

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

**ARCADIA RESOURCES, INC**

CIK: **1071941** | IRS No.: **880331369** | State of Incorporation: **NV** | Fiscal Year End: **0331**  
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SIC: **7200** Personal services

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26777 CENTRAL PARK BLVD.  
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SOUTHFIELD MI 48076

Business Address

26777 CENTRAL PARK BLVD.  
SUITE 200  
SOUTHFIELD MI 48076  
248-352-7530



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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): April 26, 2005

**ARCADIA RESOURCES, INC.**

*(Exact Name of Registrant as Specified in its Charter)*

Nevada

*(State or Other Jurisdiction of Incorporation)*

000-31249

*(Commission File Number)*

88-0331369

*(IRS Employer Identification No.)*

26777 Central Park Blvd., Suite 200 Southfield, Michigan 48076

*(Address of principal executive offices) (Zip Code)*

Registrant's telephone number, including area code: (248) 352-7530

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement.**

On April 26, 2005, Arcadia Resources, Inc. (the “Company”) sold an aggregate of 1,212,121 shares of its common stock in a private transaction to an accredited investor as defined in Rule 501(a) of Regulation D for aggregate consideration of \$2,000,000. The form of stock purchase agreement is attached as Exhibit 4.1.

On April 27, 2005, the Company issued Jana Master Fund, LTD (“Jana”) a \$5,000,000 Convertible Promissory Note due May 1, 2006 and providing for quarterly interest payments at 12% annual interest. The Note permits Jana to convert the outstanding balance into shares of the Company’ s common stock at the rate of one (1) share of common stock per \$2.25 of the amount outstanding under the Note. The Convertible Promissory Note is attached as Exhibit 4.2.

On April 29, 2005, the Company, through its Arcadia Health Services of Michigan, Inc. subsidiary, entered into and closed on an agreement by which it purchased the outstanding capital stock of Home Health Professionals, Inc., a Delaware corporation. The acquisition is effective May 1, 2005. Home Health Professionals, which reported 2004 revenues of \$7,000,000, operates a home health care staffing business headquartered in Battle Creek, Michigan. The purchase price for the acquired stock is \$2,500,000, plus 1,058,201 shares of the Company’ s common stock valued at \$2,000,000, plus the payment of amounts to be determined per an earnout formula over the twelve month period following the closing. At closing, the cash consideration and shares of the Company’ s common stock were paid, less amounts escrowed to satisfy potential indemnification and other claims of the purchaser. The Stock Purchase Agreement is attached as Exhibit 10.1.

**Item 3.02 Unregistered Sales of Equity Securities.**

The disclosures set forth above in Item 1.01 are incorporated herein by this reference. The Company’ s securities were issued in transactions exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D. The transactions are exempt because they did not involve a public offering. The sales of these securities were made without general solicitation or advertising. There was no underwriter, and no underwriting commissions or discounts were paid. Further, each securities certificate issued in each transaction bears a legend providing, in substance, that the securities have been acquired for investment only and may not be sold, transferred or assigned in the absence of an effective registration statement or opinion of the Company’ s counsel that registration is not required under the Securities Act of 1933. The shares issued or issuable in the referenced transactions carry registration rights.

**Item 9.01 Financial Statements and Exhibits.**

**(c) Exhibits.**

- Exhibit 4.1 Form of stock purchase agreement.
- Exhibit 4.2 \$5,000,000 Convertible Promissory Note dated April 27, 2005.
- Exhibit 10.1 Stock Purchase Agreement dated April 29, 2005, by and among Arcadia Health Services of Michigan, Inc., Home Health Professionals, Inc., and the selling shareholders.

**SIGNATURES**

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

**Arcadia Resources, Inc.**

By: /S/ John E. Elliott II

John E. Elliott II

Its: Chairman of the Board  
and Chief Executive Officer

Dated: May 2, 2005

**EXHIBIT INDEX**

Exhibit 4.1	Form of stock purchase agreement.
Exhibit 4.2	\$5,000,000 Convertible Promissory Note dated April 27, 2005.
Exhibit 10.1	Stock Purchase Agreement dated April 29, 2005, by and among Arcadia Health Services of Michigan, Inc., Home Health Professionals, Inc., and the selling shareholders.

## STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT ("Agreement") is entered into on April \_\_\_\_, 2005 by and between Arcadia Resources, Inc., a Nevada corporation ("Seller" or "Company"), and \_\_\_\_\_ ("Purchaser").

## RECITALS:

A. The Company desires to issue and sell to Purchaser shares of its authorized common stock, \$0.001 par value, (the "Common Stock"), subject to the terms and conditions of this Agreement.

B. The Purchaser, which is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated by the U.S. Securities and Exchange Commission (the "Commission"), desires to purchase from the Company shares of the Common Stock, subject to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchaser and Seller agree as follows:

1. SALE OF STOCK. Upon execution of this Agreement, Purchaser hereby agrees to and does purchase from Seller, and Seller hereby agrees to and does sell to Purchaser, One Million Two Hundred Twelve Thousand One Hundred Twenty-One (1,212,121) shares of the Company's original issue Common Stock (the "Acquired Stock"). No fractional shares of the Acquired Stock shall be issued to Purchaser.

2. PURCHASE PRICE. The purchase price of the Acquired Stock is U.S. \$1.65 per share for a total aggregate purchase price for all of the Acquired Stock of Two Million (\$2,000,000.00) and No/100 U.S. Dollars in total ("Purchase Price").

3. PAYMENT OF PURCHASE PRICE. Contemporaneously with the execution of this Agreement, the Purchase Price shall be paid in full in U.S. Dollars by certified check or wire transfer.

4. ISSUANCE OF COMMON STOCK CERTIFICATE. Upon Seller's receipt of payment in full of the Purchase Price, Seller shall deliver to its transfer agent irrevocable instructions to issue and deliver to Purchaser, at the address designated on the signature page, one Common Stock certificate evidencing Purchaser's ownership of the Acquired Shares, subject to the terms and conditions of this Agreement.

5. ACKNOWLEDGMENTS, COVENANTS, REPRESENTATIONS AND WARRANTIES OF

PURCHASER. Purchaser acknowledges, covenants, represents and warrants to Seller each of the following:

(a) ORGANIZATION; AUTHORITY; ENFORCEABILITY. Purchaser is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with full power and authority to enter into and to consummate the transactions contemplated hereby and otherwise to carry out its obligations hereunder.

The execution, delivery and performance by such Purchaser of the transactions contemplated by this Agreement has been duly authorized by all necessary corporate or similar action on the part of such Purchaser. This Agreement and any related transaction documents have been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and rules of law governing specific performance, injunctive relief, or other equitable remedies.

(b) GENERAL SOLICITATION. Purchaser is not purchasing the Acquired Stock as a result of any advertisement, article, notice or other communication regarding the Acquired Stock published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

(c) NO PUBLIC SALE OR DISTRIBUTION. Purchaser is acquiring the Acquired Stock for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof. Purchaser is acquiring the Acquired Stock in the ordinary course of its business. Purchaser does not have any agreement or understanding, directly or indirectly, with any Person to distribute any of the Acquired Stock.

(d) ACCREDITED INVESTOR STATUS. Purchaser is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated by the Commission.

(e) RESIDENCY. Purchaser is a resident of the State designated on the signature page.

(f) RELIANCE ON EXEMPTIONS. Purchaser acknowledges that the Acquired Stock is being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and applicable state securities laws and that the Company is relying in part upon the truth and accuracy of, and such Purchaser's compliance with, the representations, covenants, warranties, agreements, acknowledgments and understandings of such Purchaser set forth herein in order to determine

the availability of such exemptions and the eligibility of such Purchaser to acquire the Acquired Stock.

(g) INFORMATION. Purchaser and its advisors, if any, have obtained or have been furnished with all publicly available financial, operational, business and other data, statements, information and materials relating to the business, finances, prospects and operations of the Company and such other publicly available materials relating to the offer and sale of the Acquired Stock as have been requested by such Purchaser. Purchaser and its advisors, if any, have been afforded the opportunity to ask questions of the Company, and all such questions have been answered to its full satisfaction. Neither such inquiries nor any other due diligence investigations conducted by such Purchaser or its advisors, if any, or its representatives shall modify, amend or affect the terms and conditions of this Agreement or the acknowledgements, covenants, representations and

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warranties given by Purchaser hereunder. Purchaser understands that its investment in the Acquired Stock involves a high degree of risk. No oral representations have been made or oral information furnished to Purchaser or its representatives, if any, in connection with the purchase of the Acquired Stock.

(h) NO GOVERNMENTAL REVIEW. Purchaser understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Acquired Stock or the fairness or suitability of the investment in the Acquired Stock, nor have such authorities passed upon or endorsed the merits of the offering of the Acquired Stock.

(i) EXPERIENCE OF PURCHASER. Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters, including investing in companies engaged in the business in which the Company is engaged, so as to be capable of evaluating the merits and risks of the prospective investment in the Acquired Stock, and has so evaluated the merits and risks of such investment. Purchaser is able to bear the economic risk of an investment in the Acquired Stock and is able to afford a complete loss of such investment. Purchaser has adequate means of providing for its financial needs and contingencies and is able to bear the substantial economic risk of an investment in the Acquired Stock for an indefinite period.

(j) SALE AND ISSUANCE OF ADDITIONAL SHARES TO OTHERS. Purchaser understands and agrees that additional shares of the Company's Common Stock may be issued by the Company from time to time, whether as part of the same offering by which Purchaser purchases the Acquired Shares or a different offering or other event, which could result in the dilution of the Purchaser's percentage interest and shareholding position in the

Company.

(k) UNREGISTERED STOCK; REGISTRATION OF STOCK. Purchaser understands that the Acquired Stock has not been registered under the Securities Act of 1933, as amended (the "Act"), or under any applicable state securities law, in reliance upon available exemptions from registration. Accordingly, Purchaser's right or ability to sell, transfer, pledge or otherwise dispose of the Acquired Stock is severely limited by applicable federal and state securities laws. Purchaser understands that the Acquired Stock cannot be resold unless it is registered or unless an exemption from registration is available thereunder, that the Company will prepare and file with the Commission a registration statement under the Securities Act of 1933 covering all of the Acquired Stock for a secondary or resale offering to be made on a continuous basis pursuant to Rule 415, that the registration statement shall be on Form S-1 or such other form as the Company determines appropriate for such registration, and that the Company shall use reasonable efforts to cause the registration statement to be declared effective by the Commission not later than 90 days after the date of this Agreement. The Acquired Stock may only be disposed of in compliance with applicable state and federal securities laws. In connection with any transfer of the Acquired Stock other than pursuant to an effective registration statement or to the Company, the Company may require the transferor thereof to provide to the Company an opinion of counsel, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require

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registration of such transferred securities under the Securities Act. Purchaser agrees that any removal of the restrictive legend from certificates representing the Acquired Stock, which removal shall first be authorized by the Company subject to the terms of this Agreement, is predicated upon the Company's reliance on, and the Purchaser's agreement that, and Purchaser hereby agrees that, the Purchaser will not sell any Acquired Stock except pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom.

(l) RESTRICTIVE LEGEND. Purchaser agrees to the imprinting, so long as is required under applicable federal and state securities laws, of a legend on the stock certificate evidencing the Acquired Stock in substantially the following form:

THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THESE SHARES UNDER THE SECURITIES ACT OF 1933 OR AN OPINION OF THE COMPANY'S COUNSEL THAT REGISTRATION IS NOT REQUIRED UNDER THE ACT.

(m) INDEMNIFICATION. Purchaser agrees to indemnify, hold harmless and defend the Company, its affiliates, directors, officers and employees from and against all damages, losses, cost and expenses (including reasonable attorney fees) that they may incur by reason of any breach of the acknowledgements, covenants, representations or warranties made by Purchaser in this Agreement. Purchaser understands and acknowledges that the representations, acknowledgements, warranties, covenants, agreements and statements provided by Purchaser herein may and shall be relied upon by the Company, its affiliates, directors, officers and employees in the execution and performance of this Agreement.

(n) NON-PUBLIC INFORMATION. Purchaser has not requested nor been furnished with any information known or believed to constitute material non-public information of the Company, unless prior thereto Purchaser shall have executed a written agreement acceptable to the Company regarding the confidentiality and use of such information.

(o) BROKERS/FINDERS. Except for fees payable by the Company to Sandgrain Securities, Inc. in connection with the sale and purchase of the Acquired Shares by Purchaser, Purchaser represents and agrees that no brokerage or finder's fees, commissions or other amounts are or will be payable by the Company, on account of any agreement, understanding or undertaking by Purchaser, to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by this Agreement.

(p) REGULATORY DISCLOSURES. Purchaser understands that the Company shall, within four business days following the execution of this Agreement, file a Current Report on Form 8-K with the Commission, disclosing the transactions

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contemplated hereby and may make such other filings and notices in the manner and time required by the Commission, including the filing of this Agreement if required, as well as any filings that may be required by state regulators.

(q) REPLACEMENT OF CERTIFICATES. Purchaser agrees that if any certificate or instrument evidencing any Acquired Stock is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof, or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and customary and reasonable indemnity or other form of security, if required by the Company.

6. ACKNOWLEDGMENTS, COVENANTS, REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company acknowledges, covenants, represents and warrants to

Purchaser each of the following:

(a) ORGANIZATION; AUTHORITY; ENFORCEABILITY. The Company is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with full power and authority to enter into and to consummate the transactions contemplated hereby and otherwise to carry out its obligations hereunder. The execution, delivery and performance by the Company of the transactions contemplated by this Agreement has been duly authorized by all necessary corporate or similar action on the part of the Company. This Agreement and any related transaction documents to which it is a party have been duly executed by the Company, and when delivered by the Company in accordance with the terms hereof, will constitute the valid and legally binding obligation of the Company, enforceable against it in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and rules of law governing specific performance, injunctive relief, or other equitable remedies.

