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MERGER OR SHARE EXCHANGE

APPLIED ENERGY RECOVERY SYSTEMS, INC.

Certificate of Status	0
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Estimated Charge	$78.75

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FLORIDA DEPARTMENT OF STATE
Glenda E. Hood
Secretary of State

July 8, 2004

APPLIED ENERGY RECOVERY SYSTEMS, INC.

,

SUBJECT: APPLIED ENERGY RECOVERY SYSTEMS, INC.
REF: H04000141504

We received your electronically transmitted document. However, the document has not been filed. Please make the following corrections and refax the complete document, including the electronic filing cover sheet.

The articles of merger must contain the provisions of the plan of merger or the plan of merger must be attached.

Please return your document, along with a copy of this letter, within 60 days or your filing will be considered abandoned.

If you have any questions concerning the filing of your document, please call (850) 245-6869.

Teresa Brown
Document Specialist

FAX Aud. #: H04000141504
Letter Number: 904A00043873

Plan of Merger attached
(46 pages)

Kelly Smith
(407) 423-4246

(H04000141509 3)

ARTICLES OF MERGER

The following articles of merger are submitted in accordance with the Florida Business Corporation Act, pursuant to Section 607.1105, F.S.

1. The name and jurisdiction of the surviving corporation is:

   APPLIED ENERGY RECOVERY SYSTEMS, INC.
   Jurisdiction: Georgia
   Document No.: 0105092

2. The name and jurisdiction of the merging corporation is:

   VANTAGE EQUIPMENT CORPORATION
   Jurisdiction: Florida
   Document No.: P97000072115

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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

3. The Plan of Merger is attached.

4. The merger shall become effective on the date the Articles of Merger are filed with the Florida Department of State.

5. The Plan of Merger was adopted by the shareholders of the surviving corporation on June 28, 2004.

6. The Plan of Merger was adopted by the shareholders of the merging corporation on June 28, 2004.

APPLIED ENERGY RECOVERY SYSTEMS, INC., a Georgia corporation

By: _____
George D. Wyers, President

VANTAGE EQUIPMENT CORPORATION, a Florida corporation

By: _____
Thomas L. Houk, President

AGREEMENT AND PLAN OF MERGER

by and among

APPLIED ENERGY RECOVERY SYSTEMS, INC.
("**AERS**")

VANTAGE EQUIPMENT CORPORATION
(the "**Company**")

and

The Stockholders of the Company
listed on Exhibit A hereto

June 29, 2004

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER entered into as of June 29, 2004, by and among Applied Energy Recovery Systems, Inc., a Georgia corporation ("**AERS**"), Vantage Equipment Corporation, a Florida corporation (the "**Company**"), and the holders of the Company's capital stock listed on Exhibit A hereto (collectively referred to as the "**Stockholders**" and individually as a "**Stockholder**").

WHEREAS, AERS desires to acquire the Company through a merger of the Company with and into AERS; and

WHEREAS, the Boards of Directors of the Company and AERS each have determined that it is in the best interests of their respective stockholders for the Company to merge with and into AERS upon the terms in and subject to the conditions of this Agreement.

NOW, THEREFORE, based upon the above premises and in consideration of the mutual representations, warranties, covenants and agreements set forth herein, the parties hereby agree as follows:

1) THE MERGER; EFFECTIVE TIME; CLOSING

1.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the Florida Business Corporation Act (the "**FBCA**") and the Georgia Business Corporation Code (the "**GBCC**"), at the Effective Time (as defined in Section 1.2 below), AERS and the Company shall consummate a merger (together with all transactions contemplated by this Agreement, the "**Merger**") in which (a) the Company shall be merged with and into AERS and the separate corporate existence of the Company shall thereupon cease, and (b) AERS shall continue as the surviving corporation in the Merger ("**Surviving Corporation**") and shall succeed to and assume all of the rights, properties (including customer lists), liabilities and obligations of the Company. The parties intend the Merger to qualify as a tax-free reorganization under Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the "**Code**").

1.2 Effective Time. Subject to the provisions of this Agreement, AERS and the Company shall cause the Merger to be consummated by filing on the Closing Date (as defined in Section 1.3) Certificates of Merger (the "**Certificates of Merger**") with the Secretaries of State of the States of Florida and Georgia, in such form as required by, and executed in accordance with, the relevant provisions of the FBCA and the GBCC. The Merger shall become effective upon such filing or at such time thereafter as is provided in the Certificate of Merger (the "**Effective Time**").

1.3 Closing. The closing of the Merger (the "**Closing**") shall take place at 10:00 a.m. on the date of this Agreement at the offices of Bovis, Kyle & Burch, LLC, 53 Perimeter Center East, Third Floor, Atlanta, Georgia 30346-2298, unless another date, time or place is agreed to in writing by AERS and the Company (the "**Closing Date**"). At the Closing, this Agreement shall

have been duly approved by the requisite number of holders of the outstanding shares of capital stock entitled to vote thereon of each of the Company and AERS at a stockholder meeting or by written consent in lieu thereof, in accordance with applicable law and the respective Articles of Incorporation and By-laws of such entities. In addition, (a) each Stockholder, as applicable, shall deliver or cause to be delivered to AERS (i) certificates representing all of the Company Shares (as defined in Section 4.1(a) below) owned by such Stockholder, as set forth on Exhibit A; (ii) the Stockholders of the Company and George D. Wyers, sole shareholder of AERS and the Company and AERS will execute and deliver the Shareholder Agreement described in Section 10.3(a); (iii) AERS shall execute and deliver to the Company for forwarding to Diller-Brown & Associates, Inc., the License Agreement described in Section 11.3(h); (iii) George D. Wyers and Thomas L. Houk will execute and deliver Confidentiality and Nonsolicitation Agreements described in Section 3.1(c); (iv) the Company and AERS will execute and deliver the Closing Documents described in Sections 10 and 11; and (v) the Stockholders shall also deliver such other documentation as may be reasonably agreed to by AERS and the Stockholders in connection with the consummation of the Merger; and (b) AERS shall deliver to the Company and the Stockholders (i) the Merger Consideration set forth in Section 4.1; and (ii) such other documentation as may be reasonably agreed to by AERS and the Stockholders in connection with the consummation of the Merger.

1.4 Effects of the Merger. The Merger shall have the effects set forth in the applicable provisions of the FBCA and the GBCC.

2). CERTIFICATE OF INCORPORATION AND BY-LAWS OF THE SURVIVING CORPORATION

2.1 Certificate of Incorporation. At the Effective Time, the Certificate of Incorporation of AERS shall be and become the Certificate of Incorporation of the Surviving Corporation.

2.2 The By-Laws. At the Effective Time, the By-Laws of AERS (as same may have been amended pursuant to Section 11.5) shall be and become the By-Laws of the Surviving Corporation.

3) DIRECTORS, OFFICERS FACILITIES AND REGISTERED AGENT OF THE SURVIVING CORPORATION

3.1 Directors. The Board of Directors of the Surviving Corporation as of the Effective Time shall consist of George D. Wyers, Thomas L. Houk and H. Lee Rust, and the shareholders of the Surviving Corporation as of the Effective Time shall vote their shares to elect those individuals as Directors of the Surviving Corporation.

a) Mr. Wyers shall serve as Chairman of the Board and will remain Chairman and be a director of the Surviving Corporation as long as he remains a shareholder of the Surviving Corporation and is willing and capable of serving in those capacities.

b) Mr. Houk shall serve a director of the Surviving Corporation for sixty months following the Effective Time provided that he remain a shareholder of the Surviving Corporation and be willing and capable of serving in that capacity.

c) Each Director of the Surviving Corporation shall be required, as a condition to holding his or her directorship, to execute, deliver to the Surviving Corporation, maintain in force and perform a Confidentiality and Nonsolicitation Agreement under which he or she agrees not to disclose confidential information of the Surviving Corporation and not to solicit customers or employees of the Surviving Corporation.

3.2 Officers. From and after the Effective Time, the officers of the Surviving Corporation shall be those individuals who are officers of AERS immediately prior to the Effective Time, until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation's Certificate of Incorporation and By-Laws. Each Officer and key employee of the Surviving Corporation shall be required, as a condition to holding his or her office or employment, to execute, deliver to the Surviving Corporation, maintain in force, and perform a Confidentiality and Nonsolicitation Agreement similar to that described in Section 3.1(c).

3.3 Headquarters and Manufacturing Facilities. The office, headquarters and manufacturing facility of AERS located at 6670-A Corners Industrial Court, Norcross, GA 30092 will be the sole initial location for the Surviving Corporation. As soon as practical after the Effective Time, all tangible assets of the Company shall be moved at the Surviving Corporation's expense to the foregoing address.

3.4 Employees. The employees of AERS at the Effective Time will be the employees of the Surviving Corporation, with compensation and employee benefits enjoyed as employees of AERS.

4) MERGER CONSIDERATION; EXCHANGE AND PAYMENT PROCEDURES

4.1 Share Consideration for the Merger; Conversion or Cancellation of Shares in the Merger. The manner of converting or canceling shares of the Company and AERS in the Merger shall be as follows:

a) Merger Consideration. At the Effective Time, each share of common stock, $1.00 par value per share, of the Company (the "**Company Shares**") issued and outstanding immediately prior to the Effective Time (other than Company Shares owned by the Company or any direct or indirect wholly-owned subsidiary of the Company, if any), shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive its pro rata portion of Eight Thousand One Hundred Eight (8,108) shares of common stock of AERS, no par value (the "**AERS Common Shares**"). Such AERS Common Shares are referred to herein as the "**Merger Consideration.**" AERS, the Company and the Stockholders each agree to report the Merger as a tax free reorganization within the meaning of Section 368 of the Internal Revenue Code on all filings made with any taxing authority.

b) Share Cancellation. Each Company Share directly owned by the Company or any subsidiary of the Company or held in the treasury of the Company shall be canceled and retired and shall cease to exist and no consideration shall be delivered or deliverable in exchange therefor.

c) Status of Shares. All Company Shares to be converted pursuant to this Section 4.1 shall, by virtue of the Merger and without any action on the part of the holders thereof, cease to be outstanding, be canceled and retired and cease to exist, and each holder of a certificate representing any such Company Shares (a "**Company Certificate**") shall thereafter cease to have any rights with respect to such Company Shares, except the right to receive the respective portion of the Merger Consideration for such Company Shares upon the surrender of such certificate in accordance with Section 4.2.

d) Post-Closing Capitalization of the Surviving Corporation. The Surviving Corporation will have a total of 108,108 Shares of its common stock issued and outstanding of which 100,000 shares will be held by Mr. George D. Wyers representing an approximate 92.5% ownership and 8,108 shares will be held by the Stockholders representing an approximate 7.5% ownership.

4.2 Exchange and Payment Procedures.

a) Share Exchange. At the Closing, each Stockholder shall surrender all, and not less than all, Company Certificates held by him or her. At the Closing, AERS shall deliver, and each Stockholder will be entitled to receive, upon surrender to AERS of one or more certificates representing all of his or her Company Shares for cancellation, the Merger Consideration such Company Stockholder is entitled to receive pursuant to this Section 4. The certificates representing the AERS Common Shares each Company Stockholder is entitled to receive pursuant to the Merger shall be deemed to have been issued at the Effective Time. No fractional shares will be issued by AERS.

b) Interest; Taxes. No interest shall accrue on the Merger Consideration. Neither AERS nor any other party hereto shall be liable to a holder of Company Shares for any amount delivered to a public official pursuant to applicable abandoned property, escheat or similar law.

c) Stock Transfer Books. After the Effective Time, there shall be no transfers of any Company Shares on the stock transfer books of the Company. If, after the Effective Time, Company Certificates are presented to the Surviving Corporation, they shall be canceled in accordance with this Section 4.

