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

SCHEDULE TO

(Rule 14d-100)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

ACR GROUP, INC.

(Name of subject company (Issuer))

WATSCO, INC.
COCONUT GROVE HOLDINGS, INC.

(Names of Filing Persons (Offerors))

Common Stock, $0.01 par value per share
(Title of classes of securities)

00087B 10 1
(CUSIP number of common stock)

Barry S. Logan
Senior Vice President and Secretary
Watsco, Inc.
2665 South Bayshore Drive, Suite 901
Coconut Grove, Florida 33133
Telephone: (305) 714-4100
(Name, address, and telephone number of person authorized to receive notices and communications on behalf of Filing Persons)

Copies to:
Stephen D. Hope, Esq.
Thomas H. O'Donnell, Jr., Esq.
Moore & Van Allen PLLC
100 N. Tryon Street, Suite 4700
Charlotte, North Carolina 28202
Telephone: (704) 331-1000

CALCULATION OF FILING FEE

Transaction Valuation(1)	Amount of Filing Fee(2)
$81,430,414	**$2500**

(1) Estimated for purposes of calculating the filing fee only. The transaction valuation was calculated based on the offer to purchase all of the outstanding shares of common stock, par value $0.01 per share, of ACR Group, Inc. at a purchase price equal to $6.75 per share and 12,063,765 shares issued and outstanding, as of June 29, 2007, as represented by ACR Group, Inc.

(2) The amount of filing fee, calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934, as amended, is calculated by multiplying the transaction valuation by 0.0000307.

☐ Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount Previously Paid: N/A Filing Party: N/A
Form of Registration No.: N/A Date Filed: N/A

☐ Check the box if the filing relates solely to preliminary communications made before the commencement of the tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- ☒ third party tender offer subject to Rule 14d-1
- ☐ issuer tender offer subject to Rule 13e-4
- ☐ going private transaction subject to Rule 13e-3
- ☐ amendment to Schedule 13D under Rule 13d-2

Check the following box if the filing is a final amendment reporting the results of the tender offer: ☐

Items 1 through 9, and Item 11.

This Tender Offer Statement on Schedule TO (this "Schedule TO") is filed by Watsco, Inc., a Florida corporation ("Watsco"), and Coconut Grove Holdings, Inc., a Texas corporation and a wholly-owned subsidiary of Watsco (the "Purchaser"). This Schedule TO relates to the offer by the Purchaser to purchase all outstanding shares of common stock, $0.01 par value per share (the "Shares"), of ACR Group, Inc., a Texas corporation (the "Company"), at a purchase price of $6.75 per Share in cash, without interest thereon, less any required withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase dated July 9, 2007 (the "Offer to Purchase"), and in the related Letter of Transmittal, copies of which are attached as Exhibits (a)(1)(i) and (a)(1)(ii) (which, together with any amendments or supplements thereto, collectively constitute the "Offer").

The information set forth in the Offer to Purchase and the related Letter of Transmittal is incorporated herein by reference with respect to Items 1 through 9 and 11 of this Schedule TO.

Item 10. ***Financial Statements.***

Not applicable.

Item 12. ***Exhibits.***

(a)(1)(i)	Offer to Purchase, dated July 9, 2007.*
(a)(1)(ii)	Form of Letter of Transmittal.*
(a)(1)(iii)	Form of Notice of Guaranteed Delivery.*
(a)(1)(iv)	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.*
(a)(1)(v)	Form of Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.*
(a)(1)(vi)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.*
(a)(1)(vii)	Form of Summary Advertisement as published in the New York Times.
(a)(5)	Press Release issued by Watsco and the Company on July 5, 2007 (incorporated by reference to the Form 8-K filed by Watsco on July 5, 2007).
(c)	Not applicable.
(d)(1)	Agreement and Plan of Merger, dated July 3, 2007, among Watsco, the Purchaser and the Company.
(d)(2)	Form of Sale and Support Agreement.
(d)(3)	Confidentiality Agreement, dated June 1, 2005, between Watsco and the Company.
(e)	Not applicable.
(f)	Not applicable.
(g)	Not applicable.
(h)	Not applicable.

* Included in mailing to shareholders of ACR Group, Inc.

Item 13. ***Information Required by Schedule 13E-3.***

Not applicable.

SIGNATURE

After due inquiry and to the best of its knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

COCONUT GROVE HOLDINGS, INC.

By: /s/ Barry S. Logan
Name: Barry S. Logan
Title: President
Date: July 9, 2007

WATSCO, INC.

By: /s/ Barry S. Logan
Name: Barry S. Logan
Title: Senior Vice President
Date: July 9, 2007

EXHIBIT INDEX

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* Included in mailing to shareholders of ACR Group, Inc.

OFFER TO PURCHASE FOR CASH

Outstanding Shares of Common Stock

of

ACR GROUP, INC.

at

$6.75 Per Share

by

COCONUT GROVE HOLDINGS, INC.
a wholly-owned subsidiary of

WATSCO, INC.

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON FRIDAY, AUGUST 3, 2007, UNLESS EXTENDED AS DESCRIBED IN THIS OFFER.

THIS OFFER IS BEING MADE PURSUANT TO AN AGREEMENT AND PLAN OF MERGER (THE "MERGER AGREEMENT") DATED JULY 3, 2007 AMONG WATSCO, INC. ("WATSCO"), COCONUT GROVE HOLDINGS, INC. (THE "PURCHASER") AND ACR GROUP, INC. (THE "COMPANY"). THE BOARD OF DIRECTORS OF THE COMPANY BY UNANIMOUS RESOLUTION HAS, AMONG OTHER THINGS, (I) DECLARED THAT THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER (EACH AS DEFINED HEREIN), ARE IN THE BEST INTERESTS OF THE SHAREHOLDERS OF THE COMPANY, (II) APPROVED AND DECLARED ADVISABLE THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, AND (III) RECOMMENDED THAT THE SHAREHOLDERS OF THE COMPANY TENDER THEIR SHARES TO PURCHASER PURSUANT TO THE OFFER AND, IF REQUIRED BY APPLICABLE LAW, ADOPT THE MERGER AGREEMENT AND APPROVE THE MERGER.

THIS OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (1) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN BEFORE THE EXPIRATION OF THE OFFER THAT NUMBER OF SHARES OF COMMON STOCK, PAR VALUE $0.01 PER SHARE (THE "SHARES") OF THE COMPANY, WHICH, TOGETHER WITH THE SHARES SUBJECT TO A SALE AND SUPPORT AGREEMENT (THE "COMMITTED SHARES") ENTERED INTO BETWEEN THE PURCHASER, WATSCO AND THE EXECUTIVE OFFICERS OF THE COMPANY AND CERTAIN OF THEIR RESPECTIVE AFFILIATES (THE "SALE AND SUPPORT AGREEMENT"), REPRESENTS AT LEAST TWO-THIRDS OF THE TOTAL NUMBER OF SHARES THEN OUTSTANDING (OR SUCH LESSER AMOUNT AS MAY BE DETERMINED BY WATSCO AND PURCHASER, PROVIDED THAT SUCH AMOUNT WILL NOT BE REDUCED TO LESS THAN A MAJORITY WITHOUT THE CONSENT OF THE COMPANY), AND (2) ANY WAITING PERIODS OR APPROVALS UNDER APPLICABLE ANTITRUST LAWS HAVING EXPIRED, BEEN TERMINATED OR BEEN OBTAINED. THE OFFER IS ALSO SUBJECT TO OTHER CONDITIONS. SEE "INTRODUCTION" AND "THE OFFER —SECTION 15".

IMPORTANT

Any shareholder of the Company desiring to tender Shares in the Offer should either:

(i) complete and sign the Letter of Transmittal (or a manually signed facsimile thereof) in accordance with the instructions in the Letter of Transmittal, and mail or deliver the Letter of Transmittal (or such facsimile thereof) together with the certificates representing tendered Shares and all other required documents to BNY Mellon Shareowner Services, the Depositary for the Offer, or tender such Shares pursuant to the procedure for book-entry transfer set forth in "The Offer—Section 3—Book-Entry Delivery"; or

(ii) request your broker, dealer, bank, trust company or other nominee to effect the transaction for you.

Shareholders whose Shares are registered in the name of a broker, dealer, bank, trust company or other nominee must contact such person if they desire to tender their Shares.

Any shareholder who desires to tender Shares and whose certificates representing such Shares are not immediately available, or who cannot comply with the procedures for book-entry transfer on a timely basis, may tender such Shares pursuant to the guaranteed delivery procedure set forth in "The Offer—Section 3—Guaranteed Delivery".

Questions and requests for assistance may be directed to BNY Mellon Shareowner Services at the address and telephone numbers set forth on the back cover of this Offer to Purchase. Additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and other related materials may be obtained from BNY Mellon Shareowner Services or from brokers, dealers, banks and trust companies.

THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION, AND YOU SHOULD CAREFULLY READ BOTH IN THEIR ENTIRETY BEFORE MAKING A DECISION WITH RESPECT TO THE OFFER.

July 9, 2007

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SUMMARY TERM SHEET

Securities Sought:	All issued and outstanding shares of common stock, par value $0.01 per share, of ACR Group, Inc., other than the Committed Shares (as defined below).
Price Offered Per Share:	$6.75 in cash, without interest, less any required withholding taxes.
Scheduled Expiration of Offer:	5:00 p.m., New York City time on Friday, August 3, 2007, unless extended as anticipated and described herein. See “The Offer—Section 1—Terms of the Offer” and “The Offer —Section 16—Regulatory Approvals”.
Purchaser:	Coconut Grove Holdings, Inc., a wholly-owned subsidiary of Watsco, Inc.

The following are some of the questions that you, as an ACR Group, Inc. shareholder, may have and the answers to those questions. **We urge you to read carefully the remainder of this Offer to Purchase and the Letter of Transmittal because the information in this summary term sheet is not complete. Additional important information is contained in the remainder of this Offer to Purchase and the Letter of Transmittal**.

Who is offering to buy my securities?

Our name is Coconut Grove Holdings, Inc. We are a wholly-owned subsidiary of Watsco, Inc., a Florida corporation. We are a Texas corporation formed for the purpose of acquiring all of the shares of common stock of ACR Group, Inc.

Watsco is one of the largest distributors of air conditioning and heating products in the United States and is listed on the New York Stock Exchange under the symbol “WSO”.

Unless the context indicates otherwise, we will use the terms “us,” “we”, “our” and the “Purchaser” in this Offer to Purchase to refer to Coconut Grove Holdings, Inc. and “Watsco” to refer to Watsco, Inc. We will use the term “ACR” or the “Company” to refer to ACR Group, Inc. See “Introduction” and “The Offer—Section 9”.

What securities are you offering to purchase?

We are offering to purchase all of the outstanding common stock, par value $0.01 per share, of ACR, other than the Committed Shares as defined below. Unless the context requires otherwise, we refer to each share of ACR common stock as a “share” or “Share”. See “Introduction”.

How much are you offering to pay for my shares and what is the form of payment?

We are offering to pay $6.75 per share in cash, without interest, less any required withholding taxes. See “Introduction” and “The Offer—Section 1”.

Will I have to pay any fees or commissions?

If you are the record owner of your shares and you tender your shares to us in the offer, you will not have to pay brokerage fees or similar expenses. If you own your shares through a broker, dealer, bank, trust company or

other nominee, and your nominee tenders your shares on your behalf, your nominee may charge you a fee for doing so. You should consult your broker, dealer, bank, trust company or other nominee to determine whether any charges will apply. See “Introduction.”

How much is required to close the transactions contemplated by the merger agreement?

We estimate that we will need approximately $117 million to consummate all of the transactions contemplated by the merger agreement, including approximately $79 million to purchase shares tendered in the offer and the Committed Shares, $35 million to repay ACR’s outstanding indebtedness and $3 million to pay all related fees and expenses.

What are the sources for funding this amount?

Watsco is considering several sources of funding with its commercial banks, including, for example, an expansion of its existing credit facility, entering into a new credit facility and other alternatives. Watsco reasonably believes that it will obtain this financing prior to the expiration of the offer.

Is your financial condition relevant to my decision to tender in the offer?

We are offering to acquire your shares solely for cash; accordingly, we do not think our financial condition is relevant to your decision whether to tender in the offer.

What are the most significant conditions to the offer?

The offer is conditioned upon, among other things:

- there being validly tendered and not withdrawn before the expiration of the offer a number of shares of ACR, which, together with the Committed Shares (as defined below), represents at least two-thirds of the total number of shares then outstanding (or such lesser number as may be determined by Watsco and Purchaser, provided that such amount will not be reduced to less than a majority without the consent of the Company) (the “Minimum Condition”); and
- any waiting periods or approvals under applicable antitrust laws having expired, been terminated or been obtained.

The offer is also subject to other conditions. See “The Offer—Section 15”.

Is there an agreement governing the offer?

Yes. ACR, Watsco and Purchaser have entered into a merger agreement dated July 3, 2007. The merger agreement provides, among other things, for the terms and conditions of the offer and the merger of Purchaser into ACR. See “The Offer—Section 13—The Merger Agreement.”

What does the Board of Directors of ACR think of the offer?

The Board of Directors of ACR has, among other things, unanimously:

- declared that the merger agreement and the transactions contemplated thereby, including the offer and the merger, are in the best interests of the shareholders of the Company;
- approved and declared advisable the merger agreement and the transactions contemplated thereby; and
- recommended that the Company shareholders tender their shares pursuant to the offer and, if required by applicable law, adopt the merger agreement and approve the merger.

See “Introduction”.

Have any shareholders previously agreed to sell their shares to us?

Yes. All of the executive officers of ACR and certain of their respective affiliates (A. Stephen Trevino, Anthony R. Maresca, Alex Trevino, Jr. and DST Investments) have entered into sale and support agreements to sell their shares (the "Committed Shares") to us for $6.75 per share following the offer, subject to limited exceptions. Collectively, the Committed Shares represent approximately 26% of the outstanding shares. See "The Offer—Section 13—Sale and Support Agreement".

How long do I have to decide whether to tender in the offer?

You will have at least until 5:00 p.m., New York City time, on Friday, August 3, 2007 to tender your shares in the offer.

Can the offer be extended and under what circumstances?