(b) CAPITALIZATION. The authorized and outstanding capitalization of the Company is as described in the Company's most recent periodic, current or other report or documents filed with the Commission or otherwise disclosed to purchaser upon its request. The Company has not issued any capital stock since such filing, other than pursuant to the exercise of employee stock options under the Company's stock option plans and pursuant to the conversion or exercise of Common Stock options, warrants or other rights, excluding any issuances of Common Stock not required to be reported on Form 8-K. All shares of the Company's issued and outstanding capital stock have been duly authorized, are validly issued and outstanding, and are fully paid and nonassessable. There are no dividends which have accrued or been declared but are unpaid on the capital stock of the Company.

(c) ISSUANCE OF THE ACQUIRED STOCK. The Acquired Stock is duly authorized and, when issued and paid for in accordance with the terms hereof, will be duly and validly issued, fully paid and nonassessable, free and clear of all rights of third parties, other than any rights created by or imposed on the holders thereof through no action of the Company.

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(d) NO CONFLICTS. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby do not and will not conflict with or violate any provision of the Company's certificate or articles of incorporation, bylaws or other organizational or charter documents.

(e) LITIGATION. The Company has no knowledge of any action, suit, inquiry, notice of violation, proceeding or investigation pending or

threatened against the Company, before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) which adversely affects or challenges the legality, validity or enforceability of this Agreement or the Acquired Stock.

(f) LICENSES; COMPLIANCE WITH REGULATORY REQUIREMENTS. The Company holds all material authorizations, consents, approvals, franchises, licenses and permits required under applicable law or regulation for the operation of the business of the Company as presently operated

(g) PRIVATE PLACEMENT. Assuming the accuracy of the Purchaser's acknowledgements, representations and warranties set forth in Section 5, no registration under the Securities Act is required for the offer and sale of the Acquired Stock by the Company to the Purchaser as contemplated hereby.

7. GOVERNING LAW AND ARBITRATION. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan, notwithstanding the fact that either party is or may hereafter become domiciled or located in a different state or country. Any dispute, controversy or claim arising out of or relating to this Agreement, whether arising in contract, tort or otherwise shall be resolved in accordance with the rules of the American Arbitration Association, except for any equitable or injunctive relief sought under this Agreement. The arbitration shall be held at a location within Oakland County, Michigan. The parties agree that any arbitration award rendered on any claim submitted to arbitration shall be final and binding upon the parties and not subject to appeal and that judgment may be entered upon any arbitration award by any circuit court located in Michigan.

8. SUCCESSORS BOUND BY AGREEMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. Purchaser may not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Company, which may be withheld. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

9. WAIVER. The waiver of a breach of any provision of this Agreement by any party shall not operate or be construed as a waiver of any subsequent breach. Each and every right, remedy and power granted herein to any party or allowed by law or equity shall be cumulative and not exclusive of any other.

10. AMENDMENT OF AGREEMENT. This Agreement may be altered or amended in any of its provisions only by the written agreement of the parties hereto.

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11. INTERPRETATION OF AGREEMENT. This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof and

supersedes any and all other prior or contemporaneous agreements, either oral or written, between the parties with respect to the subject matter hereof. This Agreement, or any facsimile hereof, may be executed by any number of counterparts, each of which shall constitute an original Agreement, and all of which shall constitute one and the same instrument. Headings herein are for convenience only and shall not be deemed to limit or affect any of the provisions hereof.

12. SURVIVAL OF COVENANTS, REPRESENTATIONS, WARRANTIES AND INDEMNITIES. All covenants, acknowledgements, representations, warranties and indemnities contained herein shall survive the execution and delivery of this Agreement.

The parties hereto have executed and delivered this Stock Purchase Agreement the date first written above.

SELLER:

ARCADIA RESOURCES, INC.,  
a Nevada corporation

By: \_\_\_\_\_

Its: \_\_\_\_\_

PURCHASER:

SSN: \_\_\_\_\_

State of Residence: \_\_\_\_\_

Mailing Address for Share Certificate:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). NO INTEREST IN THIS NOTE MAY BE OFFERED OR SOLD EXCEPT PURSUANT TO (i) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, (ii) TO THE EXTENT APPLICABLE, PURSUANT TO RULE 144 UNDER THE ACT (OR ANY SIMILAR RULE UNDER THE ACT), OR (iii) AN EXEMPTION FROM REGISTRATION UNDER THE ACT WHERE THE HOLDER HAS FURNISHED TO THE PAYOR AN ACCEPTABLE OPINION OF ITS COUNSEL THAT AN EXEMPTION FROM REGISTRATION UNDER THE ACT IS AVAILABLE.

ARCADIA RESOURCES, INC.  
12% CONVERTIBLE PROMISSORY NOTE

\$5,000,000.00

APRIL 27, 2005

FOR VALUE RECEIVED, the undersigned, Arcadia Resources, Inc., a Nevada corporation ("Payor"), having its executive office and principal place of business at 26777 Central Park Boulevard, Suite 200, Southfield, Michigan 48076, hereby promises to pay to Jana Master Fund, Ltd. ("Payee"), having an address at 200 Park Avenue, Suite 3900, New York, NY 10166, at Payee's address set forth above (or at such other place as Payee may from time to time hereafter direct by notice in writing to Payor), the principal sum of FIVE MILLION DOLLARS (\$5,000,000.00), in such coin or currency of the United States of America as at the time shall be legal tender for the payment of public and private debts in accordance with the terms hereof.

1. PAYMENT OF PRINCIPAL AND INTEREST.

- 1.1 The principal amount of this Note outstanding from time to time shall bear simple interest at the annual rate (the "Note Rate") of twelve percent (12%) from the date hereof until the entire principal balance due under this Note has been paid in full.
- 1.2 The unpaid principal balance shall be due and payable on May 1, 2006 ("Maturity Date"). Accrued unpaid interest on the unpaid principal balance due under this Note at the Note Rate shall be due and payable on the following dates: July 31, 2005; October 31, 2005; January 31, 2006; and the Maturity Date.
- 1.3 Payor shall not have the right to prepay any portion of the principal amount due under this Note until June 27, 2005 ("Permitted Prepayment Date"). At any time and from time to time after the Permitted Prepayment Date, Payor may prepay this Note in whole or in part, together with (i) the unpaid interest thereon accrued through the date of prepayment, and (ii) a prepayment fee equal to 2.5% of the portion of then outstanding principal balance that is being prepaid.

1.4 All payments (including prepayments) made by the Payor on this Note shall be applied first to the payment of accrued unpaid interest on this Note and then to the reduction of the unpaid principal balance of this Note.

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1.5 In the event that the date for the payment of any amount payable under this Note falls due on a Saturday, Sunday or public holiday under the laws of the State of New York, the time for payment of such amount shall be extended to the next succeeding business day and interest at the Note Rate shall continue to accrue on any principal amount so effected until the payment thereof on such extended due date.

2. REPLACEMENT OF NOTE.

2.1 In the event that this Note is mutilated, destroyed, lost or stolen, Payor shall, at its sole expense, execute, register and deliver a new Note, in exchange and substitution for this Note, if mutilated, or in lieu of and substitution for this Note, if destroyed, lost or stolen. In the case of destruction, loss or theft, Payee shall furnish to Payor indemnity reasonably satisfactory to Payor, and in any such case, and in the case of mutilation, Payee shall also furnish to Payor evidence to its reasonable satisfaction of the mutilation, destruction, loss or theft of this Note and of the ownership thereof. Any replacement Note so issued shall be in the same outstanding principal amount as this Note and dated the date to which interest shall have been paid on this Note or, if no interest shall have yet been paid, dated the date of this Note.

2.2 Every Note issued pursuant to the provisions of Section 2.1 above in substitution for this Note shall constitute an additional contractual obligation of the Payor, whether or not this Note shall be found at any time or be enforceable by anyone.

3. INTENTIONALLY OMITTED

4. COVENANTS OF PAYOR.

Payor covenants and agrees that, so long as this Note remains outstanding and unpaid, in whole, or in part:

4.1 Payor will not sell, transfer or dispose of a material part of its assets without obtaining Payee's written consent, other than inventory in its ordinary course of business;

4.2 Intentionally Omitted

4.3 Payor will promptly pay and discharge all lawful taxes, assessments

and governmental charges or levies imposed upon it, its income and profits, or any of its property, before the same shall become in default, as well as all lawful claims for labor, materials and supplies which, if unpaid, might become a lien or charge upon such properties or any part thereof; provided, however, that Payor or such subsidiary shall not be required to pay and discharge any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings and Payor or such subsidiary, as the case may be, shall set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim so contested;

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- 4.4 Payor will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises and substantially comply with all laws applicable to Payor as its counsel may advise;
  - 4.5 Payor will at all times maintain, preserve, protect and keep its property used or useful in the conduct of its business in good repair, working order and condition (except for the effects of reasonable wear and tear in the ordinary course of business) and will from time to time, make all necessary and proper repairs, renewals, replacements, betterments and improvements thereto;
  - 4.6 Payor will keep adequately insured, by financially sound reputable insurers, all property of a character usually insured by similar corporations and carry such other insurance as is usually carried by similar corporations;
  - 4.7 Payor will, promptly following the occurrence of an Event of Default or of any condition or event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default, furnish a statement of Payor's Chief Executive Officer or Chief Financial Officer to Payee setting forth the details of such Event of Default or condition or event and the action which Payor intends to take with respect thereto; and
  - 4.8 Payor will, and will cause each of its subsidiaries to, at all times maintain books of account in which all of its financial transactions are duly recorded in conformance with generally accepted accounting principles.
5. EVENTS OF DEFAULT. The following events each constitute an "Event of Default":
- 5.1 The dissolution of Payor or any vote in favor thereof by the board of directors and shareholders of Payor; or

- 5.2 Payor makes an assignment for the benefit of creditors, or files with a court of competent jurisdiction an application for appointment of a receiver or similar official with respect to it or any substantial part of its assets, or Payor files a petition seeking relief under any provision of the Federal Bankruptcy Code or any other federal or state statute now or hereafter in effect affording relief to debtors, or any such application or petition is filed against Payor, which application or petition is not dismissed or withdrawn within sixty (60) days from the date of its filing; or
- 5.3 Payor fails to pay the principal amount, or interest on, or any other amount payable under this Note within five (5) days of when the same becomes due and payable; or
- 5.4 Payor admits in writing its inability to pay its debts as they mature; or
- 5.5 Payor sells all or substantially all of its assets or merges or is consolidated with or into another corporation other than a transaction whose primary purpose is to re-domicile the Payor ; or
- 5.6 A proceeding is commenced to foreclose a security interest or lien in any

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property or assets of Payor as a result of a default in the payment or performance of any debt (in excess of \$350,000 and secured by such property or assets) of Payor or of any subsidiary of Payor; or

- 5.7 A final judgment for the payment of money in excess of \$350,000 is entered against Payor by a court of competent jurisdiction, and such judgment is not discharged (nor the discharge thereof duly provided for) in accordance with its terms, nor a stay of execution thereof procured, within sixty (60) days after the date such judgment is entered, and, within such period (or such longer period during which execution of such judgment is effectively stayed), an appeal therefrom has not been prosecuted and the execution thereof caused to be stayed during such appeal; or
- 5.8 An attachment or garnishment is levied against the assets or properties of Payor or any subsidiary of Payor involving an amount in excess of \$350,000 and such levy is not vacated, bonded or otherwise terminated within sixty (60) days after the date of its effectiveness; or
- 5.9 Payor defaults in the due observance or performance of any covenant, condition or agreement on the part of Payor to be observed or performed pursuant to the terms of this Note (other than the default specified in Section 5.3 above) and such default continues uncured

for a period of thirty (30) days from the date Payor receives written notice from the Payee.

Upon the occurrence of any such Event of Default and at any time thereafter, the holder of this Note shall have the right (at such holder's option) to declare the principal of, accrued unpaid interest on, and all other amounts payable under this Note to be forthwith due and payable, whereupon all such amounts shall be immediately due and payable to the holder of this Note, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived; provided.

6. SUITS FOR ENFORCEMENT AND REMEDIES.

6.1 If any one or more Events of Default shall occur and be continuing, the Payee may proceed to (i) protect and enforce Payee's rights either by suit in equity or by action at law, or both, whether for the specific performance of any covenant, condition or agreement contained in this Note or in any agreement or document referred to herein or in aid of the exercise of any power granted in this Note or in any agreement or document referred to herein, (ii) enforce the payment of this Note, or (iii) enforce any other legal or equitable right of the holder of this Note. No right or remedy herein or in any other agreement or instrument conferred upon the holder of this Note is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

7. UNCONDITIONAL OBLIGATION; FEES, WAIVERS, OTHER.

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7.1 The obligation to make the payments provided for in this Note are absolute and unconditional and are not subject to any defense, set-off, counterclaim, rescission, recoupment or adjustment whatsoever.

7.2 If, following the occurrence of an Event of Default, Payee shall seek to enforce the collection of any amount of principal of and/or interest on this Note, there shall be immediately due and payable from Payor, in addition to the then unpaid principal of, and accrued unpaid interest on, this Note, all reasonable costs and expenses incurred by Payee in connection therewith, including, without limitation, reasonable attorneys' fees and disbursements.