4.3 Dissenting Shares. Each of the Stockholders agrees to vote all Company Shares owned by such Stockholder in favor of this Agreement, or agrees to consent in writing to this Agreement as provided by Section 607.0704 of the FBCA and Section 14-2-704 of the GBCC, and further agrees not to exercise any rights he or she may have under Section 607.1302 of the FBCA or Section 14-2-1301 et. seq. of the GBCC.

5) GENERAL REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE STOCKHOLDERS.

5.1 Making of Representations, Warranties and Covenants. As a material inducement to AERS to enter into this Agreement and consummate the Merger, each of the Company and the Stockholders jointly and severally hereby make to AERS the representations, warranties and covenants contained in this Section 5. No Stockholder shall have any right of indemnity or contribution from the Company with respect to the breach of any representation or warranty hereunder.

5.2 Organization and Qualifications of the Company. The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Florida with the corporate power to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased and where such business is conducted.

5.3 Capital Stock of the Company; Beneficial Ownership.

a) The authorized capital stock of the Company consists of 10,000 common shares of which 100 shares are duly and validly issued, outstanding, fully paid and non-assessable, and 9,900 shares are authorized and unissued. Except as set forth in Schedule 5.3, there are no outstanding options, warrants, rights, commitments, preemptive rights or agreements of any kind for the issuance or sale of, or outstanding securities convertible into, any additional shares of capital stock of any class of the Company. None of the Company's capital stock has been issued in violation of any federal or state law. There are no voting trusts, voting agreements, proxies or other agreements, instruments or undertakings with respect to the voting of the Company Shares to which the Company or any of the Stockholders is a party.

b) Each of the Stockholders owns beneficially and of record the Company Shares set forth opposite such Stockholder's name on Exhibit A, hereto free and clear of any liens, restrictions or encumbrances.

5.4 Authority of the Company; Enforceability; No Conflict.

a) The Company has the right, authority and power to enter into this Agreement and each agreement, document and instrument to be executed and delivered by the Company pursuant to this Agreement and to carry out the Merger. The execution, delivery and performance by the Company of this Agreement and each such other agreement, document and instrument have been duly authorized by all necessary action of the Company and no other authorization on the part of the Company or the Stockholders is required in connection therewith.

b) This Agreement and each agreement, document and instrument executed and delivered by the Company pursuant to this Agreement constitutes, or when executed and delivered will constitute, valid and binding obligations of the Company enforceable in accordance with their terms. The execution, delivery and performance by the Company of this Agreement and each such agreement, document and instrument:

(1) does not and will not violate any provision of the Articles of Incorporation or By-Laws of the Company;

(2) does not and will not violate any laws of the United States, or any state or other jurisdiction applicable to the Company or require the Company to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made; and

(3) does not and will not result in a material breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of any indenture or loan or credit agreement or any other agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which the Company is a party or by which the property of the Company is bound or affected, or result in the creation or imposition of any mortgage, pledge, lien, security interest or other charge or encumbrance on any of the Company's assets or the Company Shares.

5.5 Financial Statements.

a) The Company has delivered to AERS the unaudited balance sheet of the Company as of April 30, 2004, (herein the "**Company Balance Sheet**") and unaudited statements of income, retained earnings and cash flows for the period then ended, certified by the Company's principle accounting officer, true and complete copies of which are attached hereto as Schedule 5.5. Except as set forth on Schedule 5.5(a) said financial statements have been prepared in accordance with United States generally accepted accounting principals consistently applied during the periods covered and are complete and correct in all material respects and present fairly in all material respects the financial condition of the Company at the dates of said statements and the results of its operations for the periods covered thereby.

b) As of the date of the Company Balance Sheet and as of the Closing, the Company does not and will not have any liabilities of any nature, whether accrued, absolute, contingent or otherwise (including without limitation, liabilities as guarantor or otherwise with respect to obligations of others, liabilities for taxes due or then accrued or to become due, or contingent liabilities relating to activities of the Company or the conduct of its business prior to the date of the Company Balance Sheet regardless of whether claims in respect thereof had been asserted as of such date), except liabilities (i) for those trade accounts payable stated or adequately reserved against on the Company Balance Sheet, or (ii) expressly set forth in Schedules furnished to AERS hereunder as of the date hereof.

5.6 Taxes. Except as set forth in Schedule 5.6, the Company has filed all tax returns due and required to be filed by it under applicable laws and regulations; all such returns are complete and correct in all material respects; the Company has paid all taxes including, without limitation, income taxes, property taxes, and sales taxes due and owing by it, whether or not shown on a return, and has withheld and paid over to the appropriate taxing authority all taxes which it is obligated to withhold from amounts paid or owing to any employee, stockholder, creditor or other third party (collectively "**Taxes**"); the Company has not waived any statute of limitations with

respect to taxes or agreed to any extension of time with respect to a tax assessment or deficiency; the accrual for taxes on the Company Balance Sheet would be adequate to pay all of the Company's tax liabilities attributable to periods ending on or before December 31, 2003; to the Company's knowledge, no foreign, federal, state or local tax audits are pending or being conducted with respect to the Company, no information related to tax matters has been requested by any foreign, federal, state or local taxing authority and no notice indicating an intent to open an audit or other review has been received by the Company from any foreign, federal, state or local taxing authority; and to the Company's knowledge, there are no material unresolved questions or claims concerning the Company's tax liability. The Company is not subject to the tax imposed by Code Section 1374. The Company has not filed a consent under Code Section 341(f). The Company is not a party to any Tax allocation or sharing agreement.

5.7. Absence of Certain Changes. Except as disclosed in Schedule 5.7 attached hereto, since the date of the Company Balance Sheet through the Closing Date there has not been:

a) Any change in the financial condition, properties, assets, liabilities, business or operations of the Company, which change by itself or in conjunction with all other such changes, whether or not arising in the ordinary course of business, has been materially adverse with respect to the Company;

b) Any contingent liability incurred by the Company as guarantor or otherwise with respect to the obligations of others, or any cancellation of any material debt or claim owing to, or knowing waiver of any material right of, the Company;

c) Any mortgage, encumbrance or lien placed on any of the properties of the Company which remains in existence on the date hereof or will remain on the date of the Closing;

d) Any material obligation or liability of any nature, whether accrued, absolute, contingent or otherwise (including without limitation liabilities for Taxes due or to become due or contingent or potential liabilities relating to products or services provided by the Company or the conduct of the business of the Company since the date of the Company Balance Sheet regardless of whether claims in respect thereof have been asserted), incurred by the Company other than obligations and liabilities incurred in the ordinary course of business consistent with the terms of this Agreement;

e) Any purchase, sale or other disposition, or any agreement or other arrangement for the purchase, sale or other disposition, of any of the properties or assets of the Company other than in the ordinary course of business or pursuant to this Agreement;

f) Any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties, assets or business of the Company;

g) Any declaration, setting aside or payment of any dividend by the Company, or the making of any other distribution in respect of the capital stock of the Company, or any direct or indirect redemption, purchase or other acquisition by the Company of its own capital stock;

h) Any claim of unfair labor practices involving the Company; any change in the compensation payable or to become payable by the Company to any of its officers, employees, agents or independent contractors other than normal merit increases in accordance with its usual practices; or any bonus payment or arrangement made to or with any of such officers, employees, agents or independent contractors;

i) Any change with respect to the officers or management of the Company;

j) Any payment or discharge of a material lien or liability of the Company not shown on the Company Balance Sheet or incurred in the ordinary course of business thereafter;

k) Any obligation or liability incurred by the Company to any of its officers, directors, stockholders or employees, or any loans or advances made by the Company to any of its officers, directors, stockholders or employees, except normal compensation and normal business expense allowances payable to officers or employees;

l) Any change in accounting methods or practices, credit practices or collection policies used by the Company;

m) Any other transaction entered into by the Company other than transactions in the ordinary course of business or transactions permitted by this Agreement;

n) Any action adverse to the interests of AERS, the Company, or the proposed Merger; or

o) Any agreement or understanding whether in writing or otherwise, for the Company to take any of the actions specified in paragraphs (a) through (m) above.

5.8 Employees. The Company has ceased conducting its day-to-day business, and has terminated all its employees except Kip Wright. Except as disclosed in Schedule 5.8 attached hereto, none of the employees of the Company has any employment contract or has any other claim against the Company arising out of or resulting from his or her employment by the Company or the termination of his or her employment.

5.9 Banking Relations. All of the arrangements which the Company has with any banking institution are completely and accurately described in Schedule 5.9 attached hereto, indicating with respect to each of such arrangements the type of arrangement maintained (such as checking account, borrowing arrangements, safe deposit box, etc.) and the person or persons authorized in respect thereof.

5.10 Intellectual Property.

a) Ownership of Intellectual Property Assets. Except as set forth on Schedule 5.10(a), the Company is the exclusive owner of, and has good, valid and marketable title to all of the Intellectual Property Assets (as defined in Section 5.10(k) below and as shown on the various Schedules 5.10) free and clear (except as shown on the various Schedules 5.10) of all mortgages, pledges, charges, liens, equities, security interests, or other encumbrances or agreements, and has the right to use without payment to a third party (except as set forth in Schedule 5.10(h)) all of the Intellectual Property Assets. No claim is pending or, to the Company's or any of the Stockholder's knowledge, threatened against the Company and/or its officers, employees, and consultants that the Company's right, title and interest in and to the Intellectual Property Assets is reduced, invalid or unenforceable by the Company. Except as set forth on the various Schedules 5.10, no officer and, to the Company's knowledge, no employee of the Company has entered into any agreement with anyone other than the Company that restricts or limits in any way the scope or type of work in which the employee may be engaged or requires the employee to transfer, assign or disclose information concerning his or her work to anyone other than the Company.

b) Patents. Schedule 5.10(b) sets forth a complete and accurate list and summary description of all Patents held or licensed by the Company. All of the issued Patents are currently in compliance with formal legal requirements (including without limitation payment of filing, examination and maintenance fees and proofs of working or use), are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety (90) days after the Closing Date. In each case where a Patent is held by the Company by assignment, the assignment has been duly recorded with the U.S. Patent and Trademark Office and all other jurisdictions of registration. No Patent has been or is now involved in any interference, reissue, re-examination or opposition proceeding. To the Company's knowledge, there is no potentially interfering patent or patent application of any third party. All products made, used or sold under the Patents have been marked with the proper patent notice.

c) Trademarks. Schedule 5.10(c) sets forth a complete and accurate list and summary description of all Marks owned by the Company. All Marks that have been registered with the United States Patent and Trademark Office and/or any other jurisdiction are currently in compliance with formal legal requirements (including without limitation the timely post-registration filing of affidavits of use and incontestability and renewal applications), are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety (90) days after the Closing Date. In each case where a Mark is held by the Company by assignment, the assignment has been duly recorded with the U.S. Patent and Trademark Office and all other jurisdictions of registration. No Mark has been or is now involved in any opposition, invalidation or cancellation proceeding and, to the Company's or any of the Stockholder's knowledge, no such action is threatened with respect to any of the Marks. All products and materials containing a Mark bear the proper notice where permitted by law.