Yes. We have agreed in the merger agreement that we will extend the offer beyond Friday, August 3, 2007 in the following circumstances:

- from time to time, until the earliest to occur of (x) the satisfaction or waiver of the conditions to the offer, (y) the date that is four months following the date of the merger agreement, and (z) the reasonable determination by Watsco that the conditions to the offer cannot be satisfied on or prior to that date; and
- for any period as is required by any rule, regulation, interpretation or position of the Securities and Exchange Commission (the "SEC") or required by applicable law.

In addition, we may elect to provide one or more "subsequent offering periods" for the offer, if, as of such date, the shares validly tendered and not withdrawn pursuant to the offer, together with the Committed Shares, constitute less than 90% of the then outstanding shares. A subsequent offering period, if included, will be an additional period of time beginning after we have purchased shares tendered during the offer, during which any remaining shareholders may tender, but not withdraw, their shares and receive the offer consideration. We do not currently intend to include a subsequent offering period, although we reserve the right to do so. See "The Offer—Section 1".

How will I be notified if the offer is extended?

If we decide to extend the offer, we will inform BNY Mellon Shareowner Services, the depositary for the offer, of that fact and will make a public announcement of the extension, no later than 9:00 A.M., New York City time, on the next business day after the date the offer was scheduled to expire. See "The Offer—Section 1".

How do I tender my shares?

To tender your shares, you must deliver the certificate or certificates representing your shares, together with a completed Letter of Transmittal and any other required documents, to BNY Mellon Shareowner Services not later than the time the offer expires. If your shares are held in street name by your broker, dealer, bank, trust company or other nominee, such nominee can tender your shares through The Depository Trust Company. If you cannot deliver everything required to make a valid tender to the depositary before the expiration of the offer, you may have a limited amount of additional time by having a financial institution (including most banks, savings and loan associations and brokerage houses) that is a member of a recognized Medallion Program approved by The Securities Transfer Association Inc., including the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchange Medallion Program (SEMP) and the New York Stock Exchange, Inc. Medallion Signature Program (MSP), guarantee, pursuant to a Notice of Guaranteed Delivery, that the missing items will be received by the depositary within three American Stock Exchange ("AMEX") trading days. However, the depositary must receive the missing items within that three trading day period. See "The Offer—Section 3".

Until what time can I withdraw tendered shares?

You can withdraw tendered shares at any time until the offer has expired. You may not, however, withdraw shares tendered during any subsequent offering period, if applicable. See “The Offer—Section 4”.

How do I withdraw previously tendered shares?

To withdraw shares, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to BNY Mellon Shareowner Services while you have the right to withdraw the shares. See “The Offer—Section 4”.

When and how will I be paid for my tendered shares?

Subject to the terms and conditions of the offer, we will pay for all validly tendered and not withdrawn shares promptly after the later of the date of expiration of the offer and the satisfaction or waiver of the conditions to the offer that are dependent upon the expiration or termination of applicable waiting periods or the receipt of governmental approvals as described in “The Offer—Section 16”. See “The Offer—Section 2”.

We will pay for your validly tendered and not withdrawn shares by depositing the purchase price with BNY Mellon Shareowner Services, which will act as your agent for the purpose of receiving payments from us and transmitting such payments to you. In all cases, payment for tendered shares will be made only after timely receipt by BNY Mellon Shareowner Services of certificates for such shares (or of a confirmation of a book-entry transfer of such shares as described in “The Offer—Section 3—Book-Entry Delivery”), a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other required documents for such shares. See “The Offer—Section 2”.

Will the offer be followed by a merger if all the shares subject to the tender offer are not tendered in the offer?

If we acquire at least two-thirds of the outstanding shares of ACR, we expect to be merged with and into ACR in accordance with the terms of the merger agreement. If the merger described above takes place, all remaining shareholders (other than us, certain holders of restricted shares and shareholders properly exercising their dissenters’ rights) will be entitled to receive the same amount of cash per share that they would have received had they tendered their shares in the offer, without interest. Therefore, if such merger takes place, the only difference between tendering and not tendering shares in the offer is that tendering shareholders will be paid earlier. See “The Offer—Section 12—Purpose of the Offer; Plans for the Company”.

What is the “top-up option” and when will it be exercised?

Under the merger agreement, if we do not acquire sufficient Shares in the offer, such that, together with the Committed Shares, we do not own at least 90% of ACR’s outstanding shares, we have the option, subject to limitations, to purchase from ACR up to a number of additional shares sufficient to cause us to own at least 90% of the shares then outstanding at a price per share equal to the price per share paid in the offer. We refer to this option as the “top-up option”. The top-up option cannot be exercised if such exercise would require shareholder approval under applicable law or regulations or if the number of top-up option shares would exceed the number of authorized but unissued shares of ACR’s common stock. If we exercise the top-up option, we will be able to effect a short-form merger under Texas law, which means that we may effect the merger without any further action by the shareholders of ACR.

If shares are purchased in the offer and I decide not to tender, how will my shares be affected?

Following the purchase of shares in the offer, we expect to consummate the merger and, following the merger, ACR no longer will be publicly owned. If for some reason the merger does not take place, the number of

shareholders of ACR and the number of shares of ACR which are still in the hands of the public may be so small that the shares may no longer be eligible to be traded on AMEX or on any securities exchange and there may no longer be an active public trading market (or, possibly, there may not be any public trading market) for the shares. Also, ACR may cease making filings with the SEC or otherwise being required to comply with the SEC's rules relating to publicly held companies. See the "Introduction" and "The Offer—Section 7".

Are appraisal rights available in either the offer or the merger?

Appraisal rights are not available as a result of the offer. However, if we proceed with the merger, appraisal rights will be available to holders of shares that are not tendered and who do not vote in favor of the merger, subject to and in accordance with Texas law. A holder of shares must properly perfect its right to seek appraisal under Texas law in connection with the merger in order to exercise appraisal rights under Texas law. See "The Offer—Section 12—Dissenters' Rights."

If you successfully complete your offer, what will happen to ACR's board of directors?

If we acquire shares constituting the Minimum Condition, under the merger agreement Watsco will be entitled to designate representatives to serve on ACR's board of directors in proportion to our ownership of Shares following such purchase. In such case, ACR has agreed to use its reasonable best efforts to cause Watsco's designees to be elected or appointed to its board of directors in such number as is proportionate to Watsco's share ownership.

What is the market value of my shares as of a recent date?

On July 3, 2007, the last full trading day before the announcement of our intention to commence the offer, the last reported sale price of ACR common stock reported on AMEX was $4.60 per share. We advise you to obtain a recent quotation for your shares prior to deciding whether or not to tender in the offer.

What are the material U.S. federal income tax consequences of participating in the offer?

In general, your sale of shares pursuant to the offer may be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local or foreign income or other tax laws. You should consult your tax advisor about the tax consequences to you of participating in the offer in light of your particular circumstances. See "The Offer—Section 5".

Who can I talk to if I have questions about the offer?

You can call BNY Mellon Shareowner Services, the information agent for the offer, at (201) 680-6579 (collect) or (877) 206-7049 (toll-free). See the back cover of this Offer to Purchase.

To the shareholders of ACR Group, Inc.:

INTRODUCTION

We, Coconut Grove Holdings, Inc., a Texas corporation (the "Purchaser") and a wholly-owned subsidiary of Watsco, Inc. ("Watsco") are offering to purchase all outstanding shares (the "Shares") of common stock, par value $0.01 per share (the "Common Stock"), of ACR Group, Inc., a Texas corporation (the "Company"), other than the Committed Shares, at a purchase price of $6.75 per Share in cash, without interest thereon, less any required withholding taxes, upon the terms and subject to the conditions set forth in this Offer to Purchase and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer"). "Committed Shares" means the 3,122,819 shares of Common Stock beneficially owned as of June 29, 2007 by all of the Company's executive officers and certain of their respective affiliates which the holders have agreed to sell to Watsco and Purchaser for $6.75 per share following the offer pursuant to sale and support agreements between such shareholders, the Purchaser and Watsco (the "Committed Shares"). The Committed Shares represent approximately 26% of ACR's outstanding shares of Common Stock. There are 8,778,196 Shares eligible for tender in the Offer.

Shareholders of record who have Shares registered in their own names and tender directly to BNY Mellon Shareowner Services, the depositary for the Offer (the "Depositary" or "Information Agent"), will not have to pay brokerage fees or commissions. Shareholders with Shares held in street name by a broker, dealer, bank, trust company or other nominee should consult with their nominee to determine if they charge any transaction fees. Except as set forth in Instruction 6 of the Letter of Transmittal, shareholders will not have to pay stock transfer taxes on the sale of Shares pursuant to the Offer. However, any tendering shareholder or other payee who fails to complete and sign the Substitute Form W-9 that is included in the Letter of Transmittal or otherwise establish an exemption may be subject to backup withholding under the U.S. federal income tax laws. See "The Offer—Section 3—Backup Withholding". We will pay the charges and expenses of the Depositary incurred in connection with the Offer. See "The Offer—Section 17".

We are making the Offer pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated July 3, 2007 among Watsco, the Purchaser and the Company. The Merger Agreement provides, among other things, that as soon as practicable after the consummation of the Offer and the satisfaction or waiver of certain conditions in the Merger Agreement, we will merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation and a wholly-owned subsidiary of Watsco. In the Merger, each outstanding Share (other than 373,001 restricted shares held by certain officers and key employees of the Company and its subsidiaries (the "Converted Company Restricted Shares") and the Dissenting Shares (as defined below)) will be converted into the right to receive the price paid in the Offer, without interest. The Merger Agreement is more fully described in Section 13 entitled "Transaction Documents" of this Offer to Purchase.

The Board of Directors of the Company (the "Company Board") has unanimously, among other things, (i) declared the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, to be in the best interests of the shareholders of the Company, (ii) approved and declared advisable the Merger Agreement and the transactions contemplated thereby, and (iii) recommended that the Company's shareholders tender their Shares in the Offer and, if required by applicable law, adopt the Merger Agreement and approve the Merger.

Houlihan, Lokey, Howard & Zukin, Inc. ("Houlihan Lokey"), the Company's financial advisor, has delivered to the Company Board its written opinion dated June 28, 2007 to the effect that, as of that date, the consideration to be received by holders of Shares pursuant to the Merger Agreement was fair from a financial point of view to such holders. The full text of the written opinion of Houlihan Lokey containing the assumptions made, procedures followed, matters considered and limitations on the review undertaken is included with the Company's Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9") filed by the

Company with the Securities and Exchange Commission (the "SEC") in connection with the Offer and will be mailed to shareholders of the Company. We recommend that you read the full text of the opinion carefully.

The Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn before the expiration of the Offer a number of Shares which, together with the Committed Shares, represents at least two-thirds of the aggregate number of Shares outstanding at the expiration of the Offer (or such lesser number as may be determined by Watsco and Purchaser, provided that such amount will not be reduced to less than a majority without the consent of the Company) (the "Minimum Condition") and (ii) any waiting periods or approvals under applicable antitrust laws, including the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the regulations promulgated thereunder, having expired, been terminated or been obtained. The Offer is also subject to other conditions. See "The Offer—Section 15".

If by 5:00 p.m., New York City time, on Friday, August 3, 2007 (or any later time to which Purchaser, subject to the terms of the Merger Agreement, extends the period of time during which the Offer is open (the "Expiration Date")) any condition to the Offer is not satisfied or waived on any scheduled Expiration Date, the Purchaser will extend the Expiration Date for an additional period or periods, from time to time until all of the conditions are satisfied or waived, provided that the Offer will not be extended beyond the date that is four months after the date of the Merger Agreement, or if Watsco reasonably determines that any unsatisfied condition is incapable of being satisfied prior to such date. The Purchaser will also extend the offer for any period required by any rule, regulation, interpretation or position of the SEC or the staff thereof or required by law applicable to the Offer. Any extension of the Offer will be followed by a public announcement of such extension no later than 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the rights of a tendering shareholder to withdraw such shareholder's Shares.

The Company has represented in the Merger Agreement that, as of June 29, 2007, there were 12,063,765 shares of Common Stock issued and outstanding (of which an aggregate of 662,752 shares were restricted shares). None of Watsco or the Purchaser currently beneficially owns any Shares except insofar as the Sale and Support Agreements described in the "Sale and Support Agreement" subsection of Section 13 of this Offer to Purchase may be deemed to constitute beneficial ownership. Each of Watsco and the Purchaser disclaims any such beneficial ownership. Based on the foregoing, and assuming that no shares of Common Stock were issued by the Company after June 29, 2007, the Minimum Condition will be satisfied if the Purchaser would acquire at least 8,042,510 Shares in the Offer, including the 3,122,819 Committed Shares. See Section 1 entitled "Terms of the Offer" and Section 13 entitled "Transaction Documents" of this Offer to Purchase.

If we accept for payment and pay for the number of Shares constituting the Minimum Condition, the Merger Agreement provides that Watsco will be entitled to designate representatives to serve on the Company Board in proportion to our ownership of Shares following such purchase. Watsco currently intends, as soon as practicable after consummation of the Offer, to exercise this right and to designate certain of its executive officers or executive officers of its subsidiaries to serve as directors of the Company. For certain information regarding each of these persons, see Annex I hereto. The foregoing information and certain other information contained in this Offer to Purchase and the Schedule 14D-9 are being provided or will be provided in accordance with the requirements of Section 14(f) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14f-1 thereunder. The Purchaser and Watsco currently intend, as soon as practicable after consummation of the Offer, to consummate the Merger pursuant to the Merger Agreement. Following the Merger, the directors and officers of the Purchaser will be directors and officers of the Company.

Consummation of the Merger is subject to a number of conditions, including adoption of the Merger Agreement by the shareholders of the Company, if such adoption is required under applicable law or regulation, and the Purchaser's purchase of Shares pursuant to the Offer. Under Article 5.16 of the Texas Business Corporation Act (the "Texas Law"), if the Purchaser acquires, pursuant to the Offer or otherwise, at least 90% of

the outstanding Shares, Watsco and the Purchaser would be able to effect the Merger without a vote of the Company's shareholders. If we do not acquire at least 90% of the outstanding Shares, including the Committed Shares, Watsco and the Purchaser would have to seek approval of the Merger Agreement and the Merger by the Company's shareholders at a meeting of the Company's shareholders. Approval of the Merger Agreement and the Merger at such a meeting would require the affirmative vote of holders of at least two-thirds of the voting power of all Shares entitled to vote. Thus, if we acquire, through the offer or otherwise, voting power with respect to at least two-thirds of the then outstanding Shares, we would have sufficient voting power to effect the Merger without the affirmative vote of any other shareholder of the Company.