7.3 No forbearance, indulgence, delay or failure to exercise any right or remedy with respect to this Note shall operate as a waiver or as an acquiescence in any default, nor shall any single or partial exercise of any right or remedy preclude any other or further

exercise thereof or the exercise of any other right or remedy.

7.4 This Note may not be modified or discharged (other than by payment) except by a writing duly executed by Payor and Payee.

7.5 Payor hereby expressly waives demand and presentment for payment, notice of nonpayment, notice of dishonor, protest, notice of protest, bringing of suit, and diligence in taking any action to collect amounts called for hereunder, and shall be directly and primarily liable for the payment of all sums owing and to be owing hereon, regardless of and without any notice, diligence, act or omission with respect to the collection of any amount called for hereunder or in connection with any right, lien, interest or property at any and all times which Payee had or is existing as security for any amount called for hereunder.

8. CONVERSION RIGHTS. At any time in which principal is outstanding under this Note, the Payee shall have the unconditional right upon irrevocable written notice to Payor to convert all of the outstanding principal, accrued, but unpaid interest and any other amounts owing under this Note into shares of common stock of the Payor (the "Conversion Shares") at a rate of one (1) share of common stock per \$2.25 of the amount outstanding under this Note.

9. REGISTRATION RIGHTS. The Company shall include the maximum amount of Conversion Shares issuable as of the date hereof in the pending S-1 Registration Statement which is subject to review and approval by the SEC.

10. RESTRICTION ON TRANSFER. This Note has been acquired for investment, and neither this Note nor any of the Conversion Shares issuable pursuant to a conversion pursuant to Section 8 herein have been registered under the securities laws of the United States of America or any state thereof. Accordingly, no interest in this Note may be offered for sale, sold or transferred in the absence of registration and qualification of this Note or the Conversion Shares, as the case may be, under applicable federal and state securities laws or an opinion of counsel of Payee reasonably satisfactory to Payor that such registration and qualification are not required.

11. MISCELLANEOUS.

11.1 The headings of the various paragraphs of this Note are for convenience of

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reference only and shall in no way modify any of the terms or provisions of this Note.

11.2 All notices required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered or sent by registered or certified mail (return receipt

requested, postage prepaid), facsimile transmission or overnight courier to the address of the intended recipient as set forth in the preamble to this Note or at such other address as the intended recipient shall have hereafter given to the other party hereto pursuant to the provisions of this Note.

11.3 This Note and the obligations of Payor and the rights of Payee shall be governed by and construed in accordance with the substantive laws of the State of New York without giving effect to the choice of laws rules thereof.

11.4 This Note shall bind Payor and its successors and assigns.

ARCADIA RESOURCES, INC.

By: /S/ JOHN E. ELLIOTT, III  
-----

John E. Elliott, III

Its: Chief Executive Officer

Accepted and Agreed to:

JANA MASTER FUND LTD.

By: /S/ MARC LEHMANN  
-----

Its: \_\_\_\_\_

Title: Partner

## STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT is made and entered into effective as of April 30, 2005, by and among ARCADIA HEALTH SERVICES OF MICHIGAN, INC., a Michigan corporation ("Buyer"), HOME HEALTH PROFESSIONALS, INC., a Delaware Corporation ("Company"), and PATRICIA SLAYTON, THOMAS UNGER and GILBERT B. SILVERMAN ("Silverman"), Michigan residents (individually, "Seller" and collectively, "Sellers"). Certain other capitalized terms used herein are defined in Article V and throughout this Agreement.

## RECITALS :

A. Sellers own 100% of the issued and outstanding shares (the "Shares") of capital stock of Company.

B. Company is engaged in the home health care employee staffing business (the "Business").

C. Sellers desire to sell, and Buyer desires to purchase, all of the Shares upon the terms and subject to the conditions, representations, warrants and covenants contained in this Agreement.

## AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual promises, representations, warranties and covenants herein contained, the parties agree as follows:

## ARTICLE I

## SALE AND TRANSFER OF SHARES; CLOSING

## 1.1 SALE AND PURCHASE OF SHARES; CERTAIN LIABILITIES NOT BEING ASSUMED.

1.1.1 Subject to the terms and conditions of this Agreement, at the Closing Sellers will sell, convey, assign, deliver and transfer all of the Shares to Buyer, and Buyer will purchase the Shares from Sellers free and clear of any Encumbrances.

1.1.2 Notwithstanding that Buyer is purchasing all of the Shares of the Company from Sellers, the parties acknowledge and agree that Sellers shall specifically retain and indemnify Buyer, and Buyer shall not assume or otherwise be responsible for, the following liabilities of the Company ("Sellers Retained Liabilities"):

(a) Any and all lines of credit of the Company with lenders and vendors, as detailed in Schedule 1.1.2(a) attached hereto, all

of which shall be paid and satisfied in full prior to Closing.

(b) Any Liability for Taxes (including penalties and interest) of the Company existing as of the Closing or otherwise attributable to any period prior to Closing.

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(c) Any Liability of the Company to T-Mobile.

(d) Any Liability in connection with the four (4) automobile leases referenced in Schedule 1.1.2(d), which shall be transferred as set forth in said schedule.

(e) Employee paid time off as detailed in Schedule 1.1.2(e).

(f) Workers compensation liability for any claims first arising prior to Closing.

1.2 PURCHASE PRICE AND PAYMENT. Subject to Section 1.3, the purchase price ("Purchase Price") for the Shares shall be paid to Sellers on a pro-rata basis based upon each Seller's respective ownership percentage and consist of the following:

1.2.1 Subject to Section 1.3, cash at Closing in the amount of Two Million Four Hundred Ninety-Nine Thousand Dollars and No/100 Dollars (\$2,499,000.00), less the Escrow Amount (as defined in Section 1.3), by wire transfer of immediately available funds (the "Cash Payment").

1.2.2 Shares of common stock of Buyer's ultimate parent company, Arcadia Resources, Inc. (OTB: ACDI.OB) ("ACDI") equal in value to Two Million and No/100 Dollars (\$2,000,000.00). The number of ACDI shares to be provided to Sellers will be based on the average closing price per share for each of the last ten (10) trading days prior to Closing (the "Stock Payment").

1.2.3 An earnout amount equal to four (4) times the cumulative EBITDA of the Company's St. Joseph (Michigan) branch ("Earnout Amount") for the twelve month period following the Closing Date ("Earnout Period"), payable as follows:

1.2.3.1 Within thirty (30) days following the end of each three month period during the Earnout Period, Buyer shall calculate the cumulative Earnout Amount for the three month period just ended and each prior three month period during the Earnout Period (the "Cumulative Earnout Amount"). If the Cumulative Earnout Amount is a positive number, then within five (5) business days following Buyer's determination of the Cumulative Earnout Amount, Buyer shall make a cash payment to Sellers (on a pro rata basis) equal to ("Quarterly Earnout Payment"): (x) fifty (50%) percent of the

Cumulative Earnout Amount, minus (y) the aggregate amount of Quarterly Earnout Payments made by Buyer to Seller pursuant to this Section 1.2.3 for all prior three month periods. If the Cumulative Earnout Amount or Quarterly Earnout Payment is a negative number, then the Quarterly Earnout Payment for that period shall be zero.

1.2.3.2 Within five (5) business days following the Buyer's determination of Cumulative Earnout Amount for the last three (3) month period during the Earnout Period, Buyer shall pay to Sellers (on a pro rata basis) an amount equal to the entire Cumulative Earnout Amount, minus the aggregate amount of the Quarterly Earnout Payments previously made by Buyer.

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1.2.3.3 If the aggregate amount of Quarterly Earnout Payments exceeds the actual Earnout Amount for the entire Earnout Period, then the Buyer shall be reimbursed the excess amount paid to Sellers from the Escrow Amount.

1.2.3.4 During the Earnout Period, monthly financial statements of the Company utilized in determining the Earnout Amount shall be provided to Sellers.

1.3 PURCHASE PRICE ADJUSTMENT. The Cash Payment amount due at Closing or any other amount otherwise due Sellers hereunder shall be adjusted downward if the Company's "Net Current Asset Value" (as defined herein) as of the Closing Date is less than the Company's average Net Current Asset Value for the three (3) month period ending March 31, 2005. For this purpose, the term "Net Current Asset Value" means the book value of the Company's current assets as of the applicable measurement date minus the Company's current liabilities as of the same date, each of which shall be determined in accordance with GAAP. Within ninety (90) days following the Closing, Buyer shall provide Sellers with a Schedule prepared by Buyer in good faith showing (i) the Net Current Asset Value as of the Closing Date, (ii) the average Net Current Asset Value for the three month period ended March 31, 2005, and (iii) an estimate of the amount of the adjustment to the Purchase Price, if any ("Buyer's Adjustment Schedule"). In order for Buyer to prepare its Buyer's Adjustment Schedule, the Sellers shall provide Buyer a copy of the Company's April 2005 financial statements on or before May 31, 2005. Unless Sellers shall provide Buyer with written objection to the Buyer's Adjustment Schedule within thirty (30) days following Sellers' receipt thereof, the Buyer's Adjustment Schedule shall become final, binding and conclusive upon the parties for purposes of this Agreement and Buyer shall be entitled to have the Purchase Price adjustment amount reflected in the Buyer's Adjustment Schedule released to Buyer from the Escrow Amount or otherwise. If Sellers timely provide said objection to the Buyer's Adjustment Schedule, and the parties are unable to reach a mutual agreement as to the Purchase Price adjustment amount within a period of thirty (30) days following such objection by Sellers, then within seven (7) days thereafter, the calculation of the

Purchase Price adjustment shall be submitted to an independent certified public accountant mutually selected, in writing, by the parties for such purpose ("Independent Accountant"). Each party shall thereupon furnish to the Independent Accountant such work papers and other documents and information requested by the Independent Accountant. The Independent Accountant shall determine the Purchase Price adjustment within thirty (30) days following the date of its appointment, which determination shall be final, binding, and conclusive upon the parties. The parties shall bear all costs, fees and expenses of the Independent Accountant equally.

1.4 ESCROW AMOUNT. At the Closing, Buyer shall deposit the sum of Two Hundred Forty-Five Thousand and No/100 Dollars (\$245,000.00) into escrow (the "Escrow Amount") to be held pursuant to the terms of that certain Escrow Agreement attached hereto as Exhibit 1.4. The Escrow Amount shall be used to (i) satisfy any valid indemnification claims that Buyer has against the Sellers, (ii) reimburse Buyer for the amount of any excess Quarterly Earnout Payments, and (iii) satisfy any other claims or rights of set off that Buyer has against Sellers. Within five (5) days following the final determination of the Cumulative Earnout Amount, the escrow agent shall release to Sellers (on a pro rata basis) one-half of the remaining balance of the Escrow Amount, less a reasonable reserve for any pending indemnification claims/offsets.

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Within thirty (30) days following the second anniversary date of the Closing Date, the escrow agent shall release to Sellers the remaining balance of the Escrow Amount, less a reasonable reserve for pending indemnification claims/offsets. Once all indemnification claims/set offs have been finally resolved, the balance of the Escrow Amount, if any, shall be released to Sellers.

1.5 NATURE OF ACDI STOCK. Each Seller understands that the ACDI stock acquired by them hereunder has not been registered under the Securities Act of 1933, as amended (the "Act"), or under any applicable state securities law, and is being issued to them in reliance upon available exemptions from registration, and is deemed restricted stock within the meaning of Rule 144 promulgated by the Securities Exchange Commission. Each Seller further acknowledges and understands that the resale of the ACDI stock has not been registered by ACDI, and the ACDI stock cannot be resold by Sellers unless the ACDI stock is registered for resale or an exemption from registration is available under federal and state law. As a condition to Sellers' receipt of the Stock Payment, each Seller shall be required to execute and deliver to ACDI the Stock Payment Agreement in the form attached hereto as Exhibit "1.5". Buyer shall cause ACDI to issue to each Seller a stock certificate evidencing such Seller's share of the Stock Payment as soon as reasonably possibly following the Closing.

1.6 CLOSING. The purchase and sale (the "Closing") provided for in this Agreement will take place at 10:00 a.m. on April 30, 2005 at the offices of Arcadia Health Services of Michigan, Inc., 26777 Central Park Boulevard, Suite 200, Southfield, Michigan 48076, or at such other time and place as the parties

may mutually agree. The effective date of the transfer of ownership of the Shares shall be 11:59:59 p.m. on April 30, 2005.

1.7 CLOSING OBLIGATIONS. At the Closing:

1.7.1 Sellers will deliver to Buyer (collectively the "Sellers' Closing Documents"):

(a) Certificates representing the Shares, duly endorsed (or accompanied by duly executed stock powers);

(b) A Release in the form of Exhibit 1.7.1(b) executed by Sellers indicating Sellers shall release the Company from any and all claims, liabilities or obligations ("Sellers' Release");

(c) Noncompetition/Non-Solicitation agreements in the form of Exhibit 1.7.1(c), executed by Sellers, and key branch personnel to be agreed upon by the parties (collectively the "Sellers Noncompetition Agreements");

(d) The Required Consents (as hereinafter defined);

(e) The resignation of Sellers and such other individuals identified on Schedule 1.5.1(e), as officers, directors and employees of the Company, effective as of the Closing Date, in the form of Exhibit 1.7.1(e);

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(f) A legal opinion from Sellers' counsel in the form of Exhibit 1.7.1(f);

(g) The Stock Payment Agreement;

(h) Sellers' proof of tail coverage for professional and general liability for claims occurring prior to Closing;

(i) All other documents, instruments or writings required to be delivered to Buyer at or prior to the Closing pursuant to this Agreement and such other certificates of authority and documents as Buyer may reasonably request.