d) Copyrights. Schedule 5.10(d) sets forth a complete and accurate list and summary description of all Copyrights owned by the Company. All Copyrights that have been registered with the United States Copyright Office are identified on such Schedule and are

currently in compliance with formal legal requirements, are valid and enforceable, and are not subject to any fees or taxes or actions falling due within ninety (90) days after the Closing Date. In each case where a Copyright is held by the Company by assignment, the assignment has been duly recorded with the U.S. Copyright Office and all other jurisdictions of registration. None of the source or object code, algorithms, or structure included in the Products is copied from, based upon, or derived from any other source or object code, algorithm or structure in violation of the rights of any third party. Any substantial similarity of the Products to any computer program owned by any third party did not result from the Products being copied from, based upon, or derived from any such computer software program in violation of the rights of any third party. All copies of works encompassed by the Copyrights set forth on Schedule 5.10(d) have been marked with the proper copyright notice.

e) Trade Secrets. The Company has taken reasonable security measures to protect the secrecy, confidentiality and value of all Trade Secrets. To the Company's knowledge, there has not been any breach by any party to any such confidentiality or non-disclosure agreement. To the Company's knowledge, the Trade Secrets have not been disclosed by the Company to any person or entity other than employees or contractors of the Company who had a need to know and use the Trade Secrets in the course of their employment or contract performance. To the Company's knowledge, the Company has the right to use, free and clear of claims of third parties, all Trade Secrets. To the Company's knowledge, no third party has asserted that the use by the Company of any Trade Secret violates the rights of any third party.

f) Other Intangibles. Prior to the date hereof, the Company has provided to AERS access to all of its Other Intangibles.

g) Extent of Rights. The Company has the right to use, license, distribute, transfer and bring infringement actions with respect to the Intellectual Property Assets, except for the rights of any licensor or licensee of licensed Intellectual Property Assets referred to in (h) and (i) below. Except as set forth on Schedule 5.10(g), the Company (i) has not licensed or granted to anyone rights of any nature to use any of its Intellectual Property Assets; and (ii) is not obligated to and does not pay royalties or other fees to anyone for the Company's ownership, use, license or transfer of any of its Intellectual Property Assets.

h) Licenses Received. All licenses or other agreements under which the Company is granted rights by others in Intellectual Property Assets are listed in Schedule 5.10(h). All such licenses or other agreements are in full force and effect, to the Company's knowledge there is no material default by any party thereto, and all of the rights of the Company thereunder are freely assignable except as listed on Schedule 5.10(h). True and complete copies of all documents in the possession of the Company granting such licenses or other agreements, and any amendments thereto, have been provided to AERS, and to the knowledge of the Company, the licensors under the licenses and other agreements under which the Company is granted rights have all requisite power and authority to grant the rights purported to be conferred thereby.

i) Licenses Granted. All licenses or other agreements under which the Company has granted rights to others in Intellectual Property Assets are listed in Schedule 5.10(i). Except as set forth thereon, all such licenses or other agreements are in full force and effect, and

to the knowledge of the Company there is no material default by any party thereto. Prior to the date hereof, the Company has provided to AERS access to true and complete copies of all documents in the possession of the Company granting such licenses or other agreements, and any amendments thereto.

j) Infringement. None of the products the Company sells infringes or has been alleged to infringe any patent, trademark, service mark, trade name, copyright or other proprietary right or is a derivative work based on the work of any other person, except as set forth in Schedule 5.10(h).

k) For purposes of this Agreement,

(1) **"Intellectual Property Assets"** means all of the following to the extent owned by the Company in any fashion:

(A) all patents, patent applications, patent rights, and inventions and discoveries and invention disclosures (whether or not patented) (collectively, **"Patents"**);

(B) the name "Vantage Equipment," all trade names, trade dress, logos, packaging design, slogans, Internet domain names, registered and unregistered trademarks and service marks and applications (collectively, **"Marks"**);

(C) all copyrights in both published and unpublished works, including without limitation all compilations, databases and computer programs, and all copyright registrations and applications, and all derivatives, translations, adaptations and combinations of the above (collectively, **"Copyrights"**);

(D) all know-how, trade secrets, confidential or proprietary information, research in progress, algorithms, data, designs, processes, formulae, drawings, schematics, blueprints, flow charts, models, prototypes, techniques, Company designed reports, Beta testing procedures and Beta testing results (collectively, **"Trade Secrets"**);

(E) all goodwill, franchises, licenses, permits, consents, approvals, technical information, telephone numbers, and claims of infringement against third parties (the **"Rights"**); and

(F) all customer lists and telephone numbers, names of potential sales leads, business strategies, outside analysts' plans and reports, outlooks, forecasts and other similar documents (collectively, **"Other Intangibles"**)

5.11 Contracts. Except for contracts, commitments, plans, agreements and licenses described in Schedule 5.11 (true and complete copies of any and all writings relating to which have been delivered to AERS), and except for other contracts or commitments contemplated by this Agreement, the Company is not a party to nor subject to:

a) any plan or contract providing for bonuses, pensions, options, stock purchases, deferred compensation, retirement payments, profit sharing, collective bargaining or the like, or any contract or agreement with any labor union;

b) any management, employment contract or contract for services to the Company which is not terminable within 30 days by the Company without liability for any penalty or severance payment;

c) any contract or agreement for the purchase of any material or equipment except purchase orders in the ordinary course for less than $2,500 each, such orders not exceeding $10,000 in the aggregate;

d) any other contracts or agreements creating any obligations of the Company of $2,500 or more with respect to any such contract or agreement not specifically disclosed elsewhere under this Agreement;

e) any contract or agreement providing for the purchase of all or substantially all of its requirements of a particular product from a supplier;

f) any contract or agreement involving more than $2,500 which by its terms does not terminate or is not terminable without penalty by the Company or its successor within thirty days after the date hereof;

g) any contract or agreement for the sale or lease of the Company's products not made in the ordinary course of business;

h) any contract with any sales agent or distributor of Company products;

i) any contract containing covenants limiting the freedom of the Company to compete in any line of business or with any person or entity;

j) any contract or agreement for the purchase of any fixed asset for a price in excess of $2,500 whether or not such purchase is in the ordinary course of business;

k) any license agreement (as licensor or licensee) not shown on Schedule 5.11(h);

l) any indenture, mortgage, promissory note, loan agreement, guaranty or other agreement or commitment for the borrowing of money; or

m) any contract or agreement with any officer, employee, director or stockholder of the Company or with any persons or organizations controlled by or affiliated with any of them.

The Company is not in default in any material respect under any such contracts, commitments, plans, agreements or licenses described in said Schedule and does not have any knowledge of conditions or facts which with notice or passage of time, or both, would constitute such a default.

5.12 Litigation. Schedule 5.12 lists all currently pending litigation and governmental or administrative proceedings or investigations to which the Company is a party and describes the matter, the forum (if any) in which it is being conducted, the parties thereto and the type and amount of relief sought. Except for matters described in Schedule 5.12, there is no litigation or governmental or administrative proceeding or investigation pending or, to the Company's or the Stockholders' knowledge, threatened against the Company or its affiliates that may have any material adverse effect on the properties, assets, prospects, financial condition or business of the Company or prevent or hinder the consummation of the Merger.

5.13 Compliance with Laws. Except for matters set forth on Schedule 5.13, insofar as is known to the Company or either of its Stockholders, the Company is in compliance in all material respects with all applicable statutes, ordinances, orders, judgments, decrees, rules and regulations promulgated by any federal, state, municipal entity, agency, court or other governmental authority, and the Company has not received notice of a violation or alleged violation of any such statute, ordinance, order, rule or regulation. The Company is not subject to or bound by any agreement, judgment, decree or order which may materially and adversely affect the Company, AERS, or the Surviving Corporation. The Company holds all permits, licenses, consents, certificates and approvals needed to operate its business.

5.14 Insurance. The physical properties and assets of the Company are insured to the extent disclosed in Schedule 5.14 attached hereto and all such insurance policies and arrangements are disclosed in said Schedule. Said insurance policies and arrangements are in full force and effect, all premiums with respect thereto are currently paid, and the Company is in compliance in all material respects with the terms thereof. Said insurance is sufficient for compliance by the Company with all requirements of law and all agreements and leases to which the Company is a party.

5.15 Warranty or Other Claims. To the Company's knowledge, there are no existing or threatened product liability, warranty or other similar claims, or any facts upon which a material claim of such nature could be based, against the Company for products or services which are defective or fail to meet any product or service warranties except as disclosed in Schedule 5.15 hereto. Except as set forth in Schedule 5.15, no claim has been asserted against the Company for renegotiation or price redetermination of any business transaction, and to the Company's knowledge there are no facts upon which any such claim could be based.

5.16 Powers of Attorney. Except as set forth on Schedule 5.16, neither the Company nor any Stockholder has any outstanding power of attorney exercisable in connection with the Company.

5.17 Finder's Fee. Neither the Company nor any Stockholder has incurred or become liable for any broker's commission or finder's fee relating to or in connection with the Merger.

5.18 Corporate Records; Copies of Documents. The corporate record books of the Company accurately record corporate action taken by its stockholders and board of directors and committees. The copies of the corporate records of the Company, as made available to AERS for review, are true and complete copies of the originals of such documents. The Company has made available for inspection and copying by AERS and its counsel true and correct copies of the corporate records referred to in this Section.

5.19 Employee Benefit Programs.

a) Schedule 5.19 lists every Employee Program (as defined below) that has been maintained (as defined below) by the Company at any time during the three-year period ending on the Closing Date.

b) Each Employee Program maintained by the Company and intended to qualify under Section 401(a) or 501(c)(9) of the Code has received a favorable determination or approval letter from the Internal Revenue Service ("IRS") regarding its qualification under such section and has, in fact, been qualified under the applicable section of the Code from the effective date of such Employee Program through and including the Closing (or, if earlier, the date that all of such Employee Program's assets were distributed). No event or omission has occurred which would cause any such Employee Program to lose its qualification under the applicable Code section.

c) The Company does not know and has no reason to know, of any failure of the Company or any trustee to comply with any laws applicable to the Employee Programs that have been maintained by the Company. With respect to any Employee Program ever maintained by the Company, there has occurred no non-exempt "prohibited transaction," as defined in Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or Section 4975 of the Code, or breach of any duty under ERISA or other applicable law (including, without limitation, any health care continuation requirements or any other tax law requirements, or conditions to favorable tax treatment, applicable to such plan), which could result, directly or indirectly, in any taxes, penalties or other liability to the Company or AERS. Except as set forth on Schedule 5.19(c), no litigation, arbitration, or governmental administrative proceeding (or investigation) or other proceeding (other than those relating to routine claims for benefits) is pending or, to the Company's knowledge, threatened with respect to any such Employee Program.

d) Neither the Company nor any Affiliate (as defined below) (i) has ever maintained any Employee Program which has been subject to title IV of ERISA (including, but not limited to, any Multiemployer Plan (as defined below)) or (ii) has ever provided health care or

any other welfare benefits to any employees after their employment is terminated (other than as required by part 6 of subtitle B of title I of ERISA, Section 4980B of the Code, or other applicable law) or has ever promised to provide such post-termination benefits.

e) With respect to each Employee Program maintained by the Company within the three years preceding the Closing, complete and correct copies of the following documents (if applicable to such Employee Program) have previously been delivered to AERS: (i) all documents embodying or governing such Employee Program, and any funding medium for the Employee Program (including, without limitation, trust agreements) as they may have been amended; (ii) the most recent IRS determination or approval letter with respect to such Employee Program under Code Sections 401 or 501(c)(9), and any applications for determination or approval subsequently filed with the IRS; (iii) the three most recently filed IRS Forms 5500, with all applicable schedules and accountants' opinions attached thereto; (iv) the summary plan description for such Employee Program (or other descriptions of such Employee Program provided to employees) and all modifications thereto; and (v) any insurance policy (including any fiduciary liability insurance policy) related to such Employee Program; (vi) any documents evidencing any loan to an Employee Program that is a leveraged employee stock ownership plan.

f) For purposes of this section:

(1) **"Employee Program"** means (A) all employee benefit plans within the meaning of ERISA Section 3(3), including, but not limited to, multiple employer welfare arrangements (within the meaning of ERISA Section 3(40)), plans to which more than one unaffiliated employer contributes and employee benefit plans which are not subject to ERISA; and (B) all stock option plans, bonus or incentive award plans, severance pay policies or agreements, deferred compensation agreements, supplemental income arrangements, vacation plans, and all other employee benefit plans, agreements, and arrangements not described in (A) above. In the case of an Employee Program funded through an organization described in Code Section 501(c)(9), each reference to such Employee Program shall include a reference to such organization.