The Company has granted the Purchaser an irrevocable option (the "90% Top-Up Option") to purchase up to that number of Shares (the "90% Top-Up Option Shares") equal to the lowest number of Shares that, when added to the number of Shares owned by Watsco and any of its subsidiaries (including Purchaser) immediately following consummation of the Offer and the Committed Shares, would constitute one share more than 90% of the Shares then outstanding (after giving effect to the issuance of the 90% Top-Up Option Shares) at a purchase price per 90% Top-Up Option Share equal to the Offer Price. Notwithstanding the foregoing, the 90% Top-Up Option would not be exercisable if the aggregate number of Shares issuable upon exercise of the 90% Top-Up Option, plus the aggregate number of then-outstanding Shares, would exceed the number of authorized Shares or if the issuance of Shares pursuant to the 90% Top-Up Option would require approval of the Company's shareholders under applicable law or regulation.

The Company has never paid a cash dividend on the Shares. If we acquire control of the Company, we currently intend that no dividends will be declared on the Shares prior to the acquisition of the entire equity interest in the Company.

This Offer to Purchase and the related Letter of Transmittal contain important information, and you should carefully read both in their entirety before you make a decision with respect to the Offer.

THE OFFER

1. Terms of the Offer.

Upon the terms and subject to the conditions set forth in the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), we will accept for payment and pay for all Shares that are validly tendered before the Expiration Date and not withdrawn.

Watsco, the Purchaser and the Company have agreed in the Merger Agreement that the Purchaser will extend the Offer (a) if at the Expiration Date any of the conditions to the Purchaser's obligation to accept Shares for payment (including the expiration of all waiting periods and receipt of all approvals under applicable antitrust laws) are not satisfied or waived, from time to time until the earliest to occur of (i) the satisfaction or waiver of these conditions, (ii) the date that is four months after the date of the Merger Agreement (the "End Date"), provided that the inability to satisfy such condition does not result from any breach of any provision of the Merger Agreement by Watsco or the Purchaser and (iii) the reasonable determination by Watsco that these conditions cannot be satisfied on or prior to the End Date, and (b) for any period required by any rule, regulation, interpretation or position of the SEC or the staff thereof applicable to the Offer or any period required by applicable law. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer and subject to the right of each tendering shareholder to withdraw his or her Shares.

The Purchaser reserves the right to waive any of the conditions to the Offer and to make any change in the terms of or conditions to the Offer, provided that in the Merger Agreement, the Purchaser has agreed that it will not, without the consent of the Company, (a) decrease the number of shares subject to the Offer, (b) decrease or change the form of the consideration to be paid for Shares pursuant to the Offer, (c) waive the Minimum Condition below that number of Shares that, together with the Committed Shares, represents a majority of all shares of Common Stock then outstanding, (d) add to the conditions set forth in "The Offer —Section 15", (e) extend the Offer except as set forth in the Merger Agreement or (f) otherwise amend the Offer in a manner materially adverse to the holders of Shares.

The Offer is subject to the conditions set forth in "The Offer—Section 15", which include, among other things, satisfaction of the Minimum Condition and any waiting periods or approvals under applicable antitrust laws having expired, been terminated or been obtained. We believe the minimum number of Shares that must be tendered in order to achieve the Minimum Condition is approximately 4,919,691. All of the Company's executive officers and certain of their respective affiliates, beneficially owned as of June 29, 2007, 3,122,819 Shares and have agreed to sell to Watsco and Purchaser such Shares (the "Committed Shares") for $6.75 per share following the Offer pursuant to sale and support agreements between such shareholders, the Purchaser and Watsco (each, a "Sale and Support Agreement"). The Committed Shares represent approximately 26% of ACR's outstanding shares of Common Stock. See Section 13 entitled "Transaction Documents" of this Offer to Purchase.

If any condition to the Offer is not satisfied on or prior to the Expiration Date, subject to the terms and conditions contained in the Merger Agreement and the applicable rules and regulations of the SEC, the Purchaser (i) shall not be required to accept for payment or pay for any tendered Shares, (ii) may delay the acceptance for payment of, or the payment for, any tendered Shares, (iii) may terminate or amend the Offer as to Shares not then paid for, provided that any amendment of the Offer in a manner materially adverse to the holders of Shares would require the Company's approval) and (iv) may, and expressly reserves the right to, waive such condition (other than the Minimum Condition below that number of Shares that, together with the Committed Shares, represents a majority of all shares of Common Stock then outstanding) and purchase all Shares validly tendered and not withdrawn prior to the Expiration Date.

Except as set forth above, and subject to the terms and conditions contained in the Merger Agreement and the applicable rules and regulations of the SEC, we expressly reserve the right to increase the Offer Price or amend the Offer in any respect. If we change the percentage of Shares being sought or change the consideration

to be paid for Shares pursuant to the Offer and the Offer is scheduled to expire at any time before the expiration of a period of 10 business days from, and including, the date that notice of such change is first published, sent or given in the manner specified below, the Offer shall be extended until the expiration of such period of 10 business days. If we make any other material change in the terms of or information concerning the Offer or waive a material condition of the Offer, we will extend the Offer, if required by applicable law, for a period sufficient to allow you to consider the amended terms of the Offer. In a published release, the SEC has stated that in its view an offer must remain open for a minimum period of time following a material change in the terms of such offer and that the waiver of a condition is a material change in the terms of an offer. The release states that an offer should remain open for a minimum of five business days from the date the material change is first published, sent or given to shareholders, and that if material changes are made with respect to information that approaches the significance of price and share levels, a minimum of 10 business days may be required to allow adequate dissemination and investor response. For purposes of this Offer to Purchase, "business day" means any day other than Saturday, Sunday or a U.S. federal holiday and consists of the time period from 12:01 A.M. through 12:00 midnight, New York City time.

If we extend the Offer, are delayed in accepting for payment or paying for Shares or are unable to accept for payment or pay for Shares pursuant to the Offer for any reason, then, without prejudice to our rights under the Offer, the Depositary may, on our behalf, retain all Shares tendered, and such Shares may not be withdrawn except as provided in "The Offer—Section 4". Our reservation of the right to delay acceptance for payment of or payment for Shares is subject to applicable law, which requires that we pay the consideration offered or return the Shares deposited by or on behalf of shareholders promptly after the termination or withdrawal of the Offer.

Any extension, delay, termination, waiver or amendment of the Offer will be followed as promptly as practicable by a public announcement thereof, such announcement to be issued no later than 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date.

After the expiration of the Offer and acceptance of the Shares tendered in the Offer and not withdrawn, we may, but are not obligated to, include one or more subsequent offering periods to permit additional tenders of Shares (a "Subsequent Offering Period") if, as of the commencement of each such period, there shall not have been validly tendered and not withdrawn pursuant to the Offer and any prior Subsequent Offering Period, together with the Committed Shares, that number of Shares necessary to permit the Merger to be effected without a meeting of shareholders of the Company, in accordance with Article 5.16 of Texas Law. Pursuant to Rule 14d-11 under the Exchange Act, we may include any Subsequent Offering Period so long as, among other things, (i) the Offer remained open for a minimum of 20 business days and has expired, (ii) we accept and promptly pay for all Shares validly tendered during the Offer, (iii) we announce the results of the Offer, including the approximate number and percentage of Shares deposited in the Offer, no later than 9:00 A.M., New York City time, on the next business day after the Expiration Date and immediately begin the Subsequent Offering Period and (iv) we immediately accept and promptly pay for Shares as they are tendered during the Subsequent Offering Period. In addition, we may extend any initial Subsequent Offering Period by any period or periods, provided that the aggregate of the Subsequent Offering Period (including extensions thereof) is no more than 20 business days. No withdrawal rights apply to Shares tendered in any Subsequent Offering Period, and no withdrawal rights apply during any Subsequent Offering Period with respect to Shares previously tendered in the Offer and accepted for payment. The same price paid in the Offer will be paid to shareholders tendering Shares in a Subsequent Offering Period, if one is included.

We do not currently intend to include a Subsequent Offering Period, although we reserve the right to do so. If we elect to include or extend any Subsequent Offering Period, we will make a public announcement of such inclusion or extension no later than 9:00 A.M., New York City time, on the next business day after the Expiration Date or date of termination of any prior Subsequent Offering Period.

In connection with the Offer, the Company has provided us with mailing labels and security position listings for the purpose of disseminating the Offer to holders of Shares. We will send this Offer to Purchase, the related

Letter of Transmittal and other related documents to record holders of Shares and to brokers, dealers, banks, trust companies and other nominees whose names appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

2. Acceptance for Payment; Payment.

Upon the terms and subject to the conditions of the Offer, we will accept for payment and pay for all Shares validly tendered before the Expiration Date and not withdrawn promptly after the later of the Expiration Date and the satisfaction or waiver of all conditions that are dependent upon the receipt of governmental approvals set forth in "The Offer—Section 15". Subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act, we reserve the right, in our reasonable discretion and subject to applicable law, to delay the acceptance for payment or payment for Shares until satisfaction of all conditions to the Offer that are dependent upon the receipt of governmental approvals. If we increase the consideration to be paid for Shares pursuant to the Offer, we will pay such increased consideration for all Shares purchased pursuant to the Offer.

We will pay for Shares properly tendered and accepted for payment pursuant to the Offer by depositing the purchase price with the Depositary, which will act as your agent for the purpose of receiving payments from us and transmitting such payments to you. For a description of the procedure for tendering Shares pursuant to the Offer, see "The Offer—Section 3". Accordingly, payment may be made to tendering shareholders at different times if delivery of the Shares and other required documents occurs at different times. **Under no circumstances will we pay interest on the consideration paid for Shares pursuant to the Offer, regardless of any delay in making such payment.**

For purposes of the Offer, we shall be deemed to have accepted for payment tendered Shares when, as and if we give oral or written notice of our acceptance to the Depositary.

Watsco reserved the right to transfer or assign, in whole or from time to time in part, to one or more of its wholly-owned subsidiaries the right to purchase Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve us of our obligations under the Offer or prejudice your rights to receive payment for Shares validly tendered and accepted for payment.

If any tendered Shares are not purchased pursuant to the Offer for any reason, or if certificates are submitted for more Shares than are tendered, certificates for such unpurchased or untendered Shares will be returned (or, in the case of Shares tendered by book-entry transfer, such Shares will be credited to an account maintained at the Book-Entry Transfer Facility), without expense to you, promptly following the expiration or termination of the Offer.

3. Procedure for Tendering Shares.

Valid Tender of Shares. To tender Shares pursuant to the Offer, either (i) the Depositary must receive at one of its addresses set forth on the back cover of this Offer to Purchase (a) a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other documents required by the Letter of Transmittal and (b) certificates for the Shares to be tendered or delivery of such Shares pursuant to the procedures for book-entry transfer described below (and a confirmation of such delivery including an Agent's Message (as defined below) if the tendering shareholder has not delivered a Letter of Transmittal), in each case by the Expiration Date, or (ii) the guaranteed delivery procedure described below must be complied with.

The method of delivery of Shares and all other required documents, including through the Book-Entry Transfer Facility, is at your option and risk, and delivery will be deemed made only when

actually received by the Depositary. If certificates for Shares are sent by mail, we recommend registered mail with return receipt requested, properly insured, in time to be received on or prior to the Expiration Date.

The tender of Shares pursuant to any one of the procedures described above will constitute your acceptance of the Offer, as well as your representation and warranty that (i) you own the Shares being tendered within the meaning of Rule 14e-4 under the Exchange Act, (ii) the tender of such Shares complies with Rule 14e-4 under the Exchange Act and (iii) you have the full power and authority to tender, sell, assign and transfer the Shares tendered, as specified in the Letter of Transmittal. Our acceptance for payment of Shares tendered by you pursuant to the Offer will constitute a binding agreement between us with respect to such Shares, upon the terms and subject to the conditions of the Offer.

Book-Entry Delivery. The Depositary will establish an account with respect to the Shares for purposes of the Offer at The Depository Trust Company (the "Book-Entry Transfer Facility") within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the system of the Book-Entry Transfer Facility may deliver Shares by causing the Book-Entry Transfer Facility to transfer such Shares into the Depositary's account in accordance with the procedures of the Book-Entry Transfer Facility. However, although delivery of Shares may be effected through book-entry transfer, the Letter of Transmittal (or facsimile thereof) properly completed and duly executed together with any required signature guarantees or an Agent's Message and any other required documents must, in any case, be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase by the Expiration Date, or the guaranteed delivery procedure described below must be complied with. Delivery of the Letter of Transmittal and any other required documents to the Book-Entry Transfer Facility does not constitute delivery to the Depositary. "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a book-entry confirmation stating that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Shares that are the subject of such book-entry confirmation that such participant has received, and agrees to be bound by, the terms of the Letter of Transmittal and that the Company may enforce such agreement against such participant.

Signature Guarantees. All signatures on a Letter of Transmittal must be guaranteed by a financial institution (including most banks, savings and loan associations and brokerage houses) that is a member of a recognized Medallion Program approved by The Securities Transfer Association Inc., including the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchange Medallion Program (SEMP) and the New York Stock Exchange, Inc. Medallion Signature Program (MSP) or any other "eligible guarantor institution" (as such term is defined in Rule 17Ad-15 under the Exchange Act) (each an "Eligible Institution"), unless (i) the Letter of Transmittal is signed by the registered holder of the Shares tendered therewith and such holder has not completed the box entitled "Special Payment Instructions" on the Letter of Transmittal or (ii) such Shares are tendered for the account of an Eligible Institution. See Instructions 1 and 5 of the Letter of Transmittal.

Guaranteed Delivery. If you wish to tender Shares pursuant to the Offer and cannot deliver such Shares and all other required documents to the Depositary by the Expiration Date or cannot complete the procedure for delivery by book-entry transfer on a timely basis, you may nevertheless tender such Shares if all of the following conditions are met:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery in the form provided by the Purchaser is received by the Depositary (as provided below) by the Expiration Date; and

(iii) the certificates for such Shares (or a confirmation of a book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility), together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) together with any required signature guarantee or an Agent's Message and any other required documents, are received by the Depositary within three American Stock Exchange ("AMEX") trading days after the date of execution of the Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission or mail to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Backup Withholding. Under the U.S. federal income tax laws, backup withholding will apply to any payments made pursuant to the Offer unless you provide the Depositary with your correct taxpayer identification number and certify that you are not subject to such backup withholding by completing the Substitute Form W-9 included in the Letter of Transmittal or otherwise establish an exemption. If you are a non-resident alien or foreign entity not subject to backup withholding, you must give the Depositary a completed Form W-8BEN Certificate of Foreign Status (or other applicable Form W-8) before receipt of any payment in order to avoid backup withholding.