1.7.2 Buyer will deliver to Sellers (the "Buyer's Closing Documents"):

(a) The Cash Payment;

(b) The Stock Payment Agreement evidencing each Sellers right to receive the Stock Payment;

(c) An Encumbrance Certificate in the form of Exhibit 1.7.2(c).

(d) All other documents, instruments or writings required to be delivered to Sellers at or prior to the Closing pursuant to this Agreement and such other certificates of authority and documents as Sellers may reasonably request.

#### 1.8 SELLERS' PAYMENT FOR TAIL LIABILITY INSURANCE.

On or before the Closing, Sellers shall purchase a tail policy and provide evidence thereof to Buyer, which policy shall cover all professional and general liability risks of the Company for occurrences or events occurring prior to Closing.

### ARTICLE II REPRESENTATIONS AND WARRANTIES OF COMPANY AND SELLERS

As a material inducement to Buyer entering into this Agreement and knowing and acknowledging that Buyer is relying upon the same, the Company and Sellers, jointly and severally, hereby make, as of the Closing Date, the following representations and warranties to Buyer.

2.1 ORGANIZATION AND GOOD STANDING. The Company is a corporation duly organized, validly existing, and in good standing under the respective laws of the State of its incorporation, with full power and authority to conduct its business as it is now being conducted, to own, lease and use the properties and assets that it purports to own, lease or use, and has the full power and authority to perform all of its material Contracts. The Company is duly qualified to do business as a foreign corporation and is in good standing under the laws of each state or other jurisdiction which either the ownership, leasing or use of the properties owned, leased or used by it, or the nature of the activities conducted by it, require such qualification.

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2.2 AUTHORITY/ENFORCEABILITY. This Agreement constitutes the legal, valid, and binding obligation of Sellers and Company, enforceable against them in accordance with its terms. Upon the execution and delivery by Sellers of the Sellers' Closing Documents, the Sellers' Closing Documents will constitute the legal, valid, and binding obligations of Sellers, enforceable against them in accordance with their respective terms. Sellers and Company have the absolute and unrestricted right, power, authority, and capacity to execute and deliver this Agreement and the Sellers' Closing Documents and to perform their respective obligations under this Agreement and the Sellers' Closing Documents.

2.3 NO CONFLICT. Neither the execution and delivery of this Agreement nor the consummation or performance of any of the contemplated transactions hereunder will, directly or indirectly (with or without notice or lapse of time): (a) contravene, conflict with, result in a violation of or have any

adverse affect upon (i) any provision of the organizational documents of the Company, or (ii) any resolution adopted by the Board of Directors or the stockholders of the Company; (b) contravene, conflict with, or result in a violation of, or give any Governmental Body or other Person the right to challenge, any of the transactions contemplated hereunder or to exercise any remedy or obtain any relief under any Legal Requirement, any Order to which the Company or Sellers, or any of the assets owned or used by the Company, may be subject; (c) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by the Company or that otherwise relates to the business of, or any of the assets owned or used by, the Company; (d) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Contract; or (e) result in the imposition or creation of any Encumbrance upon or with respect to any of the assets owned or used by the Company. Except as set forth in Schedule 2.3 ("Required Consents"), neither Sellers nor Company is or will be required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the transactions contemplated hereunder.

2.4 CAPITALIZATION. The equity securities of the Company are duly authorized, validly issued, fully paid and non-assessable, and consist solely of the equity securities described in Schedule 2.4. At the Closing, the Shares shall represent all of the issued and outstanding shares of capital stock of the Company. Sellers are and will be on the Closing Date, the legal, record and beneficial owners and holders of all of the Shares, free and clear of all Encumbrances, and shall transfer ownership and marketable title to the Shares to the Buyer, free of all Encumbrances at the Closing. There are no Contracts relating to the issuance, sale, or transfer of any equity securities or other securities of the Company, no Person has any rights to acquire any shares of the capital stock of the Company, and there are no options, calls, warrants or other securities or rights outstanding which relate to, are convertible into or exercisable for any securities of the Company. Schedule 2.4 sets forth, with respect to the Company, the name, address and federal taxpayer identification number of, and the number of outstanding Shares legally and beneficially owned by each Seller as of the Closing Date.

2.5 FINANCIAL STATEMENTS. Attached hereto as Schedule 2.5 are the following financial statements of the Company ("Financial Statements"): (a) the reviewed balance sheet of

Company as of December 31, 2004 and 2003, and the reviewed related statements of income for each of the years then ended, together with (b) a balance sheet of Company as of March 31, 2005 and the related statement of income for the month then ended (the "Interim Financial Statements"). All Financial Statements are true, accurate, complete, and present the properties, financial condition and

results of operations of Company as of the respective dates of and for the periods referred to in such Financial Statements, all in accordance with and pursuant to GAAP consistently applied, except as expressly stated in Schedule 2.5.

2.6 BOOKS AND RECORDS. The books of account, accounting records, minute books, and stock record books of the Company (collectively "Records"), are in all material respects complete, accurate and correct and have been maintained in accordance with reasonable business practices, except as may be disclosed in the Financial Statements. All existing Records requested by the Buyer have been made available to the Buyer for review. The minute books of the Company contain accurate and complete records of all meetings held of, and corporate action taken by, the stockholders, the Board of Directors, and committees of the Board of Directors of the Company, and no meeting of any such stockholders, Board of Directors or committee has been held for which minutes have not been prepared and maintained in such minute books, except for any inconsequential and informal meeting which did not have any significant impact upon the Company and at which no business of any consequence was conducted, no actions or resolutions were taken and no liability was incurred. At the Closing, all Records will be delivered to the Buyer.

2.7 TITLE TO PROPERTIES; ENCUMBRANCES. Except as indicated in Schedule 2.7, the Company owns and has absolute, good and marketable title to all of the material properties and assets (whether tangible or intangible) located in the Leased Property, used in the Business or operations of the Company, or reflected in the books, records or Financial Statements of the Company, and all material properties and assets purchased or otherwise acquired by the Company since the date of the Interim Financial Statements (collectively "Company Assets"). All Company Assets are free and clear of all Encumbrances, except those Encumbrances described in Schedule 2.7.

#### 2.8 REAL PROPERTY.

2.8.1 Schedule 2.8.1 lists and describes all real property or interests in real property leased or subleased to or by the Company ("Leased Property"). The Company does not conduct any of its Business and no assets of the Company are located at any location other than the Leased Property. The Sellers have delivered to the Buyer correct and complete copies of the leases and subleases listed in Schedule 2.8.1 and with respect to each such lease and sublease, except as disclosed in Schedule 2.8.1:

(a) Each is legal, valid, binding, enforceable, and in full force and effect in all material respects and will continue to be legal, valid, binding, enforceable, and in full force and effect in all material respects on identical terms following the consummation of the Contemplated Transactions;

(b) No Person is in breach or default, and no event has occurred which, with or without notice or lapse of time, would constitute a breach or default or permit termination, modification, or acceleration thereunder;

(c) No Person has repudiated any provision thereof;

(d) There are no disputes, material oral agreements, or forbearance arrangements in effect as to the lease or sublease;

(e) With respect to each sublease, the representations and warranties set forth in subsections (a) through (d) above are true and correct with respect to the underlying lease; and

(f) The Company has not assigned, transferred, conveyed, mortgaged, deeded in trust, or encumbered any interest in the leasehold or subleasehold.

2.8.2 Except as disclosed in Schedule 2.8.2, with respect to each parcel of Leased Property:

(a) The Company has received all material Governmental Authorizations required in connection with the use or operation thereof and each have been operated and maintained in accordance with material applicable Legal Requirements;

(b) Each is supplied with utilities and other services necessary for the operation of said Leased Property in the Ordinary Course of Business as conducted prior to the Closing;

(c) There are no pending or threatened condemnation proceedings, or lawsuits or administrative actions relating to any parcel of Leased Property which could affect the current use or occupancy thereof;

(d) There are no public improvements which should have been ordered, threatened, announced or contemplated which have not been completed, assessed and fully paid for;

(e) There are no parties (other than the Company) in possession or control of any parcel of Leased Property, except as disclosed in Schedule 2.8.2; and

(f) Each parcel of Leased Property has vehicular access to a public road, and access to the Facility provided by paved public right-of-way with adequate curb cuts available.

2.9 CONDITION AND SUFFICIENCY OF ASSETS. Except as disclosed in Schedule 2.9, the Leased Property and the Company Assets which are material to the Business and operations of the Company, are structurally sound, in good

operating condition and repair, and are adequate for the uses to which they are being put, and none of such Leased Property or the Company

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Assets are in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. All personal property, fixtures, machinery and equipment owned or used by the Company, which are material to the operations of the Company, are in reasonable operating condition and repair, except as disclosed in Schedule 2.9. All real property, buildings, plants and structures used by the Company are, in all material respects, structurally sound and in good operating condition, except as disclosed in Schedule 2.9. The Leased Property and the Company Assets are sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing.

2.10 ACCOUNTS RECEIVABLE. All accounts receivable, net of allowances for doubtful accounts, of the Company that are reflected in the Financial Statements or in the accounting records of the Company as of the Closing Date (collectively the "Accounts Receivable") represent and, at the Closing, will represent valid obligations arising from sales actually made or services actually performed in the Ordinary Course of Business. Unless paid prior to the Closing Date, the Accounts Receivable are and at the Closing will be current and collectible, in full, subject to no offsets or defenses, except for the amount of any respective reserves shown in the Financial Statements (which reserves are adequate and calculated in accordance with GAAP and consistent past practice and, in the case of the reserves as of the Closing Date, will not represent a Material Adverse Change in the composition of such Accounts Receivable in terms of aging). Subject to such stated reserves, each of the Accounts Receivable either has been or will be collected in full, without any set-off, within one hundred twenty (120) days after the Closing. Sellers agree that in the event that for any reason whatsoever Buyer, utilizing normal and reasonable collection efforts, shall not collect the full face amount of each and every account receivable included in the Financial Statements, within one hundred twenty (120) days following the Closing, Sellers shall, within fifteen (15) days following Buyer's request, from time to time, jointly and severally reimburse and indemnify Buyer for the full uncollected portion thereof, or Buyer shall have the right, at its option, to be reimbursed from the Escrow Amount or otherwise offset the amount of such uncollected receivable. In the event that Buyer collects any portion of a receivable for which Buyer previously received indemnity from Sellers or reimbursement from the escrow, or offset amounts otherwise owing Sellers, Buyer shall promptly remit such payment to Sellers. For any and all accounts receivable for which Buyer is reimbursed out of the Escrow Amount, or otherwise, Buyer shall thereafter assign such receivable back to Sellers. During the period any amounts are held in Escrow pursuant to Section 1.4 hereof, the Company shall provide a weekly Accounts Receivable summary in writing to Sellers.

2.11 INVENTORY. The Company has no inventory.

2.12 TAXES.

2.12.1 The Company has filed or caused to be filed, on a timely basis including lawful extensions, all Tax Returns that are or were required to be filed by or with respect to it, pursuant to applicable Legal Requirements. The Company has paid all Taxes that have or may have become due pursuant to those Tax Returns, any Legal Requirement or otherwise, or pursuant to any assessment received by Sellers or the Company.

2.12.2 Schedule 2.12.2 contains a complete and current list of all audits of or adjustments to all Tax Returns of the Company (or its predecessors) ending within the

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four (4) year period immediately preceding the date of the Interim Financial Statements, including a reasonably detailed description of the nature, proposed adjustments and outcome of each audit. Except as described in Schedule 2.12.2, neither Sellers nor the Company have given or been requested to give waivers or extensions (or are or would be subject to a waiver or extension given by any other Person) of any statute of limitations relating to the payment of Taxes by the Company or for which the Company may be liable. All deficiencies accrued as a result of such audits have been paid.

2.12.3 Taxes based on the operations of the Company have been reflected on the books and records of the Sellers. The charges, accruals, and reserves with respect to Taxes in the Financial Statements of the Sellers for the Company are correctly determined in accordance with GAAP. All Taxes that the Company is or was required by Legal Requirements to pay, withhold or collect have been duly paid, withheld or collected and, to the full extent required, have been timely paid to the proper Governmental Body or other Person. The Company has no Liability for Taxes, except for Taxes reserved in its Closing Financial Statements and accrued in the Ordinary Course of Business since the date thereof.

2.12.4 All Tax Returns filed (or that are included on a consolidated basis) by the Company are true, correct, and complete and exact copies of all Tax Returns filed by the Company during the four (4) year period preceding the date hereof have been made available to the Buyer. All Tax Returns required to be filed on a consolidated or combined basis with any affiliates or related parties have in fact been filed on a consolidated or combined basis. There is no tax sharing agreement that will require any payment by the Company after the date of this Agreement.

2.12.5 Schedule 2.12.5 describes all tax elections and consents filed by the Company with any Governmental Body. The Company has never filed any election or consent under IRC Sections 341 or 338.

2.13 NO MATERIAL ADVERSE CHANGE. Since December 31, 2004, there has not

been any Material Adverse Change to the Company, the Company Assets or the Business, and no event has occurred or circumstance exists that may result in a Material Adverse Change to the Company, the Company Assets or the Business.

## 2.14 EMPLOYEE BENEFITS.

2.14.1 Schedule 2.14.1 describes each Employee Benefit Plan that the Company maintains or to which the Company contributes and each Employee Benefit Plan that the Company formerly maintained or to which the Company ever contributed in the past three (3) years.