(2) An entity "maintains" an Employee Program if such entity sponsors, contributes to, or provides (or has promised to provide) benefits under such Employee Program, or has any obligation (by agreement or under applicable law) to contribute to or provide benefits under such Employee Program, or if such Employee Program provides benefits to or otherwise covers employees of such entity, or their spouses, dependents, or beneficiaries.

(3) An entity is an **"Affiliate"** of the Company if it would have ever been considered a single employer with the Company under ERISA Section 4001(b) or part of the same "controlled group" as the Company for purposes of ERISA Section 302(d)(8)(C).

(4) **"Multiemployer Plan"** means a (pension or non-pension) employee benefit plan to which more than one employer contributes and which is maintained pursuant to one or more collective bargaining agreements.

5.20 Transfer of Shares. Except as set forth on Schedule 5.20, no holder of stock of the Company has at any time transferred any of such stock to any employee of the Company, which transfer constituted or could be viewed as compensation for services rendered to the Company by said employee.

5.21 Stock Repurchase. Except as set forth on Schedule 5.21, the Company has not redeemed or repurchased any of its capital stock.

5.22 Title to Real and Personal Properties. The Company does not own any real property. Schedule 5.22 sets forth the addresses and uses of all real property that the Company leases. At the Closing, the Company will hold good and marketable title, free and clear of any liens, claims, liabilities, charges, restrictions, royalties, fees, obligations or other encumbrances except for the terms of the leases, licenses, liens and encumbrances listed on Schedule 5.22, on its ongoing business concern, accounts receivable, cash and cash equivalents, equipment, inventory, names, rights to use names and all other assets used in the Company's business.

5.23 Hazardous Waste, Etc.

a) Except as set forth in Schedule 5.23, (i) the Company has never generated, transported, used, stored, treated, disposed of, or managed any Hazardous Waste (as defined below); (ii) to the Company's knowledge, no Hazardous Material (as defined below) has ever been or is threatened to be spilled, released, or disposed of at any site presently or formerly owned, operated, leased, or used by the Company, or has ever been located in the soil or groundwater at any such site; (iii) to the Company's knowledge, no Hazardous Material has ever been transported from any site presently or formerly owned, or operated, leased, or used by the Company for treatment, storage, or disposal at any other place; (iv) to the Company's knowledge, the Company does not presently own, operate, lease, or use, nor has it previously owned, or previously operated, leased, or used any site on which underground storage tanks are or were located; and (v) to the Company's knowledge, no lien has ever been imposed by any governmental agency on any property, facility, machinery, or equipment owned, operated, leased, or used by the Company in connection with the presence of any Hazardous Material.

b) Except as set forth in Schedule 5.23 hereto, (i) the Company has never violated, nor does it have any material liability under, any Environmental Law (as defined below); (ii) to the Company's knowledge, the Company, any property owned, operated, leased, or used by the Company, and any facilities and operations thereon, are presently in compliance in all material respects with all applicable Environmental Laws; (iii) the Company has never entered into or been subject to any judgment, consent decree, compliance order, or administrative order with respect to any environmental or health and safety matter or received any request for information, notice, demand letter, administrative inquiry, or formal or informal complaint or claim with respect to any environmental or health and safety matter or the enforcement of any Environmental Law; and (iv) the Company has no reason to believe that any of the items enumerated in clause (iii) of this subsection will be forthcoming.

c) Except as set forth in Schedule 5.23 hereto, to the Company's knowledge, no site owned, operated, leased, or used by the Company contains any asbestos or asbestos-containing material, any polychlorinated biphenyls (PCBs) or equipment containing PCBs, or any urea formaldehyde foam insulation.

d) The Company has provided to AERS copies of all documents, records, and information in the possession and control of the Company concerning any environmental or health and safety matter relevant to the Company, whether generated by the Company, its subsidiaries, or others, including without limitation, environmental audits, environmental risk assessments, site assessments, documentation regarding off-site disposal of Hazardous Materials, spill control plans, and reports, correspondence, permits, licenses, approvals, consents, and other authorizations related to environmental or health and safety matters issued by any governmental agency.

e) For purposes of this Section 5.23, (i) **"Hazardous Material"** means and includes any hazardous waste, hazardous material, hazardous substance, petroleum product, oil, toxic substance, pollutant, contaminant, or other substance which may pose a threat to the environment or to human health or safety, as defined or regulated under any Environmental Law; (ii) **"Hazardous Waste"** means and includes any hazardous waste as defined or regulated under any Environmental Law; (iii) **"Environmental Law"** means any environmental or health and safety-related law, regulation, rule, ordinance, or by-law at the foreign, federal, state, or local level, whether existing as of the date hereof, previously enforced, or subsequently enacted; and (iv) the **"Company"** means and includes the Company, each of its subsidiaries and all other entities for whose conduct the Company or any of its subsidiaries is or may be held responsible under any Environmental Law.

5.24 Customers. Schedule 5.24 lists each of the Company's customers from January 1, 1999 to present.

5.25. Net Worth. The Company shall have on the Effective Time a net worth in excess of $70,000.00.

6) REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS.

As a material inducement to AERS to enter into this Agreement and consummate the Merger, each Stockholder severally makes to AERS each of the representations and warranties set forth in this Section 6 with respect to such Stockholder. No Stockholder shall have any right of indemnity or contribution from the Company or any other Stockholder with respect to the breach of any representation or warranty made by that Stockholder under this Section 6.

6.1 Company Shares. Such Stockholder owns of record and beneficially the number of the Company Shares set forth opposite such Stockholder's name in Exhibit A. Such Company Shares are, and when delivered by such Stockholder to AERS pursuant to this Agreement will be, duly authorized, validly issued, fully paid, non-assessable and free and clear of any and all liens, encumbrances, charges or claims.

6.2 Authority. Such Stockholder has full right, authority, power and capacity to enter into this Agreement and each agreement, document and instrument to be executed and delivered by or on behalf of such Stockholder pursuant to this Agreement and to carry out the Merger. This Agreement and each agreement, document and instrument executed and delivered by such Stockholder pursuant to this Agreement constitutes a valid and binding obligation of such Stockholder, enforceable in accordance with their respective terms, and such Stockholder has full power and authority to transfer and deliver the Company Shares to AERS pursuant to this Agreement. The execution, delivery and performance of this Agreement and each such agreement, document and instrument:

a) does not and will not violate any laws of the United States or any state or other jurisdiction applicable to such Stockholder, or require such Stockholder to obtain any approval, consent or waiver from, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made; and

b) does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of, any indenture or loan or credit agreement or any other agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which such Stockholder is a party or by which the property of such Stockholder is bound or affected, or result in the creation or imposition of any mortgage, pledge, lien, security interest or other charge or encumbrance on any assets of the Company or on the Company Shares owned by such Stockholder.

6.3 Securities Law Matters. Each Stockholder hereby represents and warrants to AERS that with respect to such Stockholder's receipt of AERS Common Shares:

a) Each Stockholder who is acquiring the AERS Common Shares is doing so for his or her own account, for investment, and not with a view to any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "**Securities Act**"). Each such Stockholder is knowledgeable and experienced in the making of investments of the type involved in the acquisition of the AERS Common Shares pursuant to the Agreement, is able to bear the economic risk of loss of its investment in AERS, has been granted the opportunity to investigate the affairs of the AERS and to ask questions of its officers and employees regarding the business, assets, liabilities, financial condition, cash flow and operations of AERS, and has availed himself or herself of such opportunity either directly or through his or her authorized representative; each Stockholder acknowledges that he or she has made his or her own independent examination, investigation, analysis and evaluation of AERS, including his or her own estimation of AERS's business; each Stockholder acknowledges that he or she has undertaken such due diligence as he or she has deemed adequate and is satisfied with the results thereof.

b) Each Stockholder understands that because the AERS Common Shares have not been registered under the Securities Act nor under securities or "blue sky" laws of any jurisdiction, he or she cannot dispose of any or all of the AERS Common Shares unless such AERS Common Shares are subsequently registered under the Securities Act

or exemptions from such registration are available. Each Stockholder acknowledges and understands that he has no right to require AERS to register the AERS Common Shares. Each Stockholder further understands that AERS may, as a condition to the transfer of any of the AERS Common Shares, require that the request for transfer be accompanied by an opinion of counsel as described below. Each Stockholder understands that each certificate representing the AERS Common Shares will bear a legend in substantially the form provided below (in addition to any legend required under applicable state securities laws).

> THE SHARES REPRESENTED HEREBY HAVE BEEN ACQUIRED BY THE HOLDER NAMED HEREON FOR THE HOLDER'S OWN ACCOUNT FOR INVESTMENT; AND SUCH SECURITIES MAY NOT BE PLEDGED, SOLD OR IN ANY OTHER WAY TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITIES UNDER THE SECURITIES ACT OF 1933, AS IN EFFECT AT THAT TIME, OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT.

6.4 United States Citizenship/Residency. Each Stockholder represents that he or she is a United States citizen and resides at the address listed on Exhibit A.

7) REPRESENTATIONS AND WARRANTIES OF AERS.

7.1 Making of Representations and Warranties. As a material inducement to the Company and the Stockholders to enter into this Agreement and consummate the Merger, AERS makes the representations and warranties to the Company and the Stockholders contained in this Section 7.

7.2 Organization of AERS. AERS is a corporation duly organized, validly existing and in good standing under the laws of Georgia with the corporate power to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased or such business is conducted.

7.3 Authority of AERS. AERS has the right, authority and power to enter into this Agreement, and each agreement, document and instrument to be executed and delivered by it pursuant to this Agreement and to carry out the Merger. The execution, delivery and performance by AERS of this Agreement, and each such other agreement, document and instrument have been duly authorized by all necessary corporate action of AERS and no other action on the part of AERS is required in connection therewith. This Agreement and each other agreement, document and instrument executed and delivered by AERS pursuant to this Agreement constitute, or when executed and delivered will constitute, valid and binding obligations of AERS enforceable in accordance with their terms against AERS. The execution, delivery and performance by AERS of this Agreement, and each such other agreement, document and instrument

a) does not and will not violate any provision of the Articles of Incorporation or By-Laws of AERS;

b) does not and will not violate any laws of the United States or of any state or any other jurisdiction applicable to AERS or require AERS to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) which has not been obtained or made; and

c) does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of any indenture, loan or credit agreement, or any other agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree determination or arbitration award to which AERS is a party and which is material to the business and financial condition of AERS on a consolidated basis.