Appointment of Proxy. By executing a Letter of Transmittal, you irrevocably appoint our designees as your proxies in the manner set forth in the Letter of Transmittal to the full extent of your rights with respect to the Shares tendered and accepted for payment by us (and any and all other Shares or other securities issued or issuable in respect of such Shares on or after July 9, 2007). All such proxies are irrevocable and coupled with an interest in the tendered Shares. Such appointment is effective only upon our acceptance for payment of such Shares. Upon such acceptance for payment, all prior proxies and consents granted by you with respect to such Shares and other securities will, without further action, be revoked, and no subsequent proxies may be given (and, if previously given, will cease to be effective). Our designees will be empowered to exercise all your voting and other rights as they, in their reasonable discretion, may deem proper at any annual, special or adjourned meeting of the Company's shareholders. We reserve the right to require that, in order for Shares to be deemed validly tendered, immediately upon our acceptance for payment of such Shares, we or our designee must be able to exercise full voting rights with respect to such Shares and other securities (including voting at any meeting of shareholders).

The foregoing proxies are effective only upon acceptance for payment of Shares pursuant to the Offer. The Offer does not constitute a solicitation of proxies, absent a purchase of Shares, for any meeting of the Company's shareholders.

Determination of Validity. We will determine, in our reasonable discretion, all questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any tender of Shares, and our determination shall be final and binding. We reserve the absolute right to reject any or all tenders of Shares that we determine not to be in proper form or the acceptance for payment of or payment for which may, in the opinion of our counsel, be unlawful. We also reserve the absolute right to waive any defect or irregularity in any tender of Shares. None of the Purchaser, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defect or irregularity in tenders or waiver of any such defect or irregularity or incur any liability for failure to give any such notification.

4. Withdrawal Rights.

You may withdraw any tenders of Shares made pursuant to the Offer at any time before the Expiration Date. Thereafter, such tenders are irrevocable, except that they may be withdrawn after September 7, 2007, unless such Shares have been accepted for payment as provided in this Offer to Purchase. If we extend the period of time during which the Offer is open, are delayed in accepting for payment or paying for Shares or are unable to accept for payment or pay for Shares pursuant to the Offer for any reason, then, without prejudice to our rights under the Offer, the Depositary may, on our behalf, retain all Shares tendered, and such Shares may not be withdrawn except as otherwise provided in this Section 4.

For your withdrawal to be effective, a written or facsimile transmission notice of withdrawal with respect to the Shares must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase, and the notice of withdrawal must specify the name of the person who tendered the Shares to

be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of Shares, if different from that of the person who tendered such Shares. If the Shares to be withdrawn have been delivered to the Depositary, a signed notice of withdrawal with (except in the case of Shares tendered by an Eligible Institution) signatures guaranteed by an Eligible Institution must be submitted before the release of such Shares. In addition, such notice must specify, in the case of Shares tendered by delivery of certificates, the name of the registered holder (if different from that of the tendering shareholder) and the serial numbers shown on the particular certificates evidencing the Shares to be withdrawn or, in the case of Shares tendered by book-entry transfer, the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares. Withdrawals may not be rescinded, and Shares withdrawn will thereafter be deemed not validly tendered. However, withdrawn Shares may be retendered by again following one of the procedures described in "The Offer—Section 3" at any time before the Expiration Date.

If we include any Subsequent Offering Period following the Offer, no withdrawal rights will apply to Shares tendered in such Subsequent Offering Period and no withdrawal rights apply during such Subsequent Offering Period with respect to Shares previously tendered in the Offer and accepted for payment.

We will determine, in our reasonable discretion, all questions as to the form and validity (including time of receipt) of any notice of withdrawal, and our determination shall be final and binding. None of the Purchaser, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal or waiver of any such defect or irregularity or incur any liability for failure to give any such notification.

5. Certain Tax Considerations.

The U.S. federal income tax discussion set forth below is included for general information only and is based upon present law. Due to the individual nature of tax consequences, we recommend that you consult your tax advisors as to the specific tax consequences to you of the Offer, including the effects of applicable state, local and other tax laws. The following discussion may not apply to certain shareholders. For example, the following discussion may not apply to you if you acquired your Shares pursuant to the exercise of stock options or other compensation arrangements with the Company, you are not a citizen or resident of the United States or you are otherwise subject to special tax treatment under the Internal Revenue Code of 1986, as amended.

Your sale of Shares pursuant to the Offer may be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local and other tax laws. In general, if you tender Shares pursuant to the Offer, you will recognize gain or loss equal to the difference between the tax basis of your Shares and the amount of cash received in exchange therefor. Gain or loss will be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) sold pursuant to the Offer. Such gain or loss will be capital gain or loss if you hold the Shares as capital assets and will be long-term capital gain or loss if your holding period for the Shares is more than one year as of the date of the sale of such Shares.

A shareholder whose Shares are purchased in the Offer may be subject to backup withholding unless certain information is provided to the Depositary or an exemption applies. See "The Offer—Section 3—Backup Withholding".

6. Price Range of Shares; Dividends.

Price Range of Shares; Dividends.

The Shares are listed and principally traded on AMEX under the symbol BRR. The following table sets forth for the periods indicated the high and low sales prices per Share on AMEX as reported in published financial sources:

	High	Low
Fiscal year ended February 28, 2006		
First Quarter	4.19	2.67
Second Quarter	3.19	2.33
Third Quarter	2.95	2.22
Fourth Quarter	3.74	2.78
Fiscal year ended February 28, 2007		
First Quarter	4.15	3.45
Second Quarter	5.93	3.95
Third Quarter	6.47	4.80
Fourth Quarter	5.97	4.60
Fiscal year ending February 29, 2008		
First Quarter	5.26	4.30
Second Quarter (through June 25, 2007)	5.10	4.55

If we acquire control of the Company, we currently intend that no dividends will be declared on the Shares prior to the acquisition of the entire equity interest in the Company.

On July 3, 2007, the last full trading day before the announcement of our intention to commence the Offer, the last reported sales price of the Shares reported on AMEX was $4.60 per Share. **Please obtain a recent quotation for your Shares prior to deciding whether or not to tender**.

7. Possible Effects of the Offer on the Market for the Shares; Stock Quotation; Registration under the Exchange Act; Margin Regulations.

Possible Effects of the Offer on the Market for the Shares. If the Merger is consummated, all remaining shareholders (other than us, holders of the Converted Company Restricted Shares and shareholders properly exercising their dissenters' rights) will be entitled to receive cash in an amount equal to the price per Share paid in the Offer. Therefore, if the Merger takes place, the only difference between tendering and not tendering Shares in the Offer is that tendering shareholders will be paid earlier. If, however, the Merger does not take place and the Offer is consummated, the number of shareholders and the number of Shares that are still in the hands of the public may be so small that there will no longer be an active or liquid public trading market (or possibly any public trading market) for Shares held by shareholders other than the Purchaser. We cannot predict whether the reduction in the number of Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for, or marketability of, the Shares or whether such reduction would cause future market prices to be greater or less than the price paid in the Offer.

Stock Quotation. Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the standards for continued inclusion in AMEX. If, as a result of the purchase of Shares pursuant to the Offer, the Shares no longer meet the criteria for continuing inclusion in AMEX, the market for the Shares could be adversely affected. According to AMEX's published guidelines, the Shares would not meet the criteria for continued inclusion in AMEX if, among other things, the number of publicly held Shares were less than 200,000, the total number of public shareholders is less than 300 or the aggregate market value of the publicly held Shares was less than $1,000,000 for more than 90 consecutive days. If, as a result of the purchase of the Shares pursuant to the Offer, the Shares no longer meet these standards, the quotations on AMEX will be discontinued. In the event the Shares were no longer quoted on AMEX, quotations might still be available from

other sources. The extent of the public market for the Shares and availability of such quotations would, however, depend upon such factors as the number of holders and/or the aggregate market value of the publicly held Shares at such time, the interest in maintaining a market in the Shares on the part of securities firms, the possible termination of registration of the Shares under the Exchange Act and other factors.

Registration under the Exchange Act. The Shares are currently registered under the Exchange Act. Such registration may be terminated upon application of the Company to the SEC if the Shares are neither listed on a national securities exchange nor held by 300 or more holders of record. Termination of the registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of Shares and to the SEC and would make certain of the provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement to furnish a proxy statement pursuant to Section 14(a) in connection with a shareholders' meeting and the related requirement to furnish an annual report to shareholders and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to the Shares. Furthermore, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933. If registration of the Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities" or eligible for listing or AMEX reporting. We intend to seek to cause the Company to terminate registration of the Shares under the Exchange Act as soon as practicable after consummation of the Offer as the requirements for termination of registration of the Shares are met.

Margin Regulations. The Shares are currently "margin securities" under the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of such Shares. Depending upon factors similar to those described above regarding listing and market quotations, the Shares might no longer constitute "margin securities" for the purposes of the Federal Reserve Board's margin regulations and, therefore, could no longer be used as collateral for loans made by brokers.

8. Certain Information Concerning the Company.

The information concerning the Company contained in this Offer to Purchase has been taken from or based upon publicly available documents and records on file with the SEC and other public sources and is qualified in its entirety by reference thereto. None of Watsco, the Purchaser, the Information Agent or the Depositary can take responsibility for the accuracy or completeness of the information contained in such documents and records or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Watsco, the Purchaser, the Information Agent or the Depositary.

General. The Company is a Texas corporation with its principal executive offices located at 3200 Wilcrest Drive, Suite 440, Houston, Texas 77042. The Company's telephone number is (713) 780-8532. The Company is a wholesale distributor of heating, ventilating, air conditioning and refrigeration equipment and supplies.

Additional Information. The Company is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports, proxy statements and other information with the SEC relating to its business, financial condition and other matters. The Company is required to disclose in such proxy statements certain information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities and any material interest of such persons in transactions with the Company. Such reports, proxy statements and other information may be inspected at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of such material can also be obtained at prescribed rates from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, or free of charge at the Web site maintained by the SEC at http://www.sec.gov.

9. Certain Information Concerning the Purchaser and Watsco.

We are a wholly-owned subsidiary of Watsco. We are a Texas corporation incorporated on June 28, 2007, with principal executive offices at 2665 South Bayshore Drive, Suite 901, Coconut Grove, Florida 33133. The telephone number of our principal executive offices is (305) 714-4100. To date, we have engaged in no activities other than those incident to our formation and the transactions contemplated by the Merger Agreement.

Watsco was founded in 1947 and is a Florida corporation incorporated on July 14, 1956, with principal executive offices at 2665 South Bayshore Drive, Suite 901, Coconut Grove, Florida 33133. The telephone number of Watsco's principal executive offices is (305) 714-4100.

Watsco is one of the largest distributors of air conditioning, heating and refrigeration equipment and related parts and supplies in the United States.

The name, business address, current principal occupation or employment, five year material employment history and citizenship of each director and executive officer of Watsco and the Purchaser and certain other information are set forth on Annex I hereto.

Except as set forth elsewhere in this Offer to Purchase or Annex I to this Offer to Purchase: (i) none of Watsco, the Purchaser and, to Watsco's and the Purchaser's knowledge, the persons listed in Annex I hereto or any associate or majority owned subsidiary of Watsco, the Purchaser or of any of the persons so listed, beneficially owns or has a right to acquire any Shares or any other equity securities of the Company; (ii) none of Watsco, the Purchaser and, to Watsco's and the Purchaser's knowledge, the persons or entities referred to in clause (i) above has effected any transaction in the Shares or any other equity securities of the Company during the past 60 days; (iii) none of Watsco, the Purchaser and, to Watsco's and the Purchaser's knowledge, the persons listed in Annex I to this Offer to Purchase, has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies, consents or authorizations); (iv) during the two years before the date of this Offer to Purchase, there have been no transactions between Watsco, the Purchaser, their subsidiaries or, to Watsco's and the Purchaser's knowledge, any of the persons listed in Annex I to this Offer to Purchase, on the one hand, and the Company or any of its executive officers, directors or affiliates, on the other hand, that would require reporting under SEC rules and regulations; and (v) during the two years before the date of this Offer to Purchase, there have been no contracts, negotiations or transactions between Watsco, the Purchaser, their subsidiaries or, to Watsco's and the Purchaser's knowledge, any of the persons listed in Annex I to this Offer to Purchase, on the one hand, and the Company or any of its subsidiaries or affiliates, on the other hand, concerning a merger, consolidation or acquisition, a tender offer or other acquisition of securities, an election of directors or a sale or other transfer of a material amount of assets.

Additional Information. Watsco is subject to the informational requirements of the Exchange Act and in accordance therewith files periodic reports, proxy statements and other information with the SEC relating to its business, financial condition and other matters. Watsco is required to disclose in such proxy statements certain information, as of particular dates, concerning its directors and officers, their remuneration, stock options granted to them, the principal holders of its securities and any material interests of such persons in transactions with Watsco. Such reports, proxy statements and other information are available for inspection and copying at the offices of the SEC in the same manner as set forth with respect to the Company in "The Offer—Section 8".

10. Source and Amount of Funds.

We estimate that we will need approximately $117 million to consummate all of the transactions contemplated by the Merger Agreement, including approximately $79 million to purchase shares tendered in the Offer and the Committed Shares, $35 million to repay ACR's outstanding indebtedness and $3 million to pay all related fees and expenses.

Watsco is considering several sources of funding with its commercial banks, including, for example, an expansion of its existing credit facility, entering into a new credit facility and other alternatives. Watsco reasonably believes that it will obtain this financing prior to the expiration of the Offer.

11. Background of the Offer; Past Contacts or Negotiations with the Company.

The information set forth below regarding the Company was provided by the Company and none of the Purchaser or Watsco takes any responsibility for the accuracy or completeness of any information regarding meetings or discussions in which Watsco or its affiliates or representatives did not participate.

As part of the continuous evaluation of its businesses and plans, Watsco regularly considers a variety of strategic options and transactions. From time to time, Watsco has considered a variety of potential strategic transactions in the wholesale distribution of air conditioning, heating and refrigeration equipment and related parts and services.

Prior to March 1, 2004, Watsco had occasional contact with the Company to assess interest in a transaction with Watsco.

On March 1, 2004, Watsco and the Company advanced conversations and demonstrated an interest in discussing a transaction between Watsco and the Company.