2.14.2 Except as disclosed in Schedule 2.14.2, each Employee Benefit Plan (and each related trust, insurance contract or fund) complies in form and in operation in all respects with the applicable requirements of ERISA, the IRC and all other Legal Requirements and all required filings, returns, reports and descriptions (including Form 5500 Annual Reports, Summary Annual Reports, PBGC-1's and Summary Plan

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Descriptions) have been timely filed or distributed appropriately with respect to each such Employee Benefit Plan as required by ERISA, the IRC and all Legal Requirements.

2.14.3 All required contributions (including all employer contributions and employee salary reduction contributions) have been paid to each Employee Benefit Plan and all required contributions for any period ending on or before the Closing Date which are not yet due have been and shall be accrued and reserved in the Company's Interim Financial Statements and books and records. All premiums or other payments for all periods ending on or before the Closing Date have been paid or have been accrued and reserved in the Company's respective Interim Financial Statements and books and records with respect to each such Employee Benefit Plan.

2.14.4 No funding or asset deficiency of any kind exists under any Employee Benefit Plan.

2.14.5 Except as disclosed in Schedule 2.14.5, Sellers have made available to Buyer correct and complete copies of all Employee Benefit Plans, including without limitation, all agreements, plan documents and summary plan descriptions, the most recent determination letter received from the IRS, the three (3) most recent Form 5500 Annual Reports, and all related trust agreements, insurance contracts and other funding agreements which implement or relate to each Employee Benefit Plan.

2.14.6 No such Employee Benefit Plan has been completely or partially terminated or been the subject of a reportable event as to which notices would be required to be filed with the PBGC within the past three (3) years. No proceeding by the PBGC to terminate any such Employee

Benefit Plan has been instituted or threatened.

2.14.7 To the knowledge of the Sellers and the Company, there have been no prohibited transactions with respect to any such Employee Benefit Plan. No Fiduciary has any Liability for breach of fiduciary duty or any other failure to act or comply in connection with the administration or investment of the assets of any such Employee Benefit Plan. No action, suit, proceeding, complaint, grievance, hearing or investigation with respect to the administration or the investment of the assets of any such Employee Benefit Plan (other than routine claims for benefits) is pending or threatened. Neither the Company (nor their employees with responsibility for employee benefits matters) nor the Sellers have any Knowledge of any basis for any such action, suit, grievance, complaint, proceeding, hearing or investigation.

2.14.8 The Company has not incurred, and neither the Sellers nor the directors and officers (and employees with responsibility for employee benefits matters) of the Company has any reason to expect that the Company will incur any Liability to the PBGC (other than PBGC premium payments) or otherwise under Title IV of ERISA (including any withdrawal Liability) or under the Code with respect to any such Employee Benefit Plan which is an Employee Benefit Plan.

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2.14.9 The Company does not contribute to, never has contributed to, and never has been required to contribute to any Multi-Employer Plan or has any Liability (including withdrawal Liability) under any Multi-Employer Plan.

2.14.10 Except as disclosed in Schedule 2.14.10, the Company does not maintain, has ever maintained, has never contributed, and has never been required to contribute to any Employee Benefit Plan providing medical, health or life insurance or other welfare-type benefits for current or future retired or terminated employees, their spouses or their dependents.

2.14.11 The Company has no Liability arising from any Employee Plan, except for any liability reflected in the Company's Interim Financial Statements or as accrued in the Ordinary Course of Business since the date of such Interim Financial Statements.

2.15: 2.15 COMPLIANCE WITH LEGAL REQUIREMENTS. Except as set forth in Schedule

2.15.1 The Company is, and at all times during the last three (3) years has been, in full compliance with each material Legal Requirement that is or was applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets;

2.15.2 No event has occurred or circumstance exists that (with or without notice or lapse of time) may constitute or result in a violation by the Company under, or a failure on the part of the Company to comply with, any Legal Requirement

2.15.3 Neither Company nor Sellers have received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (i) any actual or, to the Knowledge of the Company, alleged violation of, or failure to comply with, any Legal Requirement, or (ii) any actual or, to the Knowledge of the Company, alleged obligation on the part of the Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

## 2.16 GOVERNMENTAL AUTHORIZATIONS.

2.16.1 Schedule 2.16.1 contains a complete and correct list of each Governmental Authorization that is held by the Company or that otherwise relates to the Business of, or to any of the Company Assets. Each Governmental Authorization listed or required to be listed in Schedule 2.16.1 is valid and in full force and effect. The Company has fully complied with all conditions and requirements for, or relating to, all Governmental Authorizations.

2.16.2 The Company has all material Governmental Authorizations necessary to permit it to lawfully conduct and operate its business in the manner as currently conducted, and to permit it to own and use the Company Assets in the manner in which they are currently owned and used.

2.16.3 Neither Company nor Sellers have received any notice or other communication regarding any actual or alleged (i) violation or failure to comply with

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any Governmental Authorization, or (ii) revocation, withdrawal, suspension, cancellation, termination or modification of any material Governmental Authorization.

## 2.17 LEGAL PROCEEDINGS; ORDERS.

2.17.1 Except as disclosed in Schedule 2.17.1, there is no pending Proceeding: (a) that has been commenced by or against the Company or any Seller or that otherwise relates to or may affect the Business of, or any of the Company Assets; or (b) that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the transactions contemplated hereunder. No such Proceeding has been Threatened in writing or orally, and no Proceeding has been terminated (by adjudication, settlement or otherwise) within the last three (3) years. No event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such

Proceeding; and

2.17.2 There is currently no Order to which the Company, any Seller or any of the Business or any of the Company Assets, is subject. The Company has complied with all Orders to which it, or any of the Company Assets has been subject.

2.18 ABSENCE OF CERTAIN CHANGES AND EVENTS. Except as set forth in Schedule 2.18, since December 31, 2004, the Company has conducted its Business only in the Ordinary Course of Business and there has not been any:

2.18.1 Change in the Company's authorized or issued capital stock; grant of any stock option or right to purchase shares of capital stock of the Company; issuance of any security convertible into such capital stock; or declaration or payment of any dividend or other distribution or payment in respect of shares of capital stock;

2.18.2 Amendment to the Organizational Documents of the Company;

2.18.3 Payment of any bonuses to or any increase in any salaries, wages, benefits or other compensation of any stockholder, director, officer, employee, agent or Representative of the Company or entry into any employment or severance agreement or arrangement, or any other Contract with such Person except for increases or payments in the Ordinary Course of Business;

2.18.4 Payment or accrual of any bonuses, commissions or other distributions to any Sellers or any relative of any Sellers;

2.18.5 Adoption of, or increase in the payments to or benefits under, any Employee Benefit Plan;

2.18.6 Damage to or destruction or loss of any asset or property of the Company, whether or not covered by insurance, in excess of \$10,000;

2.18.7 Entry into, termination of, or receipt of notice of termination of any Contract or transaction outside the Ordinary Course of Business or which involves a total

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remaining commitment by or to the Company of at least \$10,000, other than such actions that would not reasonably be considered to have a Material Adverse Effect;

2.18.8 Sale, license, lease, or other disposition of any asset or property of the Company in excess of \$10,000 or imposition of any Encumbrance on any asset or property of the Company, except in the Ordinary Course of Business;

2.18.9 Cancellation, settlement, or waiver of any claims or rights of or against the Company in excess of \$10,000;

2.18.10 Change in any of the accounting methods or principles used by the Company except for any changes necessitated by changes to GAAP or as required pursuant to this Agreement; or

2.18.11 The entry into any Contract by the Company to do any of the foregoing.

## 2.19 CONTRACTS; NO DEFAULTS.

2.19.1 Schedule 2.19.1 contains a complete and correct list, and Sellers have made available to Buyer true and complete copies, of:

(a) Each Contract that involves the furnishing or performance of services, or the delivery, sale, lease or transfer of goods, materials or products, by the Company in an amount or value in excess of \$10,000, including, but not limited to, purchase orders received by the Company;

(b) Each Contract that involves the furnishing or performance of services to, or the purchase, lease or receipt of goods, materials, inventory, supplies, products or other personal property by the Company in an amount or value in excess of \$10,000, including, but not limited to, purchase orders issued by the Company;

(c) Each lease, rental or occupancy agreement, license, installment and conditional sale agreement, and other Contracts affecting the ownership of, leasing of, title to, use of, or any leasehold or other interest in, any personal property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than \$10,000);

(d) Each Contract under which the Company has created, incurred, assumed or guaranteed any indebtedness for borrowed money, has incurred any capitalized lease obligation, or under which any of its tangible or intangible assets, are Encumbered;

(e) Each licensing agreement or other Contract with respect to any Intellectual Property Assets, including, without limitation, agreements with current or former employees, consultants, or contractors regarding the appropriation or the non-disclosure of any of the Intellectual Property Assets;

(f) Each profit sharing, stock option, stock purchase, stock

appreciation, deferred compensation, severance, or other plan, arrangement, contract or Employee Benefit Plan for the benefit of its current or former directors, officers, and employees, except for Employee Benefits Plans disclosed in Schedule 2.15;

(g) Each written agreement for the employment of or receipt of any services from any Person on a full-time, part-time, consulting, commission or any other basis, except for oral agreements of employment that are terminable by the Company at will and without any Liability;

(h) Each Contract containing covenants that in any way purport to restrict the business activity of the Company or limit the freedom of the Company to engage in any line of business or to compete with any Person;

(i) Each Contract for capital expenditures in excess of \$10,000;

(j) Each warranty, guaranty, or other similar undertaking extended by the Company for or with respect to any Person;

(k) Each Contract with any employee, officer, director, shareholder, sales representative, consultant, distributor, Representative or agent of the Company;

(l) Each Contract relating to Intellectual Property Assets;

(m) Each Contract not entered into in the Ordinary Course of Business;

(n) Each Contract relating to confidentiality or noncompetition;

2.19.2 Except as set forth in Schedule 2.19.2, the Sellers do not have any fixed or contingent rights or obligations under any Contract that relates to the business of, or any of the assets owned or used by, the Company.

2.19.3 Except as set forth in Schedule 2.19.3, each Contract is in full force and effect and is valid and enforceable in accordance with its terms.

2.19.4 Except as set forth in Schedule 2.19.4, with respect to each Contract (including, without limitation, those Contracts and agreements disclosed or required to be disclosed in Schedule 2.19.1):

(a) The Company is, and at all times has been, in material compliance with all applicable terms and requirements of each Contract;

(b) Each other Person that has or had any obligation or liability under any Contract is, and at all times has been, in material compliance with all applicable terms and requirements of such Contract;

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(c) No event has occurred or circumstance exists that (with or without notice or lapse of time) may contravene, conflict with, or result in a violation or breach of, or give the Company or other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify, any Contract; and

(d) The Company has not given to nor received from any other Person any notice or other communication (whether oral or written) regarding any actual or alleged violation or breach of, default under or termination or cancellation of, any Contract.

2.19.5 The Contracts relating to the sale, design, manufacture, or provision of products or services by the Company have been entered into in the Ordinary Course of Business and have been entered into without the commission of any act alone or in concert with any other Person, or any consideration having been paid or promised, that is or would be in violation of any Legal Requirement or customer or supplier requirement, restriction, code or rule of conduct.

2.20 INSURANCE. Schedule 2.20 sets forth a description with respect to each insurance policy (including policies providing property, casualty, liability and workers compensation coverage and bond and surety arrangements) to which the Company has been a party, a named insured or otherwise the beneficiary of coverage at any time within the past three (3) years, including (a) the name, address and telephone number of the agent; (b) the name of the insurer, the name of the policyholder, and the name of each covered insured; (c) the policy number and the period of coverage; (d) the scope (including an indication of whether the coverage was on a claims made, occurrence or other basis) and amount (including a description of how deductibles and ceilings are calculated and operate) of coverage; and (e) a description of any retroactive premium adjustments or other loss-sharing arrangements. With respect to each such insurance policy: (i) the policy is legal, valid, binding, enforceable and in full force and effect; (ii) the policy, as to the Sellers, will continue to be legal, valid, binding, enforceable and in full force and effect on identical terms following the consummation of the transaction contemplated hereby; (iii) neither Company nor any other Person is in breach or default, and no event has occurred which, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification or acceleration, under the policy; and (iv) no Person has repudiated any provision thereof. The Company has been covered during the past three (3) years by insurance in scope and amount customary and reasonable for the business in which it has engaged during such period. Schedule 2.20 describes any self-insurance arrangements affecting the

Company.

## 2.21 ENVIRONMENTAL MATTERS. Except as set forth in Schedule 2.21:

2.21.1 The Company is, and at all times has been, in full compliance with, and has not been and is not in violation of or liable under, any Environmental Law and has never engaged in any Hazardous Activity. Neither Sellers nor the Company have any basis to expect, nor has any of them or any other Person for whose conduct they are or may be held to be responsible, received, any actual or Threatened Order, notice or other communication from any Governmental Body or Person, or the current or prior owner or

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operator of any Facility, of any actual or potential violation or failure to comply with any Environmental Law, or of any actual or Threatened obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities with respect to any of the Facility or any other properties or assets (whether real, personal, or mixed) in which Sellers or the Company has had an interest, or with respect to any property or Facility at or to which Hazardous Materials were generated, manufactured, refined, transferred, imported, used, or processed by Sellers or the Company or any other Person for whose conduct they are or may be held responsible.

2.21.2 There are no pending, potential or Threatened claims or Encumbrances arising under or pursuant to any Environmental Law, or any Environmental, Health and Safety Liabilities, with respect to or affecting the Facility or any other properties and assets (whether real, personal, or mixed) in which Sellers or the Company have ever used, possessed or occupied, or ever had any interest in.