7.4 Litigation. There is no litigation or governmental or administrative proceeding or injunction pending or, to its knowledge, threatened against AERS or any of its affiliates which would prevent or materially hinder the consummation of the Merger, or if adversely determined would have a material adverse effect on AERS.

7.5 Finder's Fee. AERS has not incurred or become liable for any broker's commission or finder's fee relating to or in connection with the Merger.

7.6 AERS Securities. AERS has a total of 1,000,000 common shares, no par value, authorized, of which 100,000 shares are currently issued and outstanding, all of which are held by George D. Wyers. AERS has no other class of equity securities either authorized or outstanding and has no outstanding options or warrants for the purchase of its common stock.

7.7. AERS Common Stock. The AERS Common Shares, when issued pursuant to this Agreement, will be duly authorized, validly issued, fully paid and non-assessable, and free and clear of any liens or encumbrances.

7.8 Financial Statements. AERS has furnished the Stockholders with a balance sheet of AERS as at April 30, 2004, and with the related statements of income, stockholders' equity and changes in financial position for the periods then ended (**"the AERS Balance Sheet"**). Such financial statements (including the notes thereto) are correct and complete in all material respects, are in accordance with the books and records of AERS and fairly present the financial position and the results of the operations, changes in stockholders' equity and changes in financial position of AERS as at and for the period indicated, in each case in conformity with generally accepted accounting principles consistently applied, except as otherwise indicated in such statements.

7.9 Absence of Certain Changes. Except as disclosed in Schedule 7.9 attached hereto, since the date of the AERS Balance Sheet through the Closing Date there has not been:

a) Any change in the financial condition, properties, assets, liabilities, business or operations of AERS, which change by itself or in conjunction with all other such

a) does not and will not violate any provision of the Articles of Incorporation or By-Laws of AERS;

b) does not and will not violate any laws of the United States or of any state or any other jurisdiction applicable to AERS or require AERS to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) which has not been obtained or made; and

c) does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of any indenture, loan or credit agreement, or any other agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree determination or arbitration award to which AERS is a party and which is material to the business and financial condition of AERS on a consolidated basis.

7.4 Litigation. There is no litigation or governmental or administrative proceeding or injunction pending or, to its knowledge, threatened against AERS or any of its affiliates which would prevent or materially hinder the consummation of the Merger, or if adversely determined would have a material adverse effect on AERS.

7.5 Finder's Fee. AERS has not incurred or become liable for any broker's commission or finder's fee relating to or in connection with the Merger.

7.6 AERS Securities. AERS has a total of 1,000,000 common shares, no par value, authorized, of which 100,000 shares are currently issued and outstanding, all of which are held by George D. Wyers. AERS has no other class of equity securities either authorized or outstanding and has no outstanding options or warrants for the purchase of its common stock.

7.7. AERS Common Stock. The AERS Common Shares, when issued pursuant to this Agreement, will be duly authorized, validly issued, fully paid and non-assessable, and free and clear of any liens or encumbrances.

7.8 Financial Statements. AERS has furnished the Stockholders with a balance sheet of AERS as at April 30, 2004, and with the related statements of income, stockholders' equity and changes in financial position for the periods then ended ("**the AERS Balance Sheet**"). Such financial statements (including the notes thereto) are correct and complete in all material respects, are in accordance with the books and records of AERS and fairly present the financial position and the results of the operations, changes in stockholders' equity and changes in financial position of AERS as at and for the period indicated, in each case in conformity with generally accepted accounting principles consistently applied, except as otherwise indicated in such statements.

7.9 Absence of Certain Changes. Except as disclosed in Schedule 7.9 attached hereto, since the date of the AERS Balance Sheet through the Closing Date there has not been:

a) Any change in the financial condition, properties, assets, liabilities, business or operations of AERS, which change by itself or in conjunction with all other such

changes, whether or not arising in the ordinary course of business, has been materially adverse with respect AERS;

b) Any contingent liability incurred by AERS as guarantor or otherwise with respect to the obligations of others, or any cancellation of any material debt or claim owing to, or knowing waiver of any material right of, AERS;

c) Any mortgage, encumbrance or lien placed on any of the properties of AERS which remains in existence on the date hereof or will remain on the date of the Closing;

d) Any material obligation or liability of any nature, whether accrued, absolute, contingent or otherwise (including without limitation liabilities for Taxes due or to become due or contingent or potential liabilities relating to products or services provided by AERS or the conduct of the business of AERS since the date of the AERS Balance Sheet regardless of whether claims in respect thereof have been asserted), incurred by AERS other than obligations and liabilities incurred in the ordinary course of business consistent with the terms of this Agreement;

e) Any purchase, sale or other disposition, or any agreement or other arrangement for the purchase, sale or other disposition, of any of the properties or assets of AERS other than in the ordinary course of business;

f) Any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties, assets or business of AERS;

g) Any declaration, setting aside or payment of any dividend by AERS or the making of any other distribution in respect of the capital stock of AERS (except the distribution of certain assets as described in Section 10.6), or any direct or indirect redemption, purchase or other acquisition by AERS of its own capital stock;

h) Any claim of unfair labor practices involving AERS; any change in the compensation payable or to become payable by AERS to any of its officers, employees, agents or independent contractors other than normal merit increases in accordance with its usual practices; or any bonus payment or arrangement made to or with any of such officers, employees, agents or independent contractors;

i) Any change with respect to the officers or management of AERS;

j) Any payment or discharge of a material lien or liability of AERS which was not shown on the AERS Balance Sheet or incurred in the ordinary course of business thereafter;

k) Any obligation or liability incurred by AERS to any of its officers, directors, stockholders or employees, or any loans or advances made by the Company to any of its officers, directors, stockholders or employees, except normal compensation and normal business expense allowances payable to officers or employees;

l) Any change in accounting methods or practices, credit practices or collection policies used by AERS;

m) Any other transaction entered into by AERS other than in the ordinary course of business;

n) Any action that might be adverse to the interests of AERS, the Company, or the Surviving Corporation;

or o) Any agreement or understanding whether in writing or otherwise, for AERS to take any of the actions specified in paragraphs (a) through (m) above.

7.10 Ordinary Course. Except as shown on Schedule 7.10, since the date of the AERS Balance Sheet, through and including the Closing Date, AERS has conducted its business only in the ordinary course and consistent with its prior practices.

7.11 No Liens or Encumbrances. At the Closing, AERS will hold good and marketable title, free and clear of any liens, claims, liabilities, charges, restrictions, royalties, fees, obligations or other encumbrances except for the terms of the leases, licenses, liens and encumbrances listed on Schedule 7.11, on its ongoing business concern, accounts receivable, cash and cash equivalents, equipment, inventory, names, rights to use names and all other assets used in its business.

7.12 Absence of Certain Contracts. Except as shown on Schedule 7.12, AERS is not a party to any management, service, supply, maintenance or other similar agreements.

7.13 Compliance with Laws. Except for matters set forth on Schedule 7.13, insofar as is known to AERS, AERS is in compliance in all material respects with all applicable statutes, ordinances, orders, judgments, decrees, rules and regulations promulgated by any federal, state, municipal entity, agency, court or other governmental authority, and AERS has not received notice of a violation or alleged violation of any such statute, ordinance, order, rule or regulation. AERS is not subject to or bound by any agreement, judgment, decree or order materially and adversely affecting the Surviving Corporation. AERS has all permits, licenses, consents, certificates and approvals required by any federal, state or local government or agency to operate its business.

8) COVENANTS OF THE COMPANY AND OF THE STOCKHOLDERS PRIOR TO CLOSING

8.1 Access. Between the date of this Agreement and the Closing Date, the Company shall (a) afford AERS and its representatives full and free access to Company's personnel, properties (including subsurface testing), contracts, books and records, and other documents and data, (b) furnish AERS and its representatives with copies of all such contracts, books and records, and other existing documents and data as AERS may reasonably request, and (c) furnish AERS with such additional financial, operating, and other data and information as it may reasonably request.

8.2 Operation of the Business of Company. The Company has ceased conducting day to day business.

a) All pending Kimberley-Clark orders for equipment have been or will be transferred to AERS for fulfillment. AERS will complete the orders for the account of the Company with royalties paid as contemplated by the License Agreement described in Section 11.3(h), but with no further consideration to the Company in the event the Merger closes. If the Merger fails to close, then AERS shall retain its cost of completing the orders plus 15% from payment received and transmit the remaining funds, if any, to the Company. AERS shall be wholly responsible for any and all costs of fulfilling the Kimberly-Clark orders that exceed its direct costs plus 15%. The Company will receive a payment related to the Kimberly-Clark orders only if AERS' costs plus 15% are less than the amount paid by Kimberly-Clark but will not be responsible in any way for any costs that exceed the amounts paid by Kimberly-Clark.

b) Between the date of this Agreement and the Closing Date, Company and Stockholders shall use best efforts to preserve intact the current business organization of Company and maintain the relations and good will with suppliers, customers, creditors, employees, agents, and others having business relationships with Company, to the extent consistent with the fact that the Company has ceased business.

c) Beginning with the month of March 2004, and until the earlier of the Closing Date or the termination of this transaction, The Company shall provide to AERS internal unaudited financial statements for the Company on a monthly and year-to-date basis including both balance sheets and income statements prepared according to the past accounting practices used by each the Company and signed by the president of the Company as being correct to the best of his knowledge and belief. The Company will use commercially reasonably efforts to complete and submit these financial statements no later than fifteen (15) calendar days after the end of each month.

d) Each of Company and Stockholders shall not take any action that is inconsistent with any representation or warranty or that would cause any such representation or warranty to be untrue or incorrect if such representation or warranty were made immediately following the taking of or failure to take such action.

8.3 Prohibited Activities. Except as otherwise expressly permitted by this Agreement, between the date of this Agreement and the Closing Date, the Company shall not, without the prior consent of AERS, take any affirmative action, or fail to take any reasonable action within its control, as a result of which any of the changes or events listed in Section 5.7 is likely to occur. The Company shall not (i) make any changes to its organizational documents (charter documents); (ii) make any declaration of or pay any dividend; (iii) directly or indirectly redeem, retire, purchase, or otherwise acquire or obtain the surrender of any stock, option, warrant or derivative of Company; (iv) make any investment in the stock, indebtedness, or any derivative security of any Person; (v) enter into any transaction which is outside the ordinary course of business and past business practices, or prohibited hereby, except as required or permitted by this Agreement or the Letter of Intent.

8.4 Required Approvals. As promptly as practicable following the date of this Agreement, the Company shall obtain all approvals required for Company to consummate the Merger.

8.5 Notification. Between the date of this Agreement and the Closing Date, the Company and each Stockholder shall promptly notify AERS in writing if he, she or it becomes aware of any fact or condition that causes or constitutes a Breach of any of Company's or Stockholder's representations and warranties hereunder, or if he, she or it becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any change in the Schedules if the Schedules were dated the date of the occurrence or discovery of any such fact or condition, the Company shall promptly deliver to AERS a supplement to the Schedule specifying such change. During the same period, Company and each Stockholder shall promptly notify AERS of the occurrence of any Breach of any covenant in this Section 8 or of the occurrence of any event that may make the satisfaction of the conditions in Section 10 impossible or unlikely.