On April 9, 2004, a member of Watsco's board of directors met and discussed a transaction with the Company's management.

On April 13, 2004, Watsco sent the Company a letter indicating a strong interest in a transaction at $2.75 per share of the Company's outstanding common stock.

On June 4, 2004, Watsco sent the Company a letter in follow up to its April 13, 2004 letter reaffirming its interest at $3.00 per share of the Company's outstanding common stock.

On August 20, 2004, the Company retained Houlihan Lokey Howard & Zukin as exclusive financial advisor.

On August 30, 2004, Watsco received a confidential information memorandum regarding the Company from Houlihan Lokey Howard & Zukin.

During August 2004 and September 2004, Watsco and the Company continued informal discussions regarding a potential transaction between Watsco and the Company.

On February 9, 2005, one of Watsco's officers and two of the Company's officers met and had informal discussions regarding a transaction with the Company.

On June 1, 2005, Watsco and the Company entered into a confidentiality agreement to facilitate the sharing of information with respect to their discussions.

From July 6, 2005 to July 7, 2005, the CEO of Watsco and the CEO of the Company met and had informal discussions regarding a transaction with the Company.

On July 10, 2005, officers of Watsco met with officers of the Company and discussed information in furtherance of a transaction with the Company.

From July 2005 to March 2007, Watsco had occasional contact with the Company on an informal basis.

On March 15, 2007, Watsco contacted the CEO of the Company to express interest in a transaction between Watsco and the Company.

On March 16, 2007, Watsco sent a letter to the Company Board proposing the acquisition of the Company's outstanding shares of common stock by Watsco for $7.00 per share.

On March 23, 2007, the Company informed Watsco that a meeting of the Company's Board of Directors had been convened and that the Company had authorized the initiation of due diligence by Watsco.

On March 28, 2007, Watsco and the Company confirmed the use of its previously executed Confidentiality Agreement dated June 1, 2005.

On April 9, 2007, the Company Board authorized the retention of Houlihan Lokey Howard & Zukin to provide investment banking services.

On April 20, 2007, the Company executed agreements with Houlihan Lokey Howard & Zukin for the transaction and fairness opinion.

On April 30, 2007, Watsco retained Grant Thornton to perform due diligence.

On May 25, 2007, Watsco's board of directors unanimously authorized, subject to the completion of satisfactory due diligence, Watsco's officers to negotiate, prepare and enter into a merger agreement and to execute such other and further documents in the officers' discretion as may be necessary or advisable to effectuate and consummate the merger agreement and transactions contemplated therein.

On May 30, 2007, Grant Thornton substantially completed its due diligence procedures and reported its findings to the management of Watsco.

On May 31, 2007, the results of Watsco's due diligence were discussed with the Company.

On June 7, 2007, a revised price of $6.75 per share was agreed to by the parties.

On June 8, 2007, Watsco's legal advisor Moore & Van Allen PLLC ("MVA") delivered a draft of the merger agreement and the sale and support agreement for the transaction to the Company's legal advisor Fulbright & Jaworski L.L.P. ("F&J"). On or about June 15, 2007, F&J delivered its initial comments to the proposed draft of the merger agreement to MVA.

Between June 9, 2007 and June 30, 2007, MVA, F&J and representatives of the Company and Watsco and their respective advisors negotiated the proposed merger agreement and sale and support agreement.

On July 3, 2007, the Company Board unanimously approved the merger agreement and the consummation of the Offer and the Merger.

Following the close of the market on July 3, 2007, the Company, Watsco and the Purchaser executed the merger agreement and Watsco, the Purchaser and the other signatories to the sale and support agreements executed such agreements.

On July 5, 2007, Watsco and the Company announced the transaction.

12. Purpose of the Offer; Plans for the Company; Approval of the Merger; Dissenters' Rights.

Purpose of the Offer; Plans for the Company. The purpose of the Offer is to acquire control of, and the entire equity interest in, the Company. Pursuant to the Merger Agreement, Watsco is entitled as soon as practicable after consummation of the Offer, to seek representation on the Company Board. See "The Offer —Section 13—Transaction Documents—The Merger Agreement—Board of Directors". In addition, if we accept for payment and pay for at least two-thirds of the then outstanding Shares, including the Committed Shares, we are expected to be merged with and into the Company. Watsco and the Purchaser currently intend, as soon as practicable after consummation of the Offer, and the satisfaction or waiver of certain conditions in the Merger Agreement, to consummate the Merger pursuant to the Merger Agreement. Following the Merger, all remaining shareholders (other than us, holders of Converted Company Shares and holders of Dissenting Shares)

will be entitled to receive the same amount of cash per Share that they would have received had they tendered their Shares in the Offer, without interest.

Following the Merger, the officers and directors of the Purchaser will be the officers and directors of the Company. Mr. Maresca will continue to serve as an executive officer of the Company and Mr. Alex Trevino has agreed to a consulting arrangement with the Company following the Merger. Mr. Steve Trevino has agreed to a non-competition agreement and will no longer serve as an employee or director of the Company.

Except as described above or elsewhere in this Offer to Purchase, Watsco and the Purchaser have no present plans or proposals that would relate to or result in (i) an extraordinary corporate transaction, such as a merger, reorganization, or liquidation, involving the Company or any of its subsidiaries, (ii) a sale or transfer of a material amount of assets of the Company or any of its subsidiaries, (iii) any change in the location of the Company's principal place of business, its principal executive office, or a material portion of its business activities, (iv) any change in the present management of the Company or policies of employment, (v) any material change in the Company's capitalization or dividend policy or indebtedness, (vi) any other material change in the Company's corporate structure or business, (vii) any material changes in the Company's present charitable or community contributions or related policies, programs, or practices, or (viii) any material changes in the Company's present relationship with its suppliers, customers, or the communities in which it operates.

Approval of the Merger. Under the Texas Law, the approval of the Company Board and the affirmative vote of the holders of at least two-thirds of the Shares entitled to vote are required to approve and adopt the Merger Agreement and the transactions contemplated thereby including the Merger following consummation of the Offer. The Company Board has unanimously approved and adopted the Merger Agreement and the transactions contemplated thereby and, unless the Merger is consummated pursuant to the "short-form" merger provisions under the Texas Law described below, the only remaining required corporate action of the Company is the adoption of the Merger Agreement and the approval of the Merger by the affirmative vote of the holders of at least two-thirds of the Shares. If shareholder approval for the Merger is required, Watsco intends to cause the Company Board to set the record date for the shareholder approval for a date as soon as practicable after the consummation of the Offer. Accordingly, if the Purchaser acquires, through the Offer or otherwise, voting power with respect to at least two-thirds of the then outstanding Shares, it will have sufficient voting power to adopt the Merger Agreement and approve the transactions contemplated thereby, including the Merger, without the affirmative vote of any other shareholders of the Company.

Texas Law also provides that if a parent company owns at least 90% of the outstanding shares of each class of stock of a subsidiary, the parent company and that subsidiary may merge without a vote of the shareholders of the parent or the subsidiary through a so-called "short form" merger. Accordingly, if, as a result of the Offer or otherwise, the Purchaser owns at least 90% of the outstanding Shares, the Purchaser could, and intends to, effect the Merger without prior notice to, or any action by, any other shareholder of the Company.

Dissenters' Rights. No appraisal rights are available in connection with the Offer. However, if the Merger is consummated, shareholders will have certain rights under Articles 5.12 and 5.13 of the Texas Law to dissent and demand the fair value of their Shares (the "Dissenting Shares"). Such rights to dissent, if the statutory procedures are met, could lead to a judicial determination of the fair value of the Dissenting Shares, as of the day prior to the date on which the shareholders' vote was taken approving the Merger or similar business combination (excluding any appreciation or depreciation in value in anticipation of the Merger), required to be paid in cash to such dissenting holders for their Dissenting Shares. In addition, such dissenting shareholders would be entitled to receive payment of a fair rate of interest from 91 days after the date of the shareholders' vote was taken approving the Merger or similar business combination on the amount determined to be the fair value of their Dissenting Shares. A court determining the fair value of the Dissenting Shares may take into account all relevant factors. Accordingly, such determination could be based upon considerations other than, or in addition to, the market value of the Dissenting Shares, including, among other things, asset values and earning capacity. Therefore, the value so determined in any appraisal proceeding could be the same as, or more or less than, the purchase price per Share in the Offer or the Merger consideration.

If any holder of Shares who demands payment of fair value under Articles 5.12 and 5.13 of the Texas Law fails to perfect, or effectively withdraws or loses his rights to appraisal as provided in the Texas Law, the Shares of such shareholder will be converted into the right to receive the price per Share paid in the Offer. A shareholder may withdraw his demand for fair value by delivering to us a written withdrawal of his demand for fair value and acceptance of the Merger.

The foregoing discussion is not a complete statement of law pertaining to appraisal rights under Texas Law and is qualified in its entirety by reference to Texas Law.

13. Transaction Documents.

The Merger Agreement

The following summary of certain provisions of the Merger Agreement is qualified in its entirety by reference to the complete text of the Merger Agreement, a copy of which has been filed as Exhibit (d)(1) to the Schedule TO filed by Watsco on July 9, 2007 and is incorporated herein by reference. The following summary may not contain all of the information important to you. Capitalized terms used in the following summary and not otherwise defined in this Offer to Purchase have the meanings set forth in the Merger Agreement.

Explanatory Note Regarding Summary of Merger Agreement and Representations and Warranties in the Merger Agreement. The summary of the terms of the Merger Agreement is intended to provide information about the terms of the Merger. The terms and information in the Merger Agreement should not be relied on as disclosures about Watsco or the Company without consideration to the entirety of public disclosure by Watsco or the Company as set forth in all of their respective public reports with the SEC. The terms of the Merger Agreement (such as the representations and warranties) govern the contractual rights and relationships, and allocate risks, between the parties in relation to the Merger. In particular, the representations and warranties made by the parties to each other in the Merger Agreement have been negotiated between the parties with the principal purpose of setting forth their respective rights with respect to their obligation to close the Merger should events or circumstances change or be different from those stated in the representations and warranties. Matters may change from the state of affairs contemplated by the representations and warranties. Watsco or the Company will provide additional disclosure in their public reports to the extent that they are aware of the existence of any material facts that are required to be disclosed under federal securities law and that might otherwise contradict the terms and information contained in the Merger Agreement and will update such disclosure as required by federal securities laws.

The Offer. The Merger Agreement provides that the Offer will be conducted on the terms and subject to the conditions described in “The Offer—Section 1—Terms of the Offer” and “The Offer—Section 15—Conditions of the Offer”.

Merger. The Merger Agreement provides that following the satisfaction or waiver of the conditions described below under “Conditions to the Merger,” the Purchaser will be merged with and into the Company, and each then outstanding Share that was eligible to participate in the Offer will be converted into the right to receive cash in an amount equal to the price per Share provided pursuant to the Offer, without interest.

Treatment of Restricted Shares in the Merger. The Merger Agreement provides that as of the effective time of the Merger, 39,750 outstanding restricted shares of Common Stock held by independent directors of the Company immediately prior to the effective time of the Merger will automatically become fully vested and converted into the right to receive an amount equal to the price per Share provided pursuant to the Offer, without interest. In addition, by virtue of the Merger and without any action on the part of the holders thereof except the execution and delivery of documentation or performance of other actions required by Watsco’s 2001 Incentive Compensation Plan, 373,001 outstanding restricted shares of Common Stock held by certain officers and key employees of the Company and its subsidiaries immediately prior to the effective time of the Merger will be converted automatically into a number of restricted shares of Watsco common stock (each, an “Assumed

Restricted Share Award") on substantially the same terms and conditions as were applicable to the restricted shares prior to such time. The number of shares of Watsco common stock subject to each Assumed Restricted Share Award will be equal to the product of the number of restricted shares of Common Stock to be converted multiplied by the price per Share provided pursuant to the Offer divided by the closing market price of Watsco's common stock as reported on the New York Stock Exchange on the trading day immediately preceding the effective time of the Merger (rounded down to the nearest whole share).

Board of Directors. The Merger Agreement provides that upon the acceptance for payment of, and payment by the Purchaser for, the number of Shares constituting the Minimum Condition, Watsco will be entitled to designate such number of directors on the Company Board as will give Watsco representation on the Company Board equal to at least that number of directors, rounded up to the next whole number, that equals the product of (a) the total number of directors on the Company Board (giving effect to the directors elected pursuant to this sentence) multiplied by (b) the percentage that (i) such number of the Shares so accepted for payment and paid for by the Purchaser plus the number of the Shares otherwise owned by the Purchaser or Watsco bears to (ii) the number of such Shares then outstanding.

Watsco currently intends, promptly after consummation of the Offer, to exercise this right and to designate certain of its executive officers or executive officers of its subsidiaries to serve as directors of the Company. For certain information regarding each of these persons, see Annex I hereto. The Company has agreed to take all action necessary to cause Watsco's designees to be elected or appointed to the Company Board as provided above, including increasing the size of the Company Board or obtaining the resignation of current directors. The Company has also agreed to use take all action necessary to cause Watsco's designees to be proportionately represented on each committee of the Company Board and each board of directors of each subsidiary of the Company and each committee thereof designated by Watsco. Until Watsco and/or the Purchaser acquires a majority of the outstanding Shares on a fully-diluted basis, the Company agrees to use its reasonable best efforts to ensure that all of the members of the Company Board and such committees and boards who are not employees of the Company will remain members of the Company Board and such committees and boards. Subject to applicable law, the Company has agreed promptly to take all action requested by Watsco necessary to effect any such election or appointment, including mailing to its shareholders the information required by Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder, and the Company will make such mailing with the mailing of the Schedule 14D-9.

Following the election or appointment of Watsco's designees pursuant to provisions described in the preceding paragraphs until the effective time of the Merger, the approval of a majority of the directors of the Company then in office who were not designated by Watsco shall be required to authorize (and such authorization shall constitute the authorization of the Company Board and no other action on the part of the Company, including any action by any other director of the Company, shall be required to authorize) any termination of the Merger Agreement by the Company, any amendment of the Merger Agreement, including any decrease in or change of form of the Merger Consideration, any extension of time for performance of any obligation or action hereunder by Watsco or the Purchaser, any waiver of compliance with any of the agreements or conditions contained in the Merger Agreement for the benefit of the Company, and any amendment or change to the "tail" liability insurance for directors and officers—see "Insurance" below.