2.21.3 Neither Sellers nor the Company, nor any other Person for whose conduct they are or may be held responsible, has any Environmental, Health and Safety Liabilities.

## 2.22 EMPLOYEES/REPRESENTATIVES.

2.22.1 Schedule 2.22.1 contains a complete and accurate list of the following information for each employee of the Company, including each employee on leave of absence or layoff status: (a) name; (b) date of hire, (c) job title; (d) current compensation and bonus paid or payable; (e) vacation accrued; (f) service credited for purposes of vesting and eligibility to participate under any Employee Benefit Plan, and (g) all other unpaid compensation, bonus and overtime pay, accrued or payable for any period prior to the Closing.

2.22.2 To the Sellers' Knowledge, no employee, officer or director of the Company is a party to, or is otherwise bound by, any agreement or

arrangement, including any confidentiality, noncompetition, or proprietary rights agreement, between such employee, officer or director and any other Person.

2.22.3 Schedule 2.22.3 also contains a complete and accurate list of the following information for each retired employee or director of the Company, or their dependents, receiving benefits or eligible to receive benefits in the future: (a) name, (b) benefit, (c) payment option election, (d) retiree medical insurance coverage, (e) retiree life insurance coverage, and (f) other benefits.

2.22.4 Schedule 2.22.4 lists each current sales representative, commissioned salesperson, consultant or other agent or representative of the Company ("Representatives"), and all former Representatives, terminated within the last 3 years and to which the Company owes any Liability, along with a complete description of the compensation or Liability payable to such Representatives and all Contracts relating thereto, and Sellers have made available to Buyer a true and complete copy of each such Contract and/or all amendments thereto.

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2.22.5 Except for any written resignations expressly required by this Agreement, to Sellers' Knowledge, no Representative, director or officer, of the Company intends to terminate or materially alter his employment or other business relationship with the Company. Neither Sellers nor Company has received any notice of termination or resignation from any current director, officer or Representative of the Company.

2.23 LABOR RELATIONS; COMPLIANCE. Except as set forth in Schedule 2.23, the Company has not been nor is a party to any collective bargaining or other labor Contract. There has not been, there is not presently pending or existing, and there is not Threatened, any Proceeding against or affecting the Company relating to the alleged violation of any Legal Requirement pertaining to labor relations or employment matters, including any charge or complaint filed by an employee with the National Labor Relations Board, the Equal Employment Opportunity Commission, or any comparable Governmental Body or other labor or employment dispute against or affecting the Company or its premises. The Company has complied in all material respects with all Legal Requirements relating to employment, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, the payment of social security and similar taxes, and occupational safety and health. The Company is not liable for the payment of any compensation, damages, taxes, fines, penalties, or other amounts, however designated, for failure to comply with any of the foregoing or other Legal Requirements.

2.24 INTELLECTUAL PROPERTY.

2.24.1 Schedule 2.24.1 contains a complete and accurate list (including, without limitation, any royalties paid or payable or received

by the Company), of all Contracts regarding Intellectual Property Assets and Sellers have made available a true and complete copy of each such Contract and any amendments thereto to the Buyer.

2.24.2 The Intellectual Property Assets are all those necessary for the operation of the Company's business as it is currently conducted and as it has been conducted during the three (3) year period prior to the date hereof.

2.24.3 Ownership.

(a) Schedule 2.24.3 contains a complete and accurate list of all Intellectual Property Assets. The Company is the owner of all right, title, and interest in and to each of the Intellectual Property Assets, free and clear of all Encumbrances and the Company has the sole and undiminished right to the use of the Intellectual Property Assets without any Liability for royalties or other payments to a third party, except as disclosed on Schedule 2.24.3.

(b) All of the issued Patents, Marks and Copyrights are properly filed and registered, are currently in compliance with all Legal Requirements (including payment of filing, examination, and maintenance fees and proofs of working or use), are valid and enforceable, and are not subject to any challenges, violations, infringement claims, maintenance fees, royalty fees, Taxes or Proceedings or Liabilities, except as described in Schedule 2.24.3.

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(c) None of the products manufactured or sold, nor any process or know-how used, by the Company infringes or is alleged to infringe any patent, proprietary or other right of any other Person.

(d) Sellers and the Company have taken reasonable precautions to protect the secrecy, confidentiality, and value of their Trade Secrets.

2.25 SUBSIDIARIES. Except as disclosed in Schedule 2.25, the Company does not nor has it ever owned, directly or indirectly, any equity, profit or other interest in any subsidiary or other Person within the past three (3) years.

2.26 FINDERS OR BROKER FEES. There are no broker commissions, finders fees or other payments of like nature payable to any Person in connection with the transactions contemplated herein, and in no event will Buyer or the Company have any Liability for any fee or commission including, but not limited to, any finders, originators or brokers fee in connection with the transactions contemplated hereby.

2.27 COMPETITIVE INTEREST. Neither the Sellers nor any officers, directors or, to the Knowledge of the Sellers and the Company, any other employees of the

Company, own, directly or indirectly, any interests or have any business or enterprise which is a competitor or potential competitor of the Company (excluding any non-management employees owning less than five percent (5%) of any public company).

2.28 RELATED PARTY TRANSACTIONS. Except as disclosed on Schedule 2.28, all of the transactions by the Company have been conducted on an arms length basis. No portions of the sales or other ongoing business relationships of the Company are dependent upon any familial relationship of Sellers or of any of the officers, directors or other employees of the Company. The Company has not engaged in any purchase, lease, sale or other transaction involving any Sellers, any officer, director, employee or Representative of the Company, any of their respective representatives, or any Person owned or controlled, in whole or in part, by any such parties, within the last three (3) years. The Company has no outstanding loans or other advances, directly or indirectly, to or from any of the Sellers, any officer, director or employee or Representative of the Company, any affiliate or relative of Sellers or any entity in which either Sellers or the Company have a direct or indirect interest.

2.29 BANK ACCOUNTS; BUSINESS LOCATIONS. Schedule 2.29 sets forth all accounts or deposits of the Company with any bank, broker, depository institution or other Person, and the names of all Persons authorized to withdraw funds from each such account. As of the date hereof, the Company has no office or place of business other than those identified in Schedule 2.29.

2.30 NAME; PRIOR TRANSACTIONS. All names under which the Company does business as the date hereof are specified on Schedule 2.30. Except as set forth on Schedule 2.30, the Company has not changed its name or used any assumed or fictitious name, or been the surviving entity in a merger, acquired any business or changed its principal place of business or chief executive office, within the past five (5) years.

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2.31 DISCLOSURE.

2.31.1 No representation or warranty of Sellers or Company in this Agreement and no statements in the Schedules omits to state any fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

2.31.2 No notice given pursuant to this Agreement or otherwise will contain any untrue statement or omit to state a material fact necessary to make the statements therein or in this Agreement, in light of the circumstances in which they were made, not misleading.

2.31.3 There is no fact known to any Sellers or the Company that has specific application to any Sellers or the Company (other than general economic or industry conditions) and that may have a Material Adverse Affect on the assets, business, prospects, financial condition, or

operations of the Company that has not been set forth in this Agreement or the Schedules.

ARTICLE III  
REPRESENTATIONS AND WARRANTIES OF BUYER

As a material inducement of Sellers entering into this Agreement and knowing and acknowledging that Sellers are relying upon the same, Buyer hereby makes, as of the Closing Date, the following representations and warranties to Sellers:

3.1 ORGANIZATION AND GOOD STANDING. Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the State of Michigan.

3.2 AUTHORITY; NO CONFLICT.

3.2.1 This Agreement constitutes the legal, valid, and binding obligation of Buyer, enforceable against it in accordance with its terms. Upon the execution and delivery by Buyer of the Buyer's Closing Documents, the Buyer's Closing Documents will constitute the legal, valid, and binding obligations of Buyer, enforceable against Buyer in accordance with its respective terms. Buyer has the absolute and unrestricted right, power, and authority to execute and deliver this Agreement and the Buyer's Closing Documents and to perform its obligations under this Agreement and the Buyer's Closing Documents.

3.2.2 Except as set forth in Schedule 3.2.2, neither the execution and delivery of this Agreement by Buyer, nor the consummation or performance of any of the transactions contemplated hereunder by Buyer will give any Person the right to prevent, delay, or otherwise interfere with any of the transactions pursuant to:

(a) Any provision of Buyer's Organizational Documents;

(b) Any resolution adopted by the board of directors or the stockholders of Buyer;

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(c) Any Legal Requirement or Order to which Buyer may be subject; or

(d) Any Contract to which Buyer is a party or by which Buyer may be bound.

Except as set forth in Schedule 3.2.2, Buyer is not and will not be required to obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the transactions contemplated hereunder.

3.3 CERTAIN PROCEEDINGS. There is no pending Proceeding that has been commenced against Buyer and that challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the transactions contemplated hereunder. To Buyer's Knowledge, no such Proceeding has been Threatened.

3.4 FINDERS OR BROKER FEES. There are no broker commissions, finders fees or other payments of like nature payable to any Person in connection with the transactions contemplated hereunder, and in no event will Buyer or the Company have any Liability for any fee or commission including, but not limited to, any finders, originators or brokers fee in connection with the transactions contemplated hereby.

ARTICLE IV  
INDEMNIFICATION, REMEDIES AND POST CLOSING COVENANTS

4.1 SURVIVAL; KNOWLEDGE. Except as otherwise provided in Sections 4.4 and 4.5 hereof, all representations, warranties, covenants, and obligations in this Agreement, the Schedules, the supplements to the Schedules, the certificate delivered pursuant to Section 1.5.1(a), and any other certificate or document delivered pursuant to this Agreement will survive the Closing and continue in perpetuity and in full force and effect thereafter. The right to indemnification, payment of Damages (as hereinafter defined) or other remedy based on such representations, warranties, covenants, and obligations will not be affected by any investigation conducted with respect to, or any Knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or obligation. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, payment of Damages, or other remedy based on such representations, warranties, covenants, and obligations. Notwithstanding any Knowledge or facts determined by the Buyer, the Buyer shall have the right to fully rely on the representations, warranties, covenants and agreements of the Sellers contained in this Agreement or in any other documents or papers delivered in connection herewith. Each representation, warranty, covenant and agreement of the Sellers contained in this Agreement is independent of each other representation, warranty, covenant and agreement.

4.2 INDEMNIFICATION AND PAYMENT OF DAMAGES BY SELLERS. Subject to the limitations of Section 4.6 hereof, Sellers will, jointly and severally, indemnify, defend and hold harmless Buyer, the Company and their respective representatives, stockholders, controlling

Persons, and affiliates (collectively the "Indemnified Persons") for, and will pay to the Indemnified Persons the amount of, any loss, Liability, claim, damage, expense (including costs of investigation, defense and reasonable

attorneys' fees) or diminution of value, whether or not involving a third-party claim (collectively "Damages"), arising, directly or indirectly, from or in connection with:

4.2.1 Any Breach of any representation or warranty made by the Company and Sellers in this Agreement, the Schedules, the supplements to the Schedules, or any other certificate or document delivered by Sellers pursuant to this Agreement;

4.2.2 Any Breach of any covenant or obligation of Sellers or Company in this Agreement;

4.2.3 Any Liability or claim for workers compensation benefits by or for any of the employees or Representatives of the Company arising from or related to any occurrence during any period prior to or including the Closing Date, except to the extent fully covered and paid for by insurance;

4.2.4 Any Liability or claim for any Tax which relates to any period prior to or including the Closing Date:

4.2.5 Any Environmental, Health and Safety Liabilities, or other Liabilities in any way arising from or allegedly arising from (i) any Hazardous Activity conducted or allegedly conducted with respect to the Facilities or the operation of the Company prior to the Closing, (ii) any Hazardous Material that was (a) present on or before the Closing on or at the Facilities, the Environment at the Facilities or any other property now or formerly owned, used or relating in any way to the operations or activities of the Company; or (b) Released or allegedly Released by Sellers, the Company or any other Person for whose conduct they are or may be held responsible, at any time on or prior to the Closing. Buyer will be entitled to control any Cleanup and related Proceeding;

4.2.6 Any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any such Person with Sellers or the Company (or any Person acting on their behalf) in connection with any of the transactions contemplated hereunder or any other transaction;

4.2.7 Reliance by Buyer on any books or records of the Company or the reliance by Buyer on any information furnished by Sellers or the Company or any of the directors or officers of the Company, to Buyer, to the extent any of such information should prove to be incorrect or false;

4.2.8 Any Liability or claim for health, life or other insurance benefits, or any other employee benefits or claims by or for any of the employees or Representatives of the Company arising from or relating to any occurrence during any period prior to or including the Closing Date, except to the extent fully covered and paid for by insurance;

4.2.9 Any Liability or claim arising from the services, treatment, employment or termination of any employee, agent or Representative of the Company on or prior to the Closing Date;

4.2.10 The failure of Sellers to reimburse Buyer for any delinquent Accounts Receivable pursuant to Section 2.10 of this Agreement;

4.2.11 Any agreements, contracts, negotiations or other dealings by Sellers or the Company with any Person concerning the sale, transfer or reorganization of the stock, assets or business of the Company;

4.2.12 Any Liability arising from any Breach, violation or noncompliance with any Legal Requirement prior to the Closing;

4.2.13 Any Seller Retained Liability.

4.3 INDEMNIFICATION AND PAYMENT OF DAMAGES BY BUYER. Buyer will indemnify and hold harmless Sellers, and will pay to Sellers the amount of any Damages arising, directly or indirectly, from or in connection with (a) any Breach of any representation or warranty made by Buyer in this Agreement or in any certificate delivered by Buyer pursuant to this Agreement, or (b) any Breach by Buyer of any covenant or obligation of Buyer in this Agreement.