8.6 No Negotiation. Until such time, if any, as this Agreement is terminated, Stockholders shall not, and shall cause Company not to, directly or indirectly solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or consider the merits of any unsolicited inquiries or proposals from, any Person (other than AERS) relating to any transaction involving the sale of the business or assets (other than in the ordinary course of business) of Company, or any of the capital stock of Company, or any merger, consolidation, business combination, or similar transaction involving Company. Stockholders shall promptly advice AERS of any such inquiry or proposal so received.

8.7 Best Efforts. Between the date of this Agreement and the Closing Date, the Company and Stockholders shall use their best efforts to cause the conditions in Section 10 to be satisfied.

8.8 Lease. The Company shall immediately begin negotiations to terminate any and all leases of existing facilities so that no leases exist on the Closing Date.

8.9 Cooperation. On the request of AERS, the Company and the Stockholders shall provide, in a timely manner, all information reasonably needed to complete normal due diligence investigations of the Company including, but not limited to, copies of all contracts, agreements, or understandings which relate to the business of the Company.

9) COVENANTS OF AERS PRIOR TO CLOSING DATE

9.1 Required Approvals. As promptly as practicable after the date of this Agreement, AERS shall obtain all approvals required to be made by it to consummate the Merger.

9.2 Access. Between the date of this Agreement and the Closing Date, AERS shall (a) afford the Company and its representatives and the Stockholders full and free access to AERS' personnel, properties (including subsurface testing), contracts, books and records, and other documents and data, (b) furnish the Company and its representatives with copies of all such contracts, books and records, and other existing documents and data as the Company may reasonably request, and (c) furnish the Company and the Stockholders with such additional financial, operating, and other data and information as it may reasonably request.

9.3 Operation of the Business. Between the date of this Agreement and the Closing Date and except as provided in Section 10.6, AERS shall: (i) conduct the business of AERS only in the ordinary course of business; (ii) use best efforts to preserve intact the current business organization of AERS, keep available the services of the current officers, employees, and agents of AERS, and maintain the relations and good will with suppliers, customers, landlords, creditors, employees, agents, and others having business relationships with AERS; (iii) confer with the Company concerning operational matters of a material nature; (iv) complete the Kimberly-Clark orders as described in Section 8.2(a) and pay the royalties as described therein; and (v) otherwise report periodically to the Company concerning the status of the business, operations, and finances of AERS. AERS shall not take any action that is inconsistent with any representation or warranty or that would cause any such representation or warranty to be untrue or incorrect if such representation or warranty were made immediately following the taking of or failure to take such action.

9.4 Prohibited Activities. Except as otherwise expressly permitted by this Agreement, between the date of this Agreement and the Closing Date, AERS shall not, without the prior consent of the Company, take any affirmative action, or fail to take any reasonable action within its control, as a result of which any of the changes or events listed in Section 7.9 is likely to occur. AERS shall not (i) make any changes to its organizational documents (charter documents); (ii) except as authorized in Section 10.6, make any declaration of or pay any dividend; (iii) directly or indirectly redeem, retire, purchase, or otherwise acquire or obtain the surrender of any stock, option, warrant or derivative of AERS; (iv) make any investment in the stock, indebtedness, or any derivative security of any Person; (v) enter into any transaction which is outside the ordinary course of business and past business practices, or prohibited hereby, except as required by this Agreement.

9.5 Cooperation. On the request of the Company, AERS shall provide, in a timely manner, all information reasonably needed to complete normal due diligence investigation of AERS including, but not limited to, copies of all contracts, agreements, or understandings which relate to the business of AERS.

9.6. Financial Statements. Beginning with the month of March, 2004 and until the earlier of the Closing Date or the termination this Agreement, AERS shall provide to the Company internal unaudited financial statements for AERS on a monthly and year-to-date basis including both balance sheets and income statements prepared according to the past accounting practices used by AERS and signed by the president of AERS as being correct to the best of his knowledge and belief. AERS shall use commercially reasonably efforts to complete and submit these financial statements no later than fifteen (15) calendar days after the end of each month prior to the Closing Date.

9.7 Notification. Between the date of this Agreement and the Closing Date, AERS shall promptly notify the Company in writing if it becomes aware of any fact or condition that causes or constitutes a Breach of any of AERS' representations and warranties hereunder, or if it becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any change in the Schedules if the Schedules were dated the date of the occurrence or discovery of any such fact or condition, AERS shall promptly deliver to the Company a supplement to the Schedule specifying such change. During the same period, AERS shall promptly notify the Company of the occurrence of any breach of any covenant in this Section 9 or of the occurrence of any event that may make the satisfaction of the conditions in Section 11 impossible or unlikely.

10. CONDITIONS PRECEDENT TO AERS' OBLIGATION TO CLOSE. AERS' obligation to complete the Merger and to take the other actions required to be taken by AERS at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived in whole or in part by AERS):

10.1 Accuracy of Representations. Each of the representations and warranties made by the Company and the Stockholders in this Agreement (considered collectively), and each of these representations and warranties (considered individually), must have been accurate in all material respects as of the date of this Agreement, and must be accurate in all material respects as of the Closing Date as if made on the Closing Date.

10.2 Company's Performance. All of the covenants and obligations that the Company is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), must have been duly performed and complied with in all material respects.

10.3 Delivery of Documents. Each of the following documents must have been delivered to AERS and each of the covenants and obligations in Section 8 must have been performed and complied with in all respects.

a) A Shareholders' Agreement signed by all the Stockholders ("Shareholder Agreement") providing for a right of first refusal as to all AERS Shares to be held by such Stockholder.

b) Evidence of "good standing" of the Company in Florida.

c) A certificate by the President of the Company that the assets shown on the Closing Balance Sheet are free of any and all liens, claims, liabilities, charges, restrictions, royalties, fees, obligations, or other encumbrances except as shown on the Closing Balance Sheet or as disclosed to AERS no greater than thirty (30) days prior to the Closing Date.

d) The results of a complete UCC (Uniform Commercial Code) filing search on the Company including copies of any Form UCC-1 or other filings related to liens or other security interests in the assets of the Company.

e) A certificate by the president of the Company that, up to the Closing Date, there has been no material deterioration or other adverse change to the assets or liabilities of the Company and that there has been no material adverse change in the financial affairs of the Company not disclosed to AERS prior to the Closing Date and that none is anticipated subsequent to the Closing Date.

f) A certificate by the president of the Company that the Company has all permits, licenses, consents, certificates and approvals required by any federal, state or local governmental agency to operate its business as it had been carried out.

g) Approvals as might be required by customers, suppliers, or creditors of AERS or the Company; by governmental agencies; or by other entities related to either of the parties by contract or other agreements. Each of the Parties will cooperate with the other in securing any and all such approvals.

h) Such other documents as AERS may reasonably request for the purpose of (i) evidencing the accuracy of any of Company's or Stockholders' representations and warranties, (ii) evidencing the performance by the Company and all Stockholders of, or the compliance by all Sellers with, any covenant or obligation required to be performed or complied with by such Stockholder, (iii) evidencing the satisfaction of any condition referred to in this Section 10, or (iv) otherwise facilitating the consummation or performance of the Merger.

10.4 Satisfaction with Condition of Company. AERS, after completion of normal due diligence investigations must be completely satisfied with the condition of the Company in its sole discretion, including but not limited to the relationships of the Company with its customers, suppliers, or any other relationships important to the operation of the Company's business.

10.5 Termination of Employees. The Company shall have terminated the employment of all of its employees except for Kip Wright, to whom the Surviving Corporation may offer employment.

10.6 Residential Division. All assets of AERS pertaining solely to the sale of products for residences shall be distributed to George D. Wyers prior to the Closing Date.

10.7 No Material Adverse Change. Since the date of the Letter of Intent, no material adverse change in the business, condition (financial or otherwise), assets, operations or prospects of the Company shall have occurred, and the Company shall not have suffered any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of the Company, and AERS shall have received a certificate signed by the chief executive officer of the Company dated the Closing Date to such effect.

11) CONDITIONS PRECEDENT TO COMPANY'S AND STOCKHOLDERS' OBLIGATION TO CLOSE. The Obligation of the Company and each Stockholder to consummate the Merger and to take the other actions required to be taken by them at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived in whole or in part by the Company):

11.1 Accuracy of Representations. All of AERS's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered

individually), must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date as if made on the Closing Date.

11.2 AERS's Performance. All of the covenants and obligations that AERS is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), must have been performed and complied with in all material respects. AERS must have delivered each of the documents required to be delivered by AERS pursuant to Section 11.3.

11.3 Delivery of Documents. The Company must have received the following documents:

a) such documents as the Company may reasonably request for the purpose of (i) evidencing the accuracy of any representation or warranty of AERS, (ii) evidencing the performance by AERS of, or the compliance by AERS with, any covenant or obligation required to be performed or complied with by AERS, (iii) evidencing the satisfaction of any condition referred to in this Section 11, or (iv) otherwise facilitating the consummation of the Merger.

b) the opinion of a qualified attorney or accountant mutually acceptable to the the Company and its Stockholders, or such other comfort as they may agreed to accept, as to the tax exempt status of the Merger. The Stockholders shall bear the cost of obtaining any such opinion.

c) Approvals as might be required by customers, suppliers, or creditors to AERS or by governmental agencies; or by other entities related to AERS by contract or other agreements. Each of the Parties will cooperate with the other in securing any and all such approvals.

d) Evidence of good standing of AERS as a Georgia corporation.

e) a certificate by the president of AERS that the assets shown on the AERS Balance Sheet are free of any and all liens, claims, liabilities, charges, restrictions, royalties, fees, obligations, or other encumbrances except as shown on the AERS Balance Sheet or as disclosed to the other Party no greater than thirty (30) days prior to the Closing Date;

f) A complete UCC (Uniform Commercial Code) filing search including copies of any Form UCC-1 or other filings related to liens or other security interests in the assets of AERS.

g) A certificate by the President of AERS that, up to the Closing Date, there has been no material deterioration or other adverse change to the assets or liabilities of AERS and that there has been no material adverse change in the financial affairs of AERS not disclosed to the Company prior to the Closing Date and that none is anticipated subsequent to the Closing Date.

h) A royalty agreement (the "Royalty Agreement") between AERS and Thomas L. Houk in form acceptable to Mr. Houk under which AERS agrees to pay Mr. Houk or his assignee(s) a royalty of five percent (5%) on the sale of each Vantage-Aire unit produced and sold by AERS during the period of four (4) years from the Effective Date The Royalty Agreement is paid with respect to the invention described in United States Patent No. 6,662,588 B2. Royalties will be due only on Vantage-Aire units produced by AERS in general compliance with the corrosion resistance and modular designs of the units at the time of the Merger. The royalties will be payable by AERS within fifteen (15) calendar days of the end of each fiscal quarter in which AERS receives payment from its customers for the Vantage-Aire units.

i) The Shareholder's Agreement described in Section 10.4(b) executed by George D. Wyers.

j) A certificate by the president of AERS that AERS has all permits, licenses, consents, certificates and approvals required by any federal, state or local governmental agency to operate its business as it had been carried out.

11.4 Satisfaction with Condition of AERS. The Company and the Stockholders, after completion of normal due diligence, must be completely satisfied with the condition of AERS in their sole discretion, including but not limited to the relationships of AERS with its employees, customers, suppliers, or any other relationships important to the operation of the business.