The Merger Agreement further provides that the directors of the Purchaser immediately prior to the effective time of the Merger will be the directors of the surviving corporation in the Merger until their respective successors are duly elected and qualified.

Vote Required to Adopt Merger. The Company Board has approved the Merger Agreement, and the transactions contemplated thereby, including the Offer and the Merger; consequently, the only additional action of the Company that may be necessary to effect the Merger is adoption of the Merger Agreement and approval of the Merger by the Company's shareholders, unless the "short-form" merger procedure is available. See "Approval of the Merger" in Section 12.

Pursuant to the Merger Agreement, the Company granted the Purchaser the 90% Top-Up Option, which subject to the limitations described herein, permits but does not require the Purchaser to purchase, at a price per Share equal to the price per Share paid in the Offer, a number of Shares that, when added to the Committed Shares, would constitute at least one share more than 90% of the Shares then outstanding. If Purchaser exercises the 90% Top-Up Option, it would have the ability to effect a "short-form" merger.

Conditions to the Merger. The Merger Agreement provides that the respective obligations of each party to effect the Merger is subject to the satisfaction (or waiver, if permissible under applicable Law) of the following conditions on or prior to the closing date of the Merger: (a) if required by Texas Law, the Merger Agreement shall have been adopted by the affirmative vote of the holders of at least two-thirds of the Shares; (b) the waiting period (and any extension thereof) applicable to the Merger under the HSR Act shall have been terminated or shall have expired; (c) no Law, injunction, judgment or ruling enacted, promulgated, issued, entered, amended or enforced by any Governmental Authority, nor shall any Governmental Authority have instituted an action or proceeding that remains pending seeking to enjoin, restrain, prevent or prohibit consummation of the Merger, (collectively, "Restraints") shall be in effect enjoining, challenging, restraining, preventing or prohibiting the consummation of the Merger or making the consummation of the Merger illegal; and (d) Purchaser (or Watsco on Purchaser's behalf) shall have accepted for payment and paid for all of the Shares validly tendered pursuant to the Offer and not withdrawn, *provided*, *however*, that this clause (d) shall not be a condition to the obligation of Watsco or Purchaser to consummate the Merger if the failure to satisfy such condition shall arise from Watsco's or Purchaser's breach of any provision of the Merger Agreement.

Termination of the Merger Agreement. The Merger Agreement may be terminated and the Merger abandoned at any time prior to the effective time of the Merger, whether before or after adoption of the Merger Agreement by the shareholders of the Company for any reason provided in paragraphs (a) through (d) below; provided, that if any Shares are accepted for payment pursuant to the Offer, none of Watsco, Purchaser nor the Company may terminate the Merger Agreement or abandon the Merger except pursuant to paragraphs (a) and (b)(ii) and (b)(iii) below:

(a) by the mutual written consent of the Company and Watsco duly authorized by each of their respective Boards of Directors; or

(b) by either of the Company or Watsco, if:

(i) the Offer or shareholder approval for the Merger, if required, has not been consummated or obtained on or before the date that is four months after the date of the Merger Agreement (the "Walk-Away Date-"); provided, however, that the right to terminate the Merger Agreement pursuant to this clause (i) shall not be available to a party if the failure of the Offer to have been consummated on or before the Walk-Away Date was proximately caused by the failure of such party to perform any of its obligations under the Merger Agreement and provided, further, that Watsco may unilaterally extend, by notice delivered to the Company on or prior to the original Walk-Away Date, the Walk-Away Date for one month after the date above, in which case the Walk-Away Date shall be deemed to be for all purposes to be such date;

(ii) any Restraint (as defined above) having the effect of (A) making acceptance for payment of, and payment for, the Shares pursuant to the Offer or consummation of the Merger illegal or otherwise prohibited or (B) enjoins Purchaser from accepting for payment of, and paying for, the Shares pursuant to the Offer or the Company or Watsco from consummating the Merger shall be in effect and shall have become final and nonappealable; or

(iii) the shareholders of the Company shall not have, if required, adopted the Merger Agreement and approved the Merger at the meeting of the shareholder of the Company duly convened therefor or at any adjournment or postponement thereof;

(c) by Watsco, if:

(i) the Company shall have breached or failed to perform any of its representations, warranties, covenants or agreements set forth in the Merger Agreement, which breach or failure to perform (x) would give rise to the failure of a condition set forth in the Merger Agreement or Annex I thereto and (y) cannot be cured by the Company by the Walk-Away Date or, if curable, is not cured within 45 days after the Company receives written notice from Watsco of such breach; or

(ii) a Company Adverse Recommendation Change (as defined below) shall have occurred; or

(d) by the Company, if prior to acceptance for payment of Shares in the Offer, the Company (A) has materially complied with its obligations under Sections 6.1 and 6.3 of the Merger Agreement, (B) has paid the Termination Fee (as defined below) pursuant to Section 8.3(a) of the Merger Agreement and (C) concurrently enters into a definitive Company Acquisition Agreement (as defined below) providing for a Superior Proposal (as defined below) provided that the Company may not terminate the Merger Agreement pursuant to this subsection (d) until at least five business days have passed since the date of the most recent Company Adverse Recommendation Notice.

Nonsolicitation Obligations. Under the terms of the Merger Agreement, the Company has agreed to, and to cause its subsidiaries and its and its subsidiaries' respective directors, officers and employees and each investment banker, financial advisor, attorney, accountant and each other advisor, agent or representative retained by or acting at the direction of the Company or any of its subsidiaries in connection with the transactions contemplated by the Merger Agreement (collectively, "Representatives") to, (i) cease any discussions or negotiations with any Person with respect to an Alternative Proposal (as defined below) or that would reasonably be expected to lead to an Alternative Proposal, (ii) request the prompt return or destruction of any confidential information or evaluation material previously provided or furnished to any such Person and (iii) not terminate, waive, amend, modify or fail to enforce any provision of any standstill or confidentiality agreement to which it or any of its subsidiaries is a party. The Merger Agreement provides that the Company shall not, and shall cause its subsidiaries and its and their Representatives not to, directly or indirectly (i) solicit, initiate, knowingly facilitate or otherwise knowingly encourage any Alternative Proposal or any inquiry that constitutes or would reasonably be likely to lead to an Alternative Proposal or (ii) other than to inform such third party of the nonsolicitation provisions of the Merger Agreement, participate in any discussions or negotiations regarding any Alternative Proposal or any inquiry that constitutes or would reasonably be likely to lead to an Alternative Proposal, furnish to any Person any information or data with respect to, or otherwise cooperate with or take any action to knowingly facilitate any proposal that constitutes or would reasonably be expected to lead to any Alternative Proposal, or requires the Company to abandon, terminate or fail to consummate the transactions contemplated by the Merger Agreement or (iii) enter into any letter of intent, memorandum of understanding, merger agreement or other agreement or understanding relating to, or that would reasonably be expected to lead to, any Alternative Proposal. Notwithstanding the foregoing, prior to the acceptance for payment of Shares in the Offer, if the Company Board determines, after consultation with outside counsel, in good faith by resolution duly adopted that an unsolicited written Alternative Proposal received after the date hereof other than in breach of the nonsolicitation provisions of the Merger Agreement constitutes or is reasonably likely to constitute a Superior Proposal (as defined below) and that it is reasonably necessary to take such action to comply with its fiduciary duties to the shareholders of the Company under applicable Law, then the Company, after giving Watsco prompt written notice of such determination (and in any event no later than 24 hours after such determination), may (A) furnish any information with respect to the Company and its subsidiaries to the Person (and its Representatives) making such Alternative Proposal pursuant to a confidentiality agreement not less restrictive of such Person than the confidentiality agreement between the Company and Watsco, provided, that all such information provided or furnished to such Person has been provided or furnished previously to Watsco or is provided or furnished to Watsco concurrently with it being provided or furnished to such Person and (B) participate in discussions and negotiations with such Person (and its Representatives) regarding an Alternative Proposal. The Company has agreed that any violation of the nonsolicitation provisions in the Merger Agreement by any Representative of the Company or any of its subsidiaries shall be deemed a breach of the nonsolicitation provisions in the Merger Agreement by the Company.

In addition to the obligations of the Company described in the preceding paragraph, if the Company receives an Alternative Proposal or request for information or inquiry that relates to or would be reasonably likely to lead to an Alternative Proposal, the Company shall promptly (within 24 hours) provide Watsco with a copy (if in writing) and summary of the material terms and conditions of such Alternative Proposal, request or inquiry and the identity of the Person (and its equity investors, if known by the Company) making such Alternative Proposal, request or inquiry, and shall keep Watsco reasonably informed of the status of any financial or other material modifications to such Alternative Proposal, request or inquiry, including by conveying a copy of all such modifications that are in writing, promptly (within 24 hours) of any of the Company's officers', directors' or financial advisors' receipt thereof.

Except as expressly permitted by this paragraph, the Company Board or any committee thereof shall not and shall not publicly propose to (i)(A) withdraw or modify, in a manner adverse to Watsco, the Company Board Recommendation (as defined below), (B) recommend to the shareholders of the Company, or approve or adopt, an Alternative Proposal or (C) in the event that any Alternative Proposal is publicly announced or any Person commences a tender offer or exchange offer for any outstanding Shares, fail to issue a press release that reaffirms the Company Board Recommendation and, in the case of a tender offer or exchange offer, recommend against acceptance of such tender offer or exchange offer by the Company shareholders, in each case within 10 business days of such announcement or commencement (for the avoidance of doubt, the taking of no position by the Company Board in respect of the acceptance of any tender offer or exchange offer by its shareholders shall constitute a failure to recommend against any such offer) (any action, publicly proposed action or inaction described in this clause (i) being referred to as a "Company Adverse Recommendation Change") or (ii) enter into, approve or authorize the Company or any of its subsidiaries to enter into any letter of intent, memorandum of understanding, or any merger, acquisition, option, joint venture, partnership or similar agreement with respect to any Alternative Proposal (other than a confidentiality agreement, subject to the requirements set forth in Section 6.3(a)) (each, a "Company Acquisition Agreement"). Notwithstanding the foregoing, prior to the acceptance for payment of Shares in the Offer (x) the Company Board may, subject to compliance with the nonsolicitation provisions of the Merger Agreement, withdraw or modify the Company Board Recommendation if the Company Board determines (after receiving the advice of its outside counsel) in good faith by resolution duly adopted that it is reasonably necessary to do so to comply with its fiduciary duties to the shareholders of the Company under applicable Law and (y) if the Company Board receives an Alternative Proposal that the Company Board determines, in good faith by resolution duly adopted, constitutes a Superior Proposal, the Company or its subsidiaries may, subject to compliance with the nonsolicitation provisions of the Merger Agreement, enter into a definitive Company Acquisition Agreement with respect to such Superior Proposal and concurrently with entering into such Company Acquisition Agreement terminates the Merger Agreement pursuant to subparagraph (d) in "Termination of Merger Agreement" above. If the Company desires to enter into such a Company Acquisition Agreement with respect to an Alternative Proposal or to make a Company Adverse Recommendation Change, it shall give Watsco written notice (a "Company Adverse Recommendation Notice") containing a description of the material terms of such Alternative Proposal or any other basis for a Company Adverse Recommendation Change, the most current version of any Company Acquisition Agreement relating to the Superior Proposal, if any, any other information required by the preceding paragraph and, if applicable, advising Watsco that the Company Board has determined that such Alternative Proposal is a Superior Proposal and that the Company Board intends to enter into a Company Acquisition Agreement with respect to such Superior Proposal. The Company may make a Company Adverse Recommendation Change or terminate the Merger Agreement pursuant to subparagraph (d) in "Termination of Merger Agreement" above only (i) if at least five business days have passed since the date of the Company Adverse Recommendation Notice and (ii) if after taking into account any revised proposal that may be made by Watsco since receipt of the Company Adverse Recommendation Notice, the Company Board shall have not changed its determination that such Alternative Proposal is a Superior Proposal (it being understood that any amendment to the financial terms or other material terms of such Superior Proposal shall require a new Company Adverse Recommendation Notice and a new five business day period).

The Merger Agreement defines "Company Board Recommendation" as the Company Board duly and unanimously adopting resolutions (A) declaring that the Merger Agreement and the transactions contemplated by

the Merger Agreement, are in the best interests of the Company's shareholders, (B) approving and declaring advisable the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Offer and the Merger, and (C) recommending that the Company's shareholders accept the Offer, tender their Shares to Purchaser pursuant to the Offer and, if applicable, adopt the Merger Agreement and approve the Merger.

"Alternative Proposal" means any inquiry, proposal or offer, whether or not conditional, from any Person (other than Watsco and its subsidiaries) relating to any direct or indirect (A) acquisition of assets of the Company and its subsidiaries (including securities of subsidiaries, but excluding sales of assets in the ordinary course of business in compliance with the Merger Agreement) equal to 15% or more of the Company's consolidated assets or to which 15% or more of the Company's revenues or earnings on a consolidated basis are attributable, (B) acquisition of 15% or more of the outstanding Company Common Stock, voting power of the Company or any class of equity securities of the Company, (C) tender offer or exchange offer that if consummated would result in any Person beneficially owning 15% or more of the outstanding Company Common Stock, (D) merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company, (E) acquisition by the Company or any of its subsidiaries of any third party in any of the foregoing types of transactions in which the shareholders of such third party immediately prior to the consummation of such transaction will own more than 15% of the outstanding Company Common Stock immediately following such transaction, or (F) without limiting any of the foregoing, any of the foregoing types of transactions involving the acquisition of greater than 49% of the voting equity interests in any Subsidiary or subsidiaries of the Company with assets, revenue or earnings representing 15% or more of the consolidated assets, revenue or earnings of the Company on a consolidated basis.

"Superior Proposal" means a bona fide written proposal or offer to acquire, directly or indirectly, for consideration consisting of cash and/or publicly listed and traded securities, more than two-thirds of the equity securities of the Company or all or substantially all of the assets of the Company and its subsidiaries on a consolidated basis, made by a third party, and which is otherwise on terms and conditions which the Company Board determines in its good faith and reasonable judgment and by resolution duly adopted (after consultation with a financial advisor of national reputation and in light of all relevant circumstances, including all the terms and conditions of such proposal and the Merger Agreement and the timing and certainty of consummation) to be more favorable to the Company's shareholders than the terms set forth in the Merger Agreement or the terms of any other proposal made by Watsco after Watsco's receipt of a Company Adverse Recommendation Notice, and which the Company Board determines in good faith is reasonably capable of being consummated on the terms so proposed and determines (after receiving the advice of its outside counsel) in good faith by resolution duly adopted that it is reasonably necessary to withdraw or modify the Company Board Recommendation in order to comply with its fiduciary duties to the shareholders of the Company under applicable law, taking into account such matters as the Company Board deems relevant to its decision, including but not limited to, any financing and approval requirements, timing of such consummation and all financial, regulatory, legal and other aspects of such proposal.