4.4 TERMINATION OF OBLIGATIONS OF COMPANY. Notwithstanding anything contained in this Agreement to the contrary, all of the representations, warranties, covenants, agreements and obligations of the Company shall terminate at the Closing and shall thereafter be of no further force and effect. Sellers hereby waive and release any present or future cause of action or claim against the Company arising in any way out of this Agreement or any representations, warranties, covenants or obligations of the Company hereunder, whether for contribution, indemnity or otherwise.

4.5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All of the representations and warranties of the Sellers contained in this Agreement shall survive the Closing and continue in full force and effect for a period of three (3) years thereafter, except for the representations and warranties contained in Sections 2.12 and 2.21 (the "Limited Exempt Provisions"), which shall survive the Closing and continue in full force and effect thereafter for the applicable statute of limitations and, except for the representations and warranties contained in Sections 2.1, 2.2, 2.4, 2.7, 2.8 and 2.26 ("Exempt Provisions") which shall survive the Closing and continue in full force and effect forever thereafter in perpetuity. All representations and warranties of the Buyer under this Agreement, shall survive the Closing and continue for a period of five (5) years thereafter.

4.6 INDEMNIFICATION LIMITATIONS. Except for the "Exempt Damages" (as hereinafter defined), Sellers shall not have any obligation to indemnify, defend and hold the Buyer harmless from and against any Damages until the Buyer has suffered Damages, other than Exempt Damages, in excess of \$10,000 (the "Floor"), after which point the Sellers (except Gilbert B. Silverman) will be obligated to

indemnify, defend and hold the Buyer harmless from and against all Damages suffered going back to the first dollar. For purposes of this Agreement, the "Exempt Damages" shall mean Damages arising out of (i) any intentional Breach,

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misrepresentation, concealment or fraud by the Sellers, (ii) any Breach in any of the Limited Exempt Provisions or Exempt Provisions, and/or (iii) any Damages suffered by the Buyer or the Company arising, directly or indirectly, from or in connection with the items referred to in Sections 4.2.3, 4.2.4, 4.2.10, 4.2.12 or 4.2.13 of this Agreement. Notwithstanding anything contained herein to the contrary, it is expressly agreed that the Exempt Damages shall not be subject to the Floor. Furthermore, the Exempt Damages shall not be subject to the "Limitation" (as hereinafter defined). Except as otherwise provided herein, the maximum liability of the Sellers for indemnification under this Article IV shall be limited to \$5,500,000 (the "Limitation").

#### ARTICLE V DEFINITIONS

For purposes of this Agreement, the following terms have the following meanings:

5.1 "ACCOUNTS RECEIVABLE" shall have the meaning as set forth in Section 2.10 of this Agreement.

5.2 "AGREEMENT" shall mean this Stock Purchase Agreement and all exhibits and schedules referenced herein.

5.3 "BEST EFFORTS" shall mean the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to ensure that such result is achieved as expeditiously as possible.

5.4 "BREACH" shall mean a breach of a representation, warranty, covenant, obligation, or other provision of this Agreement, any Schedule or any instrument delivered pursuant to this Agreement and will be deemed to have occurred if there is or has been (a) any inaccuracy in, failure or breach of, or any failure to perform or comply with, such representation, warranty, covenant, obligation, or other provision, whether material or otherwise or (b) any claim by any Person or other occurrence or circumstance that is or was inconsistent with such representation, warranty, covenant, obligation or other provision.

5.5 "BUYER'S CLOSING DOCUMENTS" shall have the meaning as set forth in Section 1.5.2 of this Agreement.

5.6 "CASH PAYMENT" shall have the meaning as set forth in Section 1.2.1 of this Agreement.

5.7 "CLOSING" shall have the meaning as set forth in Section 1.4 of this Agreement.

5.8 "CLOSING DATE" shall mean the date and time as of which the Closing actually takes place.

5.9 "COMPANY ASSETS" shall have the meaning as set forth in Section 2.7 of this Agreement.

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5.10 "CORPORATE ALLOCATION AMOUNT" means for each measurement period an amount equal to the lesser of (i) the amount of overhead expenses of the Company and any affiliates of the Company actually allocated to the Company's St. Joseph (Michigan) branch for the applicable measurement period, or (ii) an amount equal to five (5%) percent of the net revenues generated by the Company's St. Joseph (Michigan) branch during the applicable measurement period.

5.11 "CONSENT" or "CONSENTS" shall mean any approval, consent, ratification, waiver, or other authorization (including, without limitation, any Governmental Authorization) of any Person (i) listed in Schedule 2.3, and (ii) required to be obtained in order to consummate the Contemplated Transactions.

5.12 "CONTRACT" shall mean any agreement (or group of related agreements), contract, obligation, option, commitment, promise or understanding (whether written or oral and whether expressed or implied) (a) under which the Company has or may acquire any rights, (b) under which the Company has or may become subject to any obligation or Liability, (c) by which the Company or any of the assets owned or used by it is or may become bound, or (d) which may relate to, establish or restrict any rights or obligations affecting the Shares or any present or future securities of the Company.

5.13 "DAMAGES" shall have the meaning as set forth in Section 4.2 of this Agreement.

5.14 "EBITDA" means the Company's earnings attributable to the St. Joseph (Michigan) branch (for the applicable measurement period), before interest, taxes, depreciation and amortization attributable to such branch, minus the Corporate Allocation Amount for that measurement period.

5.15 "EMPLOYEE BENEFIT PLAN" shall mean any qualified and/or non-qualified fringe benefit, disability, health, medical, life insurance, supplemental compensation, incentive, wage continuation, retirement, pension, profit sharing, bonus, deferred compensation, stock ownership or other plan, trust, policy or arrangement involving any past, present or future employee, consultant, representative, or agent of the Company, including without limitation any plan, program or arrangement defined in or relevant to any provision of ERISA.

5.16 "ENCUMBRANCE" shall mean any charge, claim, community property or dower interest, mortgage, equitable interest, lien, option, pledge, security interest, right of first refusal, Contract, Liability or restriction of any kind, including any restriction on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership.

5.17 "ENVIRONMENT" shall mean any soil, land surface or subsurface strata, surface waters (including, without limitation, navigable waters, ocean waters, streams, ponds, drainage basins, and wetlands), ground waters, drinking water supply, stream, sediments, ambient air (including indoor air), plant and animal life, and any other environmental medium or natural resource.

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5.18 "ENVIRONMENTAL, HEALTH, AND SAFETY LIABILITIES" shall mean any cost, damage, expense, Liability, obligation, or other responsibility arising from or under Environmental Law or Occupational Safety and Health Law including, without limitation, any costs, damage, financial responsibility, expenses, liabilities, obligations or other Liability for, arising out of or relating to:

5.18.1 The Environment;

5.18.2 The presence, generation, use, handling, transport, recycling, reclamation, disposal, treatment, storage or release of any Hazardous Material;

5.18.3 Any environmental, health, or safety matters or conditions (including on-site or off-site contamination, occupational safety and health, and regulation of chemical substances or products);

5.18.4 Fines, penalties, judgments, awards, settlements, legal or administrative Proceedings, damages, losses, claims, demands and response, investigative, remedial and inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law;

5.18.5 Any Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any investigation, cleanup, removal, containment, or other remediation or response actions ("Cleanup") required by any applicable Environmental Law or any Occupational Safety and Health Law (whether or not such Cleanup has been required or requested by any Governmental Body or any other Person) and for any natural resource damages; and/or

5.18.6 Any other compliance, corrective, investigative, or remedial measures required under any Environmental Law or any Occupational Safety and Health Law.

The terms "removal," "remedial," and "response action," include, without limitation, the types of activities covered by the United States Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. ss. 9601 et seq., as amended ("CERCLA").

5.19 "ENVIRONMENTAL LAW" shall mean any Legal Requirement that governs, regulates, requires or relates to: (a) advising appropriate authorities, employees, and the public of intended or actual releases of pollutants or

hazardous substances or materials, violations of discharge limits, or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment; (b) preventing or reducing to acceptable levels the release of pollutants or Hazardous Materials into the Environment; (c) reducing the quantities, preventing the Release, or minimizing the hazardous characteristics of wastes that are generated; (d) assuring that products are designed, formulated, packaged, and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of; (e) protecting resources, species, or ecological amenities; (f) reducing to acceptable levels the risks inherent in the transportation of Hazardous Materials, pollutants, oil, or other potentially harmful substances; (g) cleaning up pollutants that have been released, preventing the Threat of Release, or paying the costs of such clean up or

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prevention; (h) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment, or permitting self-appointed representatives of the public interest to recover for injuries done to public assets; (i) Hazardous Activities, Hazardous Materials, pollutants, petroleum products, oil, asbestos or other potentially harmful substances; or (j) the protection of the health, safety and welfare of the public, water health and safety and pollution and/or protection of the Environment.

5.20 "ERISA" shall mean the Employee Retirement Income Security Act of 1974 or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

5.21 "EXEMPT DAMAGES" shall have the same meaning as set forth in Section 4.6.

5.22 "EXEMPT PROVISIONS" shall have the same meaning as set forth in Section 4.5.

5.23 "FACILITIES" shall mean any real properties, leaseholds, or other interests currently or formerly owned, operated or managed by the Company and any buildings, plants, structures, or equipment (including motor vehicles) currently or formerly owned or operated by the Company.

5.24 "FIDUCIARY" shall have the meaning as defined in ERISA ss.3(21).

5.25 "FINANCIAL STATEMENTS" shall have the meaning set forth in Section 2.5.

5.26 "GAAP" shall mean United States generally accepted accounting principles, consistently applied.

5.27 "GOVERNMENTAL AUTHORIZATION" shall mean any approval, consent,

license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

5.28 "GOVERNMENTAL BODY" shall mean any: (a) federal, state, local, municipal, foreign, or other government; or (b) governmental or quasi-governmental authority of any nature, including without limitation, (i) any governmental agency, branch, department, official, or entity, (ii) any court, judicial authority or other tribunal, and (iii) any arbitration body or tribunal;

5.29 "HAZARDOUS ACTIVITY" shall mean the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment, or use of Hazardous Materials in, on, under, about, or from the Facility or any part thereof into the Environment, and/or any other act, business, operation, or action that poses a risk of illness or property damage or diminution in value of any property resulting from Hazardous Materials.

5.30 "HAZARDOUS MATERIALS" shall mean any waste or other substance that is listed, regulated, defined, designated, or classified under, or otherwise determined to be, hazardous, radioactive, toxic, or a pollutant or a contaminant pursuant to, any Environmental Law and shall include materials or equipment containing polychlorinated biphenals or asbestos in any form.

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5.31 "INDEBTEDNESS" of the Company means all Liabilities, and all interest, fees, prepayment penalties, cancellation charges and other costs and charges relating thereto, of the Company, except for current liabilities and intercompany payables, including without limitation, all Liabilities which (i) in accordance with GAAP should be classified upon a balance sheet as indebtedness; (ii) are for borrowed money or purchase money financing; (iii) are secured by any Lien or other charge upon any property or assets; (iv) are created or arise under any conditional sale or other title retention agreement with respect to any property; and/or (v) arise under any capitalized leases (as defined under GAAP).

5.32 "INDEMNIFIED PERSONS" shall have the meaning as set forth in Section 4.2 of this Agreement.

5.33 "INTELLECTUAL PROPERTY ASSETS" shall include the following assets: (a) the Company's name, all fictional business names, trade names, registered and unregistered trademarks ("Marks"), service marks and applications; (b) all patents, patent applications, and inventions and discoveries that may be patentable ("Patents"); (c) all copyrights in both published works and unpublished works ("Copyrights"); and (d) all know-how, trade secrets, confidential information, customer lists, software, technical information, data, process technology, plans, drawings, and blue prints, owned, used or licensed by the Company, or otherwise referenced in or affected by any Contract ("Trade

Secrets").

5.34 "INTERIM FINANCIAL STATEMENTS" shall have the meaning as set forth in Section 2.5 of this Agreement.

5.35 "IRC" shall mean the Internal Revenue Code of 1986 or any successor law, and all U. S. Treasury regulations and rulings issued by the IRS or any Governmental Authority pursuant to the Internal Revenue Code or any successor law.

5.36 "IRS" shall mean the United States Internal Revenue Service or any successor agency, and the United States Department of the Treasury.

5.37 "KNOWLEDGE" of any Person shall be deemed to include a particular fact or other matter if: (a) such Person is actually aware of such fact or other matter; or (b) a reasonable Person could be expected to discover or otherwise become aware of such fact or other matter in the course of conducting a reasonable investigation concerning the existence of such fact or other matter. A Person other than an individual will be deemed to have "Knowledge" of a particular fact or other matter if any individual who is serving as a director, officer, partner, executor, or trustee of such Person (or in any similar capacity) and has Knowledge of such fact or other matter.

5.38 "LEASED PROPERTY" shall have the meaning as set forth in Section 2.8.2 of this Agreement.

5.39 "LEGAL REQUIREMENT" shall mean any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, operational

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memorandum, guidance documents, policy, charter, ordinance, rule, code, principle of common law, case, decision, regulation, statute, or treaty including, without limitation, Environmental Laws, Occupational Safety and Health Laws, Orders, ERISA and the IRC.

5.40 "LIABILITY" shall mean any liability or obligation whether known or unknown, foreseeable or unforeseeable, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due.

5.41 "LIMITATION" shall have the meaning set forth in Section 4.6 of this Agreement.