11.5 AERS Bylaws. The Bylaws of AERS shall have been amended to be reflect the governance provisions of the Letter of Intent.

11.6 No Material Adverse Change. Since the date of the Letter of Intent, no material adverse change in the business, condition (financial or otherwise), assets, operations or prospects of AERS shall have occurred, and AERS shall not have suffered any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the properties or business of AERS, and the Company shall have received a certificate signed by the chief executive officer of AERS dated the Closing Date to such effect.

12) POST-CLOSING AND OTHER COVENANTS

12.1 General. At any time after the Closing, if any further action is necessary or desirable to carry out the Merger and the other purposes and intent of this Agreement, each of the parties will take such further action (including the execution and delivery of such further instruments and documents) as any other party reasonably may request.

12.2 Litigation Support. In the event and for so long as any party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving either the Company or AERS, or its respective business or assets, each of the other parties will cooperate with the contesting or defending party and his or its counsel in the contest or defense, make available its personnel, and provide such testimony and access to its books and records as shall be reasonably necessary for the contest or defense, all at the sole cost and expense of the contesting or defending party (unless the contesting or defending party is entitled to indemnification therefor as provided elsewhere in this Agreement).

12.3 Transition. As soon as practical after the Closing Date, all tangible assets of the Company Equipment will be transferred to the AERS principal place of business with AERS to bear the cost of shipping such assets. Neither the Company nor the Stockholders shall take any action designed or intended to have the effect of discouraging any lessor, licensor, customer, supplier, or other business associate of the Company or AERS from maintaining the same business relationships with the Surviving Corporation after the Closing as it maintained with the Company prior to the

Closing. Stockholders shall refer all customer inquiries relating to the business of the Company or the Surviving Corporation from and after the Closing to George D. Wyers at the Surviving Corporation.

12.4 Post-Closing Notifications. AERS, the Company, and the Stockholders will, and each will cause their respective affiliates to, comply with any post-Closing notification or other requirements, to the extent then applicable to such party, of any antitrust, trade competition, investment or control, export or other law of any governmental entity having jurisdiction over any party hereto.

12.5 Payment of Expenses. Except as provided in Section 15.1(a), each party shall pay its own expenses incident to preparing for, entering into and carrying out this Agreement and the Merger contemplated hereby, whether or not the Closing occurs.

12.6 Tax Returns AERS and the Stockholders shall file tax returns taking the position that the Merger is a statutory merger pursuant to IRC Section 368(a)(1). The Stockholders shall prepare and file or cause to be prepared and filed, all income tax returns for each Company for all periods ending on or prior to the Closing Date required to be filed after the Closing Date. Stockholders shall provide to AERS a copy of the tax returns proposed to be filed pursuant to the preceding sentence, a reasonable time in advance of such filing date, and shall make such revisions to such tax returns as are reasonably requested by AERS.

12.7 Release.

(a) As of the Closing, each of the Stockholders does hereby for himself or his heirs, executors, administrators and legal representatives remise, release, acquit and forever discharge the Company of and from any and all claims, demands, liabilities, responsibilities, disputes, causes of action and obligations of every nature whatsoever, liquidated or unliquidated, known or unknown, matured or unmatured, fixed or contingent, which any such Stockholder now has, owns or holds or has at any time previously had, owned or held against the Company including without limitation all liabilities created as a result of the negligence, gross negligence and willful acts of Company and its employees and agents, existing as of the Closing or relating to any matter that occurred prior to the Closing; provided, however, that any claims, liabilities, debts or causes of action that may arise in connection with the failure of any of the parties hereto to perform any of their obligations hereunder or under any other agreement relating to the Merger or from any breaches by any of them of any representations or warranties herein or in connection with any of such other agreements shall not be released or discharged pursuant to this Agreement; and provided further any liabilities under Plans or Benefit Programs or Agreements listed on the schedules hereto shall not be released.

(b) Each of the Stockholders represents and warrants that he has not previously assigned or transferred, or purported to assign or transfer, to any person or entity whatsoever all or any part of the claims, demands, liabilities, responsibilities, disputes, causes of action or obligations released herein. Each of the Stockholders covenants and agrees that he will not assign or transfer to any person or entity whatsoever all or any part of the claims, demands, liabilities, responsibilities, disputes, causes of action or obligations to be released herein. Each of the Sellers represents and warrants that he has read and understands all of the provisions of this Section 12.7 and that he has

been represented by legal counsel of his own choosing in connection with the negotiation, execution and delivery of this Agreement.

12.8 Underwriters Laboratory Certification. Following Closing, AERS shall proceed reasonably promptly to attempt to obtain Underwriters Laboratory ("UL") certification for control boxes built by Circuitronics Corp., Sanford, Florida. It is understood that Circuitronics has agreed to fabricate samples of all boards used in Vantage equipment to be submitted to UL for testing. AERS shall bear the costs of obtaining the samples from Circuitronics for testing and, if and when UL Certification is obtained, shall replace two non UL-certified control boxes presently in Vantage Units At Kimberley- Clark facility, Everett, Washington at AERS' expense. Thomas L. Houk or Diller-Brown shall pay any and all expense (other than providing the sample control boxes) required to obtain UL certification.

13) SURVIVALS . Each of the representations, warranties, agreements, covenants and obligations herein or in any schedule, exhibit, certificate or financial statement delivered by any party to the other party incident to the Merger are material, shall be deemed to have been relied upon by the other party and shall survive the Closing (subject to any relevant survival periods noted in this Agreement) regardless of any investigation and shall not merge in the performance of any obligation by either party hereto.

14) INDEMNIFICATION.

14.1 Indemnification by Stockholders. Each Stockholder jointly and severally agrees to indemnify and hold harmless AERS and its directors, officers, agents, affiliates and employees (each a "AERS Indemnified Party") from and against any and all claims, actions, suits, liabilities, losses, damages, and expenses of every nature and character whether accrued, absolute, contingent or otherwise (including, but not by way of limitation, all reasonable attorneys' fees incurred by AERS and all amounts paid by it in settlement of any claim, action, suit or liability) (collectively, a "Claim"), which arise or result directly or indirectly by reason of:

a) Any error, misstatement or omission in any representation or warranty made by the Company or that Stockholder in this Agreement, any Schedule or exhibit hereto, or in any document or instrument provided for herein or furnished or to be furnished to AERS in connection with this Agreement;

b) Any breach of or default in performance of any of the covenants, agreements or other undertakings of the Company or that Stockholder;

c) Any product or service of the Company produced or furnished by the Company on or prior to the Closing; and

d) Any liabilities of the Company other than trade accounts payable.

14.2 Indemnity Cap.

a) Notwithstanding anything in this Agreement to the contrary, the indemnification obligation of the Stockholders hereunder shall be limited to $50,000 (the "Indemnity Cap").

b) Notwithstanding anything in this Agreement to the contrary the Indemnity Cap shall not apply to indemnification claims relating to or arising from fraud, intentional misrepresentation or a breach of any representation or warranty set forth in Sections 5.3, 5.4, 5.6, 5.10, 6.1, 6.2 or 6.3.

14.3 Indemnification Cut-Off Date. The Stockholders' indemnification obligations under Section 9.1 shall terminate twenty-four (24) months after the date of this Agreement (the "Indemnification Cut-Off Date"). Notwithstanding the foregoing, Claims relating to or involving tax or environmental matters shall expire on the date three months after the expiration of the applicable statute of limitations relating thereto and Claims relating to the title of the Company Shares shall survive indefinitely.

14.4 Indemnification Basket. No indemnification shall be payable by the Stockholders with respect to Claims unless and to the extent that the total of all amounts payable by Stockholder pursuant to Section 14.1 shall exceed $10,000 in the aggregate (the "Indemnification Basket"), whereupon the entire amount of such Claims shall become due and payable. Notwithstanding the foregoing, the Indemnification Basket shall not apply with respect to Claims that are made under Sections 5.3, 5.4, 5.6, 6.1, 6.2 or 6.3, and such Claims shall be subject to dollar for dollar indemnification.

14.5 Nature of Obligations. The indemnification obligations of the Stockholders hereunder shall be joint and several as to all claims for indemnification for breaches of representations and warranties given in Section 5, and several only as to claims for breaches of representations and warranties given in Section 6 and the covenants made in Section 7.

14.6 Indemnification by AERS. AERS shall indemnify and hold harmless the Stockholders (each a "Company Indemnified Party") from and against any and all Claims which arise or result directly or indirectly by reason of:

a) Any error, misstatement or omission in any representation or warranty made by AERS in this Agreement, any Schedule or exhibit hereto, or in any document or instrument provided for herein or furnished or to be furnished to the Stockholders in connection with this Agreement;

b) Any breach of or default in performance of any of the covenants, agreements or other undertakings of AERS; and

c) Any product or service of the Surviving Corporation produced or furnished after the Closing.

14.7 AERS Indemnification Limits. Notwithstanding anything in Section 14.6 to the contrary, AERS shall not be required to indemnify the Company Indemnified Parties with respect

to any Claims in an aggregate amount in excess of the Indemnity Cap. Notwithstanding the foregoing, the Indemnity Cap shall not apply to indemnification claims relating to or arising from fraud or intentional misrepresentation. AERS's indemnification obligations under Section 14.6 shall terminate on the Indemnification Cut-Off Date. No indemnification shall be payable by AERS with respect to Claims unless the total of all amounts payable by AERS pursuant to Section 14.6 shall exceed $10,000.00 in the aggregate, whereupon the entire amount of all Claims shall become due and payable.

14.8 Indemnification Procedures.

a) In the event that any claim or demand for which Stockholders would be liable to AERS hereunder is asserted against or sought to be collected by a third party, AERS shall, within 20 calendar days after learning thereof, notify in writing the Stockholders of such claim or demand, specifying the nature of such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim or demand) (the "Claim Notice").

b) The Stockholders shall have 30 days from receipt of the Claim Notice (the "Notice Period") to notify AERS (i) whether or not Stockholders dispute Stockholders' liability to AERS hereunder with respect to such claim or demand, and (ii) whether or not Stockholders desire, at the Stockholders' sole cost and expenses, to defend AERS against such claim or demand.

c) During the Notice Period, AERS shall provide the Stockholders free and full access during normal business hours to all relevant material, records and employees of AERS for the purpose of reasonably assisting the Stockholders in their determination of the merits of the claim or demand. In addition, during the Notice Period, AERS shall allow Stockholders to participate in discussions with AERS and any such third party claimant with respect to suggested methods of proceeding to resolve such third party claim or demand. The failure of AERS to comply with its obligation to provide access and the right to participate in discussions as set forth in this Section 14.8 shall entitle Stockholders to offset from their indemnification obligations under Section 14.1 with respect to such claim or demand the amount by which Stockholders are materially prejudiced by such failure.

d) If the Stockholders notify AERS within the Notice Period that the Stockholders do not dispute their liability to AERS hereunder and AERS has no liability hereunder that will not be indemnified with respect to such claim or demand and that Stockholders desire to defend against, and control the settlement of, such claim or demand, Stockholders shall have the right to defend against such claim or demand by appropriate proceedings, which proceedings shall be promptly settled or prosecuted to a final conclusion, as Stockholders shall direct, and in such event AERS shall continue to provide Stockholders with the same access to records and employees referred to above. If AERS desires to participate in, but not control, any such defense or settlement, it may do so in good faith at its sole cost and expense.

e) If AERS has a claim against the Stockholders hereunder that does not involve a claim or demand being asserted against or sought to be collected from it by a third

party, AERS shall, within 20 calendar days after the occurrence thereof, send a Claim Notice with respect to such claim to the Stockholders, and shall provide the same access to records and employees as with claims and demands under Section 14.8 hereof. The failure of AERS to provide the access set forth above shall entitle Stockholders to offset from their indemnification obligations under Section 14.1 with respect to such claim the amount by which the Stockholders are materially prejudiced by such failure.

f) All claims for indemnification made by the Stockholders under this Agreement shall be asserted and resolved under procedures set forth above in this Section 14.8 by substituting, as appropriate, "AERS" for "Stockholders" and "Stockholders" for "AERS."

g) If any party is required to make any payment under this Section 14, such party shall pay the indemnified party the amount so determined. Upon payment in full of any claim, the party or entity making payment (or on behalf of which payment is made) shall be subrogated to the rights of the indemnified party against any person, firm or operation with respect to the subject matter of such claim. AERS shall not settle or compromise any claim of any third party against AERS relating to the subject matter of the Stockholders' indemnification obligation under this Section 14.8 which does not include as a provision of such settlement or compromise the unconditional release of the Stockholders nor which includes any provision imposing a material impediment or obligation on any Stockholder.

h) If the Stockholders make any payment under this Agreement and AERS actually receives a monetary benefit not taken into account in calculating the liability of the Stockholders that would have reduced such liability had the monetary benefit been taken into account, AERS shall repay to the Stockholders the amount by which such liability would have been reduced as the result of the receipt by AERS of such monetary benefit (but which repayment shall in no event exceed the amount of the monetary benefit actually received by AERS).