The Merger Agreement further provides that nothing in the nonsolicitation provisions shall prohibit the Company or the Company Board from taking and disclosing to the Company's shareholders a position contemplated by Rule 14e-2(a), Rule 14d-9 or Item 1012(a) of Regulation M-A promulgated under the Exchange Act, or other applicable Law, if the Company Board determines, after consultation with outside counsel, that there is a reasonable likelihood failure to so disclose such position would constitute a violation of applicable Law. In addition, it is understood and agreed that, for purposes of the Merger Agreement, (i) a factually accurate public statement by the Company that merely describes the Company's receipt of an Alternative Proposal and the operation of the Merger Agreement with respect thereto shall not be deemed a withdrawal or modification, or proposal by the Company Board to withdraw or modify, the Company Board's recommendation of the Merger Agreement or the transactions contemplated by the Merger Agreement, or an approval or recommendation with respect to such Alternative Proposal and (ii) any "stop, look and listen" communication by the Company Board Directors to the shareholders of the Company pursuant to Rule 14d-9(f) of the Exchange Act or any similar

communication to the shareholders shall not constitute a Company Adverse Recommendation Change provided that, in no event will the Company, the Company Board or any committee thereof (A) recommend that the shareholders of the Company tender their shares in connection with any such tender or exchange offer (or otherwise approve or recommend any Alternative Proposal) or (B) withdraw or modify the Company Board Recommendation, in each case other than in accordance with the third paragraph of this section.

Fees and Expenses; Termination Fee. Except as provided below, all fees and expenses incurred in connection with the Offer, the Merger and the other transactions contemplated by the Merger Agreement will be paid by the party incurring such fees or expenses, whether or not the Offer or the Merger is consummated.

If the Merger Agreement is terminated by the Company pursuant to subparagraph (d) in "Termination of Merger Agreement" above, then the Company shall pay to Watsco a termination fee of $5.0 million in cash (the "Termination Fee"), which Termination Fee shall be paid concurrently with such termination, payable by wire transfer of same-day funds.

If the Merger Agreement is terminated by Watsco either pursuant to (i) subsection (c)(i) in "Termination of Merger Agreement" above based on a willful breach by the Company of its representations, warranties, covenants or agreements set forth in the Merger Agreement or (ii) subsection (c)(ii) in "Termination of Merger Agreement" above, the Company shall pay to Watsco the Termination Fee within two business days of such termination, payable by wire transfer of same-day funds; provided, however, that the amount of the Termination Fee due under this paragraph shall be reduced by the amount of Expenses (as defined below), if any, paid to Watsco or Purchaser under the second following paragraph.

If the Merger Agreement is terminated by (i) Watsco pursuant to subsection (b)(i) in "Termination of Merger Agreement" above or (ii) Watsco or the Company pursuant to subsection (b)(iii) in "Termination of Merger Agreement" above and, in the case of either (i) or (ii), (A) after the date of the Merger Agreement but prior to the date of such termination an Alternative Proposal or a request or communication reasonably likely to lead to an Alternative Proposal shall have been made known to the Company (or any director or officer of the Company) or shall have been made directly to its shareholders generally or any Person shall have publicly announced an interest in making or an intention (whether or not conditional) to make an Alternative Proposal and (B) the Company enters into a Company Acquisition Agreement with respect to an Alternative Proposal, or the transaction contemplated by an Alternative Proposal is consummated, within twelve months of the date the Merger Agreement is so terminated, the Company shall pay to Watsco the Termination Fee concurrently with (and as a condition to) the event under clause (B), payable by wire transfer of same-day funds; provided, however, that the amount of the Termination Fee due under this Section paragraph shall be reduced by the amount of Expenses (as defined below), if any, paid to Watsco or Purchaser under the following paragraph.

If the Merger Agreement is terminated by Watsco pursuant to (i) subsection (b)(i), (ii) subsection (b)(ii) (other than due to a Restraint that was issued in connection with Antitrust Law), (iii) subsection (b)(iii) or (iv) subsection (c)(i) in "Termination of Merger Agreement", the Company shall pay to Watsco all of the Expenses (as defined below) of Watsco and Purchaser within two business days of such termination, payable by wire transfer of same-day funds. Watsco shall not claim a termination and right of payment of the Expenses if it has been paid the Termination Fee. As used herein, "Expenses" shall mean all reasonable out-of-pocket fees and expenses (including all fees and expenses of counsel, accountants, consultants and other experts engaged by Watsco or Purchaser) incurred by Watsco or Purchaser in connection with or related to the authorization, preparation, negotiation, execution and performance of the Merger Agreement and any other matters related to the Merger.

Each of the Company and Watsco acknowledged that the agreements contained in the four preceding paragraphs are an integral part of the transactions contemplated by the Merger Agreement. If the Company shall fail to pay the Termination Fee when due, the Company shall reimburse Watsco for all reasonable costs and expenses actually incurred or accrued by Watsco (including reasonable fees and expenses of counsel) in

connection with the collection under and enforcement of the four preceding paragraphs together with interest on the amount of the Termination Fee from the date such payment was required to be made until the date of payment at the prime rate of SunTrust Bank in effect on the date such payment was required to be made. Solely for the purposes of the fourth and fifth paragraphs of this section, the term "Alternative Proposal" shall have the meaning assigned to such term in "Termination of Merger Agreement", except that all references to "15%" shall be changed to "35%".

Conduct of Business by the Company. The Merger Agreement provides that except for matters expressly contemplated by the Merger Agreement or required by applicable Law, from the date of the Merger Agreement until the effective time of the Merger, unless Watsco consents (which consent shall not be unreasonably withheld or delayed), the Company will, and will cause each of its subsidiaries to, conduct its business in all material respects in the ordinary course consistent with past practice and use commercially reasonable efforts consistent with past practice to preserve intact its present business organizations, keep available the services of its present executive officers and key employees and preserve its relationships with Persons having significant business dealings with it and take no action which would adversely affect or delay in any material respect the ability of either Watsco or the Company to obtain any necessary approvals of any Governmental Authority required for the transactions contemplated by the Merger Agreement. In addition, and without limiting the generality of the foregoing, except for matters expressly contemplated by the Merger Agreement or required by applicable law from the date of the Merger Agreement to the effective time of the Merger, the Company will not, and will not permit any of its subsidiaries to, do any of the following without the prior written consent of Watsco (which consent shall not be unreasonably withheld or delayed):

(i)(A) issue, sell or grant any shares of its capital stock, or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for any shares of its capital stock, or any rights, warrants or options to purchase any shares of its capital stock, or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for, any shares of its capital stock; (B) redeem, purchase or otherwise acquire any of its outstanding shares of capital stock, or any rights, warrants or options to acquire any shares of its capital stock, except pursuant to commitments in effect as of the date hereof; (C) declare, set aside for payment or pay any dividend on, or make any other distribution in respect of, any shares of its capital stock; or (D) adjust, split, combine, subdivide or reclassify any shares of its capital stock or otherwise amend the terms of its capital stock;

(ii) incur any indebtedness for borrowed money or guarantee any such indebtedness, other than changes in indebtedness under the Company's existing revolving credit agreement incurred in the ordinary course of business;

(iii) sell, lease, dispose of or grant, create or incur any Lien on (x) any Owned Real Property or Leased Real Property or (y) any of its properties or assets with a fair market value in excess of $100,000 in the aggregate, except (A) sales, leases, rentals and licenses of inventory in the ordinary course of business consistent with past practice or (B) transfers among the Company and its wholly owned subsidiaries;

(iv) except with respect to leases or acquisitions of real property, which are intended to be covered in clause (xi) below (it being understood that any business combination transaction with another Person, even if such transaction includes the acquisition of the real property of such Person, shall be covered by this clause (iv) and not by clause (xi)), make any acquisition (including by merger) of another Person or business, including capital stock, or purchase or lease (except for purchases of inventory in the ordinary course of business consistent with past practice) the assets or properties, of any other Person, in each case for consideration that, when taken together with the consideration in all other such transactions not prohibited by this clause (iv), is not in excess of $250,000 in the aggregate;

(v)(A) amend or terminate any Company Plan, fail to make any required contribution to any Company Plan or establish, adopt or enter into any plan, agreement or policy that would be a Company Plan if it were in existence on the date of the Merger Agreement or (B) increase the compensation or other benefits payable or to become payable to any of its current or former directors, officers, or employees, other than (i) as

required pursuant to applicable Law or the terms of Contracts in effect on the date of the Merger Agreement and (ii) increases in salaries, wages and benefits of employees other than the Company Senior Executives made in the ordinary course of business consistent with past practice;

(vi) make any changes in financial or Tax accounting methods, principles or practices (or change an annual accounting period), except insofar as may be required by a change in GAAP or applicable Law;

(vii) amend the Company Charter Documents;

(viii) amend in a material way or waive any material rights under or enter into a Contract that would be required to be listed in the Company Disclosure Schedules if the value at issue in any such amendment, waiver or entrance (or any group of related amendments, waivers or entrances) exceeds $100,000;

(ix) enter into any transaction that would be required to be reported pursuant to Item 404 of Regulation S-K in a future SEC report;

(x) forgive or make any loans, advances or capital contributions to, or investments in, any other Person, other than (A) loans or advances in immaterial amounts in the ordinary course of business consistent with past practice or (B) to wholly owned subsidiaries of the Company;

(xi) except for renewals of existing leases, make any lease or acquisition of real property or any commitment for any other capital expenditure in excess of $250,000 in the aggregate (it being understood that (A) the total present value of all future lease payments shall be taken into account for purposes of determining whether the $250,000 basket has been filled and (B) leases, acquisitions and commitments that would be covered by clause (iv) shall not be included in the $250,000 basket in this clause (xi));

(xii) enter into, amend, or extend any collective bargaining or other labor agreement;

(xiii) settle or agree to settle any material suit, action, claim, proceeding or investigation (including any suit, action, claim, proceeding or investigation relating to the Merger Agreement or the transactions contemplated by the Merger Agreement) or pay, discharge or satisfy or agree to pay, discharge or satisfy any material claim, liability or obligation (absolute or accrued, asserted or unasserted, contingent or otherwise) other than the payment, discharge or satisfaction of liabilities reflected or reserved against in full in the Financial Statements or incurred in the ordinary course of business consistent with past practice subsequent to February 28, 2007;

(xiv) adopt a plan or agreement of complete or partial liquidation or dissolution;

(xv) unless requested or directed by a Governmental Authority, convene any regular or special meeting (or any adjournment thereof) of the shareholders of the Company other than the meeting of the Company shareholders duly called for the purpose of approving the Merger Agreement; and

(xvi) agree to take any of the foregoing actions in this “Conduct of Business by the Company”.

Pursuant to the Merger Agreement, the Company and Watsco agreed that, during the period from the date of the Merger Agreement until the effective time of the Merger, the Company and Watsco will not, and will not permit any of their respective subsidiaries to, take, or agree or commit to take, any action that could reasonably be expected to (i) impose any material delay in the obtaining of, or significantly increase the risk of not obtaining, any authorizations, consents, orders, declarations or approvals of any Governmental Authority necessary to consummate the transactions contemplated by the Merger Agreement or the expiration or termination of any applicable waiting period, (ii) significantly increase the risk of any Governmental Authority entering an order or Restraint (as previously defined) prohibiting or impeding the consummation of the transactions contemplated by the Merger Agreement or (iii) otherwise materially delay the consummation of the transactions contemplated by the Merger Agreement (each, a “Delay“). Without limiting the generality of the foregoing, Watsco agreed that, during the period from the date of the Merger Agreement until the effective time of the Merger, Watsco will not, and will not permit any of its subsidiaries to, acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of or equity in, or by any other

manner, any Person or portion thereof, or otherwise acquire or agree to acquire any assets or rights, if the entering into of a definitive agreement relating to or the consummation of such acquisition, merger or consolidation would reasonably be expected to result in a Delay.

Insurance. Prior to the Effective time, the Company or Watsco will purchase a director and officer "tail" policy in respect of acts or omissions occurring prior to the effective time of the Merger covering each current or former director or officer of the Company and its subsidiaries currently covered by the Company's officers' and directors' liability insurance policy for six years on terms with respect to coverage and amount at least as, and not materially more, favorable than those of such policy in effect on the date of the Merger Agreement, and with an aggregate premium not to exceed 150% of the amount per annum the Company paid in respect of its last annual policy period.

Reasonable Best Efforts. Subject to the terms and conditions of the Merger Agreement, the Company, Watsco and Purchaser agreed to cooperate with the other parties and use (and to cause their respective subsidiaries to use) their respective reasonable best efforts to (i) take, or cause to be taken, all actions, and do, or cause to be done, all things, necessary, proper or advisable to cause the conditions to closing of the Merger to be satisfied as promptly as practicable and to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by the Merger Agreement, including using its reasonable efforts to prepare and file promptly and fully all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents (including any required or recommended filings under applicable Antitrust Laws) and (ii) obtain all approvals, consents, registrations, permits, authorizations and other confirmations from any Governmental Authority or third party necessary, proper or advisable to consummate the transactions contemplated by the Merger Agreement. For purposes hereof, "Antitrust Laws" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other applicable Laws issued by a foreign, United States or federal Governmental Authority that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition; provided that the "reasonable best efforts" of Watsco or Purchaser shall not include acceptance by Watsco or Purchaser of any or all divestitures of any subsidiary or assets of Watsco or Purchaser or any of their Affiliates or acceptance of an agreement to hold any assets of the business of the Company and its subsidiaries separate in any lawsuit or other legal proceeding, whether judicial or administrative and whether required by the FTC, the Antitrust Division or any other applicable U.S. or foreign Governmental Authority in connection with the transactions contemplated by the Merger Agreement or any other agreement contemplated hereby to the extent such action would reasonably be expected to deprive Watsco or Purchaser of a material benefit or benefits of the transactions contemplated by the Merger Agreement.

