the meaning specified in Section 7.02.

"Welfare Plan" means an "employee welfare benefit plan" as defined in Section 3(1) of ERISA.

"Wholly Owned Subsidiary" means any corporation or other Entity all of whose outstanding Capital Stock on a fully diluted basis is owned and controlled, directly or indirectly through another Wholly Owned Subsidiary, by the Company.

Section 1.03. Other Definitional Provisions. (a) Except as otherwise specified herein, all references herein to any Governmental Requirement defined or referred to herein, including the Code, CERCLA, ERISA, the Exchange Act, RCRA and the Securities Act, shall be deemed references to that Governmental Requirement or any successor Governmental Requirement, as the same may have been amended or supplemented from time to time, and any rules or regulations promulgated thereunder.

(b) When used in this Agreement, the words "herein," "hereof" and "hereunder" and words of similar import shall refer to this Agreement as a whole and not to any provision of this Agreement, and the words "Article," "Section," "Annex," "Schedule" and "Exhibit" refer to Articles and Sections of, and Annexes, Schedules and Exhibits to, this Agreement unless otherwise specified.

(c) Whenever the context so requires, the singular number includes the plural and vice versa, and a reference to one gender includes the other gender and the neuter.

(d) The word "including" (and, with correlative meaning, the word "include") means including, without limiting the generality of any description preceding such word, and the words "shall" and "will" are used interchangeably and have the same meaning.

Section 1.04 Captions. Captions to Articles, Sections and subsections of, and Annexes, Schedules and Exhibits to, this Agreement or any other Transaction Document are included for convenience of reference only, and such captions shall not constitute a part of this Agreement or any other Transaction Document for any other purpose or in any way affect the meaning or construction of any provision of this Agreement or any other Transaction Document.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF EACH STOCKHOLDER

Section 3.02. Ownership and Status of Company Capital Stock. The Stockholder is the record and beneficial owner (or, if the Stockholder is a trust or the estate of a deceased natural person, the legal owner) of the number of shares of Company Capital Stock set forth, by each class, and by each series in each class, thereof, opposite the Stockholder's name in Schedule 3.02, free and clear of all Liens, except for the Liens accurately set forth in Schedule 3.02, all of which will be released at or before the Effective Time.

Section 3.03. Power of the Stockholder: Approval of the Merger. (a) The Stockholder has the full power, legal capacity and authority to execute and deliver this Agreement and each other Transaction Document to which the Stockholder is a party and to perform the Stockholder's obligations in this Agreement and in all other Transaction Documents to which the Stockholder is a party. This Agreement constitutes, and each such other Transaction Document, when executed in the Stockholder's individual capacity and delivered by the Stockholder, will constitute, the legal, valid and binding obligation of the Stockholder, enforceable against the Stockholder in accordance with its terms, except as that enforceability may be (i) limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and (ii) subject to general principles of equity (regardless of whether that enforceability is considered in a proceeding in equity or at law). If the Stockholder is an Entity, the Stockholder has obtained, in accordance with all applicable Governmental Requirements and its Charter Documents, all approvals and the taking of all actions necessary for the authorization, execution, delivery and performance by the Stockholder of this Agreement and the other Transaction Documents to which the Stockholder is a party. If the Stockholder is acting otherwise than in his individual capacity (whether as an executor or a guardian or in any other fiduciary or representative capacity), all actions on the part of the Stockholder and all other Persons (including any court) necessary for the authorization, execution, delivery and performance by the Stockholder of this Agreement and the other Transaction Documents to which the Stockholder is a party have been duly taken.

(b) The Stockholder, acting in each capacity in which he is entitled, by reason of the Company's Charter Documents or the Governmental Requirements of the Company's Organization State or for any other reason, to vote to approve or disapprove the consummation of the Merger, has voted all the shares of Company Capital Stock owned by him and entitled to a vote or votes on that matter, in any one or more of the manners prescribed or permitted by the Company's Charter Documents or the Governmental Requirements of the Company's Organization State, whichever are controlling, to approve this Agreement and the consummation of the Merger and the other transactions contemplated hereby.

Section 3.04. No Conflicts or Litigation. The execution, delivery and performance in accordance with their respective terms by the Stockholder of this Agreement and the other

Transaction Documents to which the Stockholder is a party do not and will not (a) violate or conflict with any Governmental Requirement, (b) breach or constitute a default under any agreement or instrument to which the Stockholder is a party or by which the Stockholder or any of the shares of Company Capital Stock owned by Stockholder is bound, (c) result in the creation or imposition of, or afford any Person the right to obtain, any Lien upon any of the shares of Company Capital Stock owned by the Stockholder (or upon any revenues, income or profits of the Stockholder therefrom) or (d) if the Stockholder is an Entity, violate the Stockholder's Charter Documents. No Litigation is pending or, to the knowledge of the Stockholder, threatened to which the Stockholder is or may become a party which (a) questions or involves the validity or enforceability of any of the Stockholder's obligations under any Transaction Document or (b) seeks (or reasonably may be expected to seek) (i) to prevent or delay the consummation by the Stockholder of the transactions contemplated by this Agreement to be consummated by the Stockholder or (ii) damages in connection with any consummation by the Stockholder of the transactions contemplated by this Agreement.

Section 3.05. No Brokers. The Stockholder has not, directly or indirectly, in connection with this Agreement or the transactions contemplated hereby (a) employed any broker, finder or agent (other than a Purchaser Representative) or (b) agreed to pay or incurred any obligation to pay any broker's or finder's fee, any sales commission or any similar form of compensation.

Section 3.06. Preemptive and Other Rights Waiver. Except for the right of the Stockholder to receive shares of ARS Common Stock as a result of the Merger or to acquire ARS Common Stock pursuant to any written option granted by ARS to the Stockholder, the Stockholder either (a) does not own or otherwise have any statutory or contractual preemptive or other right of any kind (including any right of first offer or refusal) to acquire any shares of Company Capital Stock or ARS Common Stock or (b) hereby irrevocably waives each right of that type the Stockholder does own or otherwise has.

Section 3.07. Control of Related Businesses. Except as accurately set forth in Schedule 3.07, the Stockholder is not, alone or with one or more other Persons, the controlling Affiliate of any Entity, business or trade (other than the Company and the Company Subsidiaries, if the Stockholder is an Affiliate of the Company) that (a) is engaged in any line of business which is the same as or similar to any line of business in which the Company or any Company Subsidiary is engaged or (b) is, or has within the three-year period ending on the date of this Agreement, engaged in any transaction with the Company or any Company Subsidiary, except for transactions in the ordinary course of business of the Company or that Company Subsidiary.