5.42 "MATERIAL ADVERSE CHANGE (OR EFFECT)" means a change (or effect), in the condition (financial or otherwise), properties, assets, liabilities, rights, obligations, business or prospects of any Person which change (or effect), individually or in the aggregate, is materially adverse to such condition, properties, assets, liabilities, rights, obligations, business or prospects of

such Person.

5.43 "OCCUPATIONAL SAFETY AND HEALTH LAW" shall mean any Legal Requirement which governs, regulates or relates to safety and health conditions or is designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program, whether governmental or private (including those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

5.44 "ORDER" shall mean any award, decision, injunction, judgment, order, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Body or by any arbitrator.

5.45 "ORDINARY COURSE OF BUSINESS" shall mean an action taken by a Person that is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person and such action is similar in nature and magnitude to actions customarily taken, without any authorization by the board of directors (or by any Person or group of Persons exercising similar authority), in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.

5.46 "ORGANIZATIONAL DOCUMENTS" shall mean the articles or certificates of incorporation and the bylaws of a corporation including any amendments thereto or restatements thereof, and all resolutions of the Board of Directors and stockholders of such corporation.

5.47 "PERSON" shall mean any individual, corporation, general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Body.

5.48 "PROCEEDING" shall mean any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced,

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brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator or Person.

5.49 "PURCHASE PRICE" shall have the meaning as set forth in the Section 1.2 of this Agreement.

5.50 "REAL PROPERTY" shall have the meaning as set forth in Section 2.8 of this Agreement.

5.51 "RECORDS" shall have the meaning as set forth in Section 2.6 of this Agreement.

5.52 "RELEASE" shall mean any spilling, leaking, emitting, discharging,

depositing, escaping, leaching, dumping, or other releasing into the Environment, whether intentional or unintentional.

5.53 "REPRESENTATIVES" shall have the meaning as set forth in Section 2.22.4 of this Agreement.

5.54 "REQUIRED CONSENTS" shall have the meaning as set forth in Section 2.3 of this Agreement.

5.55 "SALE TRANSACTION" shall mean any transaction or series of transactions involving the sale of the business or assets (other than sales of inventory in the Ordinary Course of Business) of the Company, or any of the Shares or any equity interest or capital stock of the Company, or any merger, consolidation, joint venture, partnership, shares exchange, reorganization, business combination, or similar transaction involving the Company.

5.56 "SELLERS' CLOSING DOCUMENTS" shall have the meaning as set forth in the Section 1.5.1 of this Agreement.

5.57 "SELLERS' NONCOMPETITION AGREEMENT" shall have the meaning as set forth in the Section 1.5.1(c) of this Agreement.

5.58 "SELLERS' RELEASE" shall have the meaning as set forth in the Section 1.5.1(b) of his Agreement.

5.59 "SHARES" shall have the meaning set forth in the recitals to this Agreement.

5.60 "TAX" shall mean any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under IRC ss.59(A)), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated or other tax, assessment or charge by a Governmental Body of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

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5.61 "TAX RETURN" shall mean any return (including any information return), report, statement, schedule, notice, form, or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation, or enforcement of or compliance with any Legal Requirement relating to any Tax.

5.62 "THREAT OF RELEASE" shall mean a reasonable possibility of a Release that may require action in order to prevent or mitigate damage to the

Environment that may result from such Release.

5.63 "THREATENED" shall mean a claim, Proceeding, dispute, action, or other matter if any demand or statement has been made (orally or in writing) or any notice has been given (orally or in writing), or if any other event has occurred or any other circumstances exist, that would lead a prudent Person to conclude that such a claim, Proceeding, dispute, action, or other matter may be asserted, commenced, taken, or otherwise pursued in the future.

5.64 "WORKERS COMPENSATION RESERVE" shall mean all Liabilities for workers' compensation claims of the Company the date of occurrence of which is on or prior to the Closing Date.

## ARTICLE VI GENERAL PROVISIONS

6.1 CONFIDENTIALITY. Given that a certain affiliate of Buyer is publicly traded, among other reasons, the Sellers will maintain and hold in confidence and not disclose any information concerning the business and affairs of the Company and/or Buyer that is not already generally available to the public and is not otherwise used in the business of Sellers ("Confidential Information"), refrain from using any Confidential Information except in connection with this Agreement, and deliver promptly to the Buyer or destroy, at the request and option of the Buyer, all tangible embodiments (and all copies) of the Confidential Information which are in its possession. In the event that Sellers are requested or required (by oral question or request for information or documents in any legal Proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Confidential Information, such party will notify the Buyer promptly of the request or requirement so that the Buyer may seek an appropriate protective order or waive compliance with the provisions of this Section. If, in the absence of a protective order or the receipt of a waiver hereunder, any of the aforementioned parties is, on the written advice of counsel, compelled to disclose any Confidential Information to any tribunal or else stand liable for contempt, such party may without liability hereunder, disclose that portion of the Confidential Information which such party is required to disclose.

6.2 EXPENSES. Except as otherwise expressly provided in this Agreement, the Sellers, on the one hand, and the Buyer, on the other hand, shall bear their own respective expenses incurred in connection with the preparation, execution, and performance of this Agreement and the Contemplated Transactions, including, but not limited to fees and expenses of agents, representatives, investment bankers, advisors, consultants, legal counsel, and accountants (collectively "Transaction Costs"). Without limiting the generality of the foregoing, Sellers

agree that the Company shall not bear any Transaction Costs, other than the time and direct expenses of employees of the Company, and that the Sellers (and not the Company) shall pay all costs, fees and expenses for services rendered by

legal counsel to the Sellers or the Company in any way relating to this Agreement or the transactions contemplated hereunder. In the event of termination of this Agreement, the obligation of each party to pay its own expenses will be subject to any rights of such party arising from a Breach of this Agreement by another party.

6.3 SCHEDULES. The Schedules are numbered to correspond to the various sections of this Agreement relating to the representations and warranties contained in this Agreement and certain other information called for by this Agreement. Unless otherwise specified, no disclosure made in any particular Schedule shall be deemed made in any other Schedule unless expressly made therein.

6.4 PUBLIC ANNOUNCEMENTS. Any public announcement or similar publicity with respect to this Agreement or the transactions contemplated hereunder will be issued, if at all, at such time and in such manner as determined by Buyer. Unless consented to by each party hereto in advance or required by Legal Requirements prior to the Closing, all parties shall keep this Agreement strictly confidential and may not make any disclosure of this Agreement to any Person. Sellers and Buyer will consult with each other concerning the means by which the Company's employees, customers, and suppliers and others having dealings with the Company will be informed of the transactions contemplated hereunder, and Buyer will have the right to be present for any such communication.

6.5 ARBITRATION. Any and all disputes, controversies or claims arising out of or relating to this Agreement shall be resolved exclusively and conclusively by binding arbitration in accordance with the rules of the American Arbitration Association. Such arbitration shall be held at the office of the American Arbitration Association located in Southfield, Michigan. Any award or decision as a result of such arbitration shall be final and binding upon the parties, shall not be subject to appeal and shall be enforceable by entry of a judgment by any court of competent jurisdiction.

6.6 NOTICES. All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when (a) delivered by hand (with written confirmation of receipt), (b) sent by facsimile (with written confirmation of receipt), provided that a copy is mailed by registered mail, return receipt requested, (c) when received by the addressee, if sent by a nationally recognized overnight delivery service (receipt requested), or (d) two (2) business days following the deposit of same in the U.S. mail, in each case to the appropriate addresses and telecopier numbers set forth below (or to such other addresses and telecopier numbers as a party may designate by notice to the other parties):

Sellers:

Thomas J. Unger  
971 Clark Road  
Ceresco, MI 49033  
Cell Phone No. (269) 209-4562  
Email: unger.t@comcast.net

Patricia Slayton  
9955 B Drive South  
Ceresco, MI 49033  
Cell Phone No. (269) 209-4563  
Email: patslayton@core.com

Gilbert B. Silverman  
26500 Telegraph Road  
Southfield, MI 48034  
Fax No. (248) 353-9481

With a copy to: James D. Norlander  
Mumford, Schubel, Norlander, Macfarlane & Barnett, PLLC  
68 E. Michigan Avenue  
Battle Creek, MI 49017-4010  
Phone No. (269) 968-6146  
Fax No. (269) 968-1147  
Email: jnorlander@mumfordlaw.com

Buyer: Arcadia Health Services of Michigan, Inc.  
26777 Central Park Boulevard, Suite 200  
Southfield, Michigan 48076  
Attn: John E. Elliott, II  
Fax No. (248) 352-7534  
Email: duffy1470@aol.com

With a copy to: Kerr, Russell and Weber, PLC  
500 Woodward Avenue, Suite 2500  
Detroit, MI 48226  
Attn: Eric I. Lark, Esq.  
Fax No. (313) 961-0388  
Email: eil@krwlaw.com

6.7 CERTAIN TAXES. All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the transactions Contemplated herein, shall be paid by Sellers when due, and Sellers will, at their own expense, file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes and fees.

6.8 RECOUPMENT. Sellers hereby agree and acknowledge that in the event that any amount is or becomes due or payable by Sellers to the Buyer or the Company as Damages or otherwise, the Buyer shall have the option (but not obligation) to elect to reduce, on a dollar-for-dollar basis, any amount owed, due or payable to Sellers under this Agreement or otherwise, by any such amount, due or payable to Buyer or the Company, which recoupment may be applied

against one or more payments due, and/or treated as a prepayment of principal due under the Earnout, or otherwise, as the Buyer or the Company may elect from time to time. This elective right of setoff shall be cumulative and in addition to any and all additional remedies to which Buyer or the Company may be entitled at law or in equity.

6.9 FURTHER ASSURANCES. The parties agree (i) to furnish upon request to each other such further information, (ii) to execute and deliver to each other such other documents, and (iii) to do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the documents referred to in this Agreement.

6.10 WAIVER. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power, or privilege under this Agreement or the documents referred to in this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged, in whole or in part, by a waiver or renunciation of the claim or right, unless done so in writing signed by the party asserting such claim or right; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

6.11 ENTIRE AGREEMENT AND MODIFICATION. This Agreement supersedes all prior agreements between the parties with respect to its subject matter and constitutes (along with the documents referred to in this Agreement) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended except by a written agreement executed by the party to be charged with the amendment.

6.12 CONSTRUCTION. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumptions or burden of proof shall arise favoring or disfavoring any party by virtue of the authoring of any of the provisions of this Agreement. Any reference to any federal, state, local or foreign statute of law shall be deemed and also referred to all rules and regulations promulgated thereunder, unless the context expressly provides otherwise. The word "including" shall mean including without limitation. All words used in this Agreement will be construed to be of such gender or number as

the circumstances may require. If any party has Breached any representation, warranty or covenant contained in this Agreement, the fact that such party may not have Breached another representation, warranty or covenant contained in this Agreement which also relates to the same or similar subject matter shall not detract from or mitigate the fact that the party is in breach of the first representation, warranty or covenant (regardless of the relative levels of specificity among such various representations, warranties or covenants). In the event

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of any inconsistency between the statements in the body of this Agreement and those in the Schedules, the statements in the body of this Agreement will control.

6.13 ASSIGNMENTS; SUCCESSORS; NO THIRD PARTY RIGHTS. No party may assign any of its rights under this Agreement without the prior written consent of the other parties, except that Buyer may assign any of its rights under this Agreement to any subsidiary, parent or affiliate of Buyer. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the parties. Nothing contained in this Agreement will be construed to give any Person other than the parties to this Agreement (and their successors and assigns) and those Persons expressly identified herein as receiving or obtaining rights or benefits hereunder, any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

6.14 SEVERABILITY. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction or arbitrator, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

6.15 SECTION HEADINGS. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement.

6.16 GOVERNING LAW. This Agreement will be governed by the internal laws of the State of Michigan without regard to conflicts of laws principles.

6.17 ARM'S LENGTH NEGOTIATIONS. Each party herein expressly represents and warrants to all other parties hereto that (a) before executing this Agreement, said party has fully informed itself of the terms, contents, conditions and effects of this Agreement, (b) said party has relied solely and completely upon its own judgment in executing this Agreement, (c) said party has had the opportunity to seek and has obtained the advice of counsel before executing this Agreement, (d) said party has acted voluntarily and of its own free will and executing this Agreement, (e) said party is not acting under duress, whether economic or physical, in executing this Agreement, and (f) this Agreement is the

result of arm's length negotiations conducted by and among the parties and their respective counsel.

6.18 COUNTERPARTS/FACSIMILE AND PDF SIGNATURES. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. A facsimile or PDF signature of any party shall be immediately binding upon such party and have the same legal effect as a original signature of such party.

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

WITNESSES:

/S/ LAKSHU SUNDARAM  
-----  
Lakshu Sundaram

/S/ JAMES NORLANDER  
-----  
James Norlander

BUYER:

ARCADIA HEALTH SERVICES OF  
MICHIGAN, INC., a Michigan corporation

By: /S/ CATHY SPARLING  
-----  
Cathy Sparling

Its: Chief Operating Officer

COMPANY:

HOME HEALTH PROFESSIONALS, INC.,  
a Delaware corporation

By: /S/ THOMAS UNGER  
-----  
Thomas Unger

Its: President/CEO

SELLERS:

/S/ PATRICK SLAYTON  
-----  
Patrick Slayton

/S/ THOMAS UNGER  
-----  
Thomas Unger

/S/ GILBERT B. SILVERMAN\*  
-----  
Gilbert B. Silverman

\* By: /S/ THOMAS UNGER

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Thomas Unger, Attorney-in-Fact

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