15) MISCELLANEOUS.

15.1 Fees and Expenses.

a) AERS has contributed $5,000 and the Company or its Stockholders have contributed $5,000 to AERS, which funds are now held in an individual corporate bank account (the "Expense Account") maintained in the name of AERS by a commercial bank located in Norcross, Georgia and with its accounts protected by the Federal Deposit Insurance Corporation (FDIC). These funds will be used for the payment of the costs of the preparation and review of this Agreement and the other documents to be delivered hereunder and the due diligence described herein. Until the Closing Date, all expenses of AERS related thereto shall be paid from the Expense Account with any funds required beyond the initial $10,000 to be contributed 50% by AERS and 50% by The Company or its Stockholders. Any funds remaining in the Expense Account following the Closing shall be used for working capital of the Surviving Corporation. If the Merger does not close, any funds remaining in the Expense Account will be divided evenly and refunded to the parties contributing same.

b) Other than as described in Section 15.1.(a), each of the parties will bear its own expenses in connection with the negotiation and the consummation of the Merger, and no expenses of the Stockholders relating in any way to the transactions contemplated hereby, including without limitation legal, accounting or other professional expenses of any Stockholder shall be charged to or paid by the Company or AERS.

c) Each Stockholder will pay all costs incurred, whether at or subsequent to the Closing, in connection with the transfer of his Company Shares to AERS as contemplated by this Agreement, including without limitation, all transfer taxes and charges applicable to such transfer. The Company will pay, prior to Closing, all costs of obtaining permits, waivers, registrations or consents with respect to any assets, rights or contracts of the Company and merger costs properly allocated to the Company.

(d) Any taxes and other proratable prepayments and expenses will be based upon the amount accrued through the date of the Closing and will be allocated to the responsible party.

15.2 Governing Law. This Agreement shall be construed under and governed by the internal laws of The State of Georgia without regard to its conflict of laws provisions. The parties hereby agree that the venue for any disputes arising under or concerning this Agreement shall be in the appropriate court with jurisdiction in Gwinnett County, Georgia or the United States District Court for the Northern District of Georgia.

15.3 Notices. Any notice, request, demand or other communication required or permitted hereunder shall be in writing and shall be deemed to have been given if delivered by hand, upon receipt, if sent by certified mail, upon the sooner of the date on which receipt is acknowledged or the expiration of three days after deposit in United States post office facilities properly addressed with postage prepaid, and if sent by statutory delivery service, on the date of delivery according to the records of the delivery company. All notices to a party shall be effective if addressed as set forth below or to such other address or person as such party may designate by notice to each other party hereunder:

TO AERS: AERS, Inc.
Applied Energy Recovery Systems, Inc.
6670-A Corners Industrial Court
Norcross, GA 30092
Attention: George Wyers, President
e-mail: gwyers@aerstech.com

with copies to: David W. Drake Esq. /J. Wesley Skinner, Esq.
Bovis, Kyle & Burch, LLC
53 Perimeter Center East, Third Floor
Atlanta, Georgia 30346
e-mail: dwd@boviskyle.net

TO THE COMPANY: Vantage Equipment Corporation
c/o Diller-Brown & Associates, Inc.

4304 Metric Drive

Winter Park, FL 32792
Attention: Thomas L. Houk, President
e-mail: tom@diller-brown.com

with copies to: Thomas A. Simser, Jr., Esq.
Thomas A. Simser, Jr., P.L.
1570 Grace Lake Circle
Longwood, FL 32750
e-mail: tsimser@cfl.rr.com

and to: Mr. H. Lee Rust
Florida Corporate Finance
1509 Oak Tree Court
Apopka, FL 32712
e-mail: hleerust@earthlink.net

TO THE STOCKHOLDERS: To each Stockholder at the address set forth on Exhibit A.

With a copy to: Thomas A. Simser, Jr., Esq.
Thomas A. Simser, Jr., P.L.
1570 Grace Lake Circle
Longwood, FL 32750
e-mail: tsimser@cfl.rr.com

Any notice given hereunder may be given on behalf of any party by his counsel or other authorized representatives.

15.4 Entire Agreement. This writing, including the Schedules and Exhibits referred to herein and the other writings specifically identified herein or contemplated hereby, is complete, reflects (with the Letter of Intent) the entire agreement of the parties with respect to its subject matter, and supersedes all previous written or oral negotiations, commitments and writings, **except the Letter of Intent** and the Confidentiality Agreement executed by AERS and the Company dated May 6, 2004. No promises, representations, understandings, warranties and agreements have been made by any of the parties hereto except as referred to herein or in such Schedules and Exhibits or in such other writings; and all inducements to the making of this Agreement relied upon by either party hereto have been expressed herein or in such Schedules or Exhibits or in such other writings.

15.5 Assignability; Binding Effect. This Agreement may not be assigned by any party hereto. This Agreement shall be binding upon and enforceable by, and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns.

15.6 No Third-Party Beneficiaries. The parties intend that the only parties to and beneficiaries of this Agreement are the Company, the Stockholders, and AERS. No other person shall have any rights or remedies under or pursuant to this Agreement.

15.7 Captions and Gender. The captions in this Agreement are for convenience only and shall not affect the construction or interpretation of any term or provision hereof. The use in this Agreement of the masculine pronoun in reference to a party hereto shall be deemed to include the feminine or neuter, as the context may require.

15.8 Execution in Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

15.9 Amendments. This Agreement may be amended by the parties hereto by an instrument in writing signed on behalf of each of the parties hereto at any time before or after any approval hereof by the Company, the Stockholders and AERS, but in any event following authorization by the AERS Board of Directors and the Company Board of Directors; provided, however, that after any Stockholder approval, no amendment shall be made which by law requires further approval by Stockholders without obtaining such approval.

15.10 Publicity and Disclosures. No press releases or public disclosure, either written or oral, of the Merger shall be made by a party to this Agreement without the prior knowledge and written consent of AERS and the Company. The parties acknowledge that the Company disclosed to its employees the fact of the Merger on or about May ___, 2004, and that either party has and may hereafter disclose the fact of the Merger to its lenders, lessors, and other parties whose consent is required to the Merger.

15.11 Specific Performance. The parties agree that it would be difficult to measure damages which might result from a breach of this Agreement by the Company, the Stockholders or AERS and that money damages would be an inadequate remedy for such a breach. Accordingly, if there is a breach or proposed breach of any provision of this Agreement by the Company, the Stockholders or AERS, the other party shall be entitled, in addition to any other remedies which it may have, to an injunction or other appropriate equitable relief to restrain such breach without having to show or prove actual damage to AERS or the Stockholders, as the case may be.

15.12 Dispute Resolution. Except with respect to matters as to which injunctive relief is being sought, in the event of a dispute between the parties concerning their respective rights and obligations under this Agreement, or the breach, termination, negotiation, or validity hereof and/or the rights or obligations of the parties arising out of or relating to this Agreement or the breach, termination, negotiation or validity thereof, in any case that the parties are unable to resolve amicably between themselves within thirty (30) days of proper notice from one party to

another, such dispute shall be settled by arbitration in The State of Georgia in an expedited manner in accordance with the expedited Commercial Rules of the American Arbitration Association by a duly registered arbitrator to be selected jointly by the parties. The decision of the arbitrator shall be final and binding upon the parties. Each of the parties consents to the jurisdiction of the courts of Georgia for the purposes of enforcing the dispute resolution provisions of this Section 15.12. Each party further irrevocably waives any objection to proceeding before the American Arbitration Association based upon lack of personal jurisdiction or to the laying of venue and further irrevocably and unconditionally waives and agrees not to make a claim in any court that dispute resolution before the American Arbitration Association has been brought in an inconvenient forum. Each of the parties hereto agrees that its or his submission to jurisdiction is made for the express benefit of the other parties hereto.

15.13 "Knowledge". For purposes of this Agreement, the Company's "knowledge" shall mean the actual knowledge of all current directors and officers of the Company and the knowledge which those persons should have had after conducting all reasonable and appropriate inquiries and investigations which should have been made by any of them in the ordinary course of conduct of their employment or appointment and otherwise in the active performance of the normal duties and obligations of such a person bearing in mind that person's position with the Company.

[Remainder of page intentionally left blank]

[MERGER AGREEMENT SIGNATURE PAGE]

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the date set forth above by their duly authorized representatives. By their signatures below, each person signing this Agreement affirms or acknowledges that this Agreement is such person's act and deed or such corporations act and deed, as the case may be.

APPLIED ENERGY RECOVERY SYSTEMS, INC.

By: _____
George D. Wyers, President

VANTAGE EQUIPMENT CORPORATION

By: _____
Thomas L. Houk, President

STOCKHOLDERS:

_____
Thomas L. Houk, individually

_____
Gayle G. Houk, individually

CERTIFICATIONS

It is hereby certified that the holders of a majority of the outstanding shares of each class of APPLIED ENERGY RECOVERY SYSTEMS, Inc. entitled to vote on this Agreement and Plan of Merger have approved adoption of such Agreement by means of a written consent dated June 28, 2004, as permitted by Section 14-2-704 of the Georgia Business Corporation Code.

Name: DAVID W Drake
Assistant Secretary
Applied Energy Recovery Systems, Inc.

It is hereby certified that all of the outstanding shares of each class of Vantage Equipment Corporation entitled to vote on this Agreement and Plan of Merger have voted approved adoption of Agreement by means of a written consent dated June 28, 2004 as permitted by Section 607.0704 of the Florida Corporation Code.

Name:
Secretary
Vantage Equipment Corporation

EXHIBIT A

List of Stockholders

Stockholder Name and Address	Shares Held
Thomas L. Houk 1054 McKean Circle Winter Park, Florida 32789	Fifty-One shares of Common Stock
Gayle G. Houk 1054 McKean Circle Winter Park Florida 32789	Forty-Nine shares of CommonStock,

There are no outstanding options to acquire stock of the Company.