In furtherance and not in limitation of the foregoing, (i) each of the Company, Watsco and Purchaser agreed use its reasonable best efforts to make an appropriate filing of a Notification and Report Form pursuant to the HSR Act with respect to the transactions contemplated by the Merger Agreement as promptly as practicable and in any event within ten business days of the date hereof and to supply as promptly as practicable any additional information and documentary material that may be requested pursuant to the HSR Act and use its reasonable best efforts to take, or cause to be taken, all other actions consistent with this "Reasonable Best Efforts" section necessary to cause the expiration or termination of the applicable waiting periods under the HSR Act (including any extensions thereof) as soon as practicable and (ii) the Company and Watsco shall each use its reasonable best efforts to (x) take all action necessary to ensure that no state takeover, "moratorium," "fair price," "affiliate transaction" or similar statute or regulation under any applicable Law is or becomes applicable to any of the transactions contemplated by the Merger Agreement and (y) if any state takeover, "moratorium," "fair price," "affiliate transaction" or similar statute or regulation under any applicable Law becomes applicable to any of the transactions contemplated by the Merger Agreement, take all action necessary to ensure that the transactions contemplated by the Merger Agreement may be consummated as promptly as practicable on the terms contemplated by the Merger Agreement and otherwise minimize the effect of such Law on the transactions contemplated by the Merger Agreement.

Each of the Company, Watsco and Purchaser agreed to use its reasonable best efforts to (i) cooperate in all respects with each other in connection with any filing or submission with a Governmental Authority in connection with the transactions contemplated by the Merger Agreement and in connection with any investigation or other inquiry by or before a Governmental Authority relating to the transactions contemplated by the Merger Agreement, including any proceeding initiated by a private party and (ii) keep the other party informed in all material respects and on a reasonably timely basis of any material communication received by such party from, or given by such party to, the Federal Trade Commission, the Antitrust Division of the Department of Justice or any other Governmental Authority and of any material communication received or given in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated by the Merger Agreement. Subject to applicable Laws relating to the exchange of information, each of the parties hereto shall have the right to review in advance, and to the extent practicable each will consult the other on, all the information relating to the other parties and their respective subsidiaries, as the case may be, that appears in any filing made with, or written materials submitted to, any third party and/or any Governmental Authority in connection with the transactions contemplated by the Merger Agreement. Each party shall have the right to attend conferences and meetings between the other party and regulators concerning the transactions contemplated by the Merger Agreement, unless objection is raised by the Governmental Authority. Notwithstanding anything in the Merger Agreement to the contrary, nothing in the Merger Agreement shall require Watsco or Purchaser to provide to the Company any or any access to non-public information about Watsco and its Affiliates.

In furtherance and not in limitation of the covenants of the parties contained in this “Reasonable Best Efforts” section, each of the Company, Watsco and Purchaser agreed to use its reasonable best efforts to resolve such objections, if any, as may be asserted by a Governmental Authority or other Person with respect to the transactions contemplated by the Merger Agreement. Without limiting any other provision hereof, Watsco and the Company shall each use its reasonable best efforts to (i) avoid the entry of, or to have vacated or terminated, any decree, order or judgment that would restrain, prevent or delay the consummation of the transactions contemplated by the Merger Agreement, on or before the Walk-Away Date, including by defending through litigation on the merits any claim asserted in any court by any Person, and (ii) avoid or eliminate each and every impediment under any Antitrust Law that may be asserted by any Governmental Authority with respect to the transactions contemplated by the Merger Agreement so as to enable the consummation of the transactions contemplated by the Merger Agreement to occur as soon as reasonably possible (and in any event no later than the Walk-Away Date).

The Company agreed to give prompt notice to Watsco, and Watsco agreed to give prompt notice to the Company, of (i) any notice or other communication received by such party from any Governmental Authority in connection with the transactions contemplated by the Merger Agreement or from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by the Merger Agreement, (ii) any actions, suits, claims, investigations or proceedings commenced or, to such party’s knowledge, threatened against, relating to or involving or otherwise affecting such party or any of its subsidiaries which relate to the transactions contemplated by the Merger Agreement, or (iii) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which is likely (A) to cause any representation or warranty of such party contained in the Merger Agreement to be untrue or inaccurate in any material respect if made as of any time at or prior to the effective time of the Merger or (B) to result in any material failure of such party to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied hereunder; provided, however, that the delivery of any notice pursuant to this paragraph shall not limit or otherwise affect the remedies or conditions to closing the Merger available under the Merger Agreement to the party receiving such notice.

Representations and Warranties. The Merger Agreement contains various customary representations and warranties.

Sale and Support Agreement

The following is a summary of the Sale and Support Agreement, a form of which has been filed as Exhibit (d)(2) to the Schedule TO filed by Watsco on July 9, 2007, and is incorporated herein by reference. The summary is qualified in its entirety by reference to the Sale and Support Agreement.

Prior to entering into the Merger Agreement, Watsco and Purchaser entered into a Sale and Support Agreement (the "Sale and Support Agreement") with each of Messrs. A. Stephen Trevino, Alex Trevino, Jr., and Anthony R. Maresca, who constitute all of the executive officers of the Company, and certain of their respective affiliates who own shares of the Company (collectively, the "Supporting Shareholders"). Collectively, the Supporting Shareholders beneficially owned as of June 29, 2007, 3,122,819 Shares, representing approximately 26% of the Company's outstanding Shares as of June 29, 2007 (the "Committed Shares"). The Supporting Shareholders have agreed to sell the Committed Shares to Purchaser for $6.75 per Share following the closing of the Offer.

The Sale and Support Agreement also provides that in the event the Company's Board of Directors approves a Superior Proposal or a transaction contemplated by an Alternative Proposal is consummated, each Supporting Shareholder shall pay to Parent, within five (5) business days following the receipt of proceeds in connection with such Superior Proposal or Alternative Proposal, as the case may be, an amount in cash, in a manner directed by Parent, equal to 100% of the proceeds received by Shareholder in excess of $6.75 per Share, net of any applicable taxes owed by Shareholder. To the extent the consideration Shareholder receives pursuant to the transactions contemplated by a Superior Proposal or Alternative Proposal, as the case may be, is securities, the value of such securities shall be calculated as follows: (i) in the case of securities for which there is a public trading market, the value shall be the average of the last sales price for such securities on the five (5) trading days immediately preceding the date the applicable Superior Proposal or Alternative Transaction is consummated; or (ii) in the case of securities for which there is no public trading market, the value shall equal that amount which is mutually agreed to by Shareholder and Parent.

Other than with respect to the provisions described in the immediately preceding paragraph, the Sale and Support Agreement will terminate upon the earlier to occur of (i) the Effective Time, (ii) upon the withdrawal of the Offer by Parent in accordance with the terms of the Merger Agreement or (iii) termination of the Merger Agreement in accordance with its terms.

Confidentiality Agreement

On June 1, 2005, the Company and Watsco entered into a confidentiality agreement (the "Confidentiality Agreement"). Under the terms of the Confidentiality Agreement, the Company and Watsco agreed to furnish the other party on a confidential basis certain information concerning their respective businesses in connection with the evaluation of a possible business combination between Watsco and the Company. This summary is qualified in its entirety by reference to the Confidentiality Agreement, which is included as Exhibit (d)(3) to the Schedule TO, and is incorporated herein by reference.

14. Dividends and Distributions.

As discussed in Section 13 above, pursuant to the Merger Agreement, without the prior approval of Watsco or as otherwise contemplated in the Merger Agreement, the Company has agreed not to (i) issue, sell or grant any shares of its capital stock, or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for any shares of its capital stock, or any rights, warrants or options to purchase any shares of its capital stock, or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for, any shares of its capital stock; (ii) redeem, purchase or otherwise acquire any of its outstanding shares of capital stock, or any rights, warrants or options to acquire any shares of its capital stock, except pursuant to commitments in effect as of the date of the Merger Agreement; (iii) declare, set aside

for payment or pay any dividend on, or make any other distribution in respect of, any shares of its capital stock; or (iv) adjust, split, combine, subdivide or reclassify any shares of its capital stock or otherwise amend the terms of its capital stock.

15. Conditions of the Offer.

Notwithstanding any other provision of the Offer, but subject to compliance with the Merger Agreement, Purchaser (i) shall not be required to accept for payment or pay for any tendered Shares, (ii) may delay the acceptance for payment of, or the payment for, any tendered Shares, and (iii) may terminate or amend the Offer as to Shares not then paid for, in the event that at or prior to the scheduled expiration of the Offer (as it may be extended pursuant to the Merger Agreement) if: (A) the Minimum Condition shall not have been satisfied; (B) the applicable waiting period (and any extension thereof) applicable to the transactions contemplated by the Merger Agreement (including the Offer and the Merger) under the HSR Act shall not have expired or been terminated, or any affirmative approval of a Governmental Authority required shall not have been obtained; or (C) any of the following conditions exists:

(a) there shall be instituted or pending any proceeding by any Governmental Authority, (i) challenging or seeking to make illegal, delay materially or otherwise directly or indirectly restrain or prohibit the making of the Offer, the acceptance for payment of or payment for some or all of the Shares by Watsco or Purchaser or the consummation of the Offer or the Merger or seeking to obtain material damages in connection therewith, (ii) seeking to restrain or prohibit Watsco's ownership or operation (or that of its Affiliates) of all or any material portion of the business, assets or products of the Company and its subsidiaries, taken as a whole, or of Watsco and its subsidiaries, taken as a whole, or to compel Watsco or any of its Affiliates to dispose of, license (whether pursuant to an exclusive or nonexclusive license) or hold separate all or any material portion of the business, assets or products of the Company and its subsidiaries, taken as a whole, or of Watsco and its subsidiaries, taken as a whole, (iii) seeking, directly or indirectly, to impose or confirm material limitations on the ability of Watsco or any of its Affiliates effectively to acquire, hold or exercise full rights of ownership of any Shares or any shares of common stock of the Surviving Corporation, including the right to vote the Shares or the shares of common stock of the Surviving Corporation acquired or owned by Watsco, Purchaser or any of Watsco's other Affiliates on all matters properly presented to the Company's shareholders, (iv) seeking to require divestiture by Watsco, Purchaser or any of Watsco's other Affiliates of any Shares, or (v) which would reasonably be expected to impede, interfere with, prevent or materially delay the Offer; or

(b) there shall have been any action taken, or any applicable Law shall have been proposed, enacted, enforced, promulgated, issued or deemed applicable to the Offer or the Merger, by any Governmental Authority, other than the application of the waiting period provisions of the HSR Act or any requirement for affirmative approval of a Governmental Authority, that, in the good faith judgment of Watsco is likely, directly or indirectly, to result in any of the consequences referred to in clauses (i) through (v) of paragraph (a) above; or

(c)(i) any of the representations and warranties of the Company contained in Section 4.2 of the Merger Agreement shall not be true in all but de minimis respects when made or at any time prior to the consummation of the Offer as if made at and as of such time (other than any such representation or warranty that is made only as of a specified date, which need only to be true in all but de minimis respects as of such specified date), (ii) any of the representations and warranties of the Company contained in Sections 4.3 and 4.16 of the Merger Agreement, disregarding any materiality or Company Material Adverse Effect qualifications contained in any such representation or warranty, shall not be true in all material respects when made or at any time prior to the consummation of the Offer as if made at and as of such time (other than any such representation or warranty that is made only as of a specified date, which need only to be true in all material respects as of such specified date), or (iii) any of the other representations and warranties of the Company contained in the Merger Agreement, disregarding any materiality or Company Material Adverse Effect qualifications contained in any such representation or warranty, shall not be true in all

respects when made or at any time prior to the consummation of the Offer as if made at and as of such time (other than any such representation or warranty that is made only as of a specified date, which need only to be true in all respects as of such specified date); *provided* that the condition set forth in this paragraph (c)(iii) shall be deemed to have been satisfied unless the individual or aggregate impact of the failure to be true of the representations and warranties of the Company contained in the Merger Agreement would reasonably be expected to have a Company Material Adverse Effect; *provided further* that in determining whether a Company Material Adverse Effect would result, any inaccuracies in the representations and warranties set forth in Sections 4.3(c)(ii)(y) and 4.3(c)(ii)(z) of the Merger Agreement that would cause an adverse effect otherwise excluded by clause (iii) of the definition of Company Material Adverse Effect shall be taken into account; or

(d) the Company shall have breached or failed to perform in any material respect any of its obligations required to be performed or complied with by it under the Merger Agreement or any covenants contained in the Merger Agreement, including obtaining all regulatory approvals and consents required to consummate the transactions contemplated by the Merger Agreement; or

(e) any change or development shall have occurred following the date of the Merger Agreement that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect; or

(f)(i) a Company Adverse Recommendation Change shall have occurred and not been withdrawn, or (ii) the Company shall have entered into, or publicly announced its intention to enter into, a letter of intent, memorandum of understanding or Contract (other than a confidentiality agreement contemplated by Section 6.3 of the Merger Agreement) relating to any Acquisition Proposal and such announcement shall not have been withdrawn and such letter, memorandum of understanding or Contract shall remain in effect; or

(g) it shall have been publicly disclosed that any Third Party shall have acquired beneficial ownership of more than 5% of any class or series of capital stock of the Company (including the Shares), through the acquisition of stock, the formation of a group or otherwise, or shall have been granted any option, right or warrant, conditional or otherwise, to acquire beneficial ownership of more than 5% of any class or series of capital stock of the Company (including the Shares), other than acquisitions for bona fide arbitrage purposes only; or

(h) Watsco shall not have received a certificate signed on behalf of the Company by an executive officer of the Company certifying that the conditions set forth in this "Conditions to the Offer" have been satisfied; or

(i) the Merger Agreement shall have been terminated in accordance with its terms.

The foregoing conditions are for the sole benefit of Watsco and Purchaser and, subject to the terms and conditions of the Merger Agreement, may be waived by Watsco or Purchaser, in whole or in part at any time and from time to time in the sole discretion of Watsco or Purchaser. The failure by Watsco or Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

The term "*Company Material Adverse Effect*" means any change, event, development or occurrence that is materially adverse to the Company's (A) ability of such party to timely consummate the transactions contemplated by the Merger Agreement or (B) results of operations, financial condition or assets of the Company and its subsidiaries taken as a whole, other than changes, events, developments or occurrences arising out of, resulting from or attributable to (i) changes in conditions in the United States or the global economy or the capital or financial or markets generally, including changes in interest or exchange rates, fluctuating commodity prices and unexpected product shortages, (ii) changes in general legal, regulatory, political, economic or business conditions or changes in GAAP that, in each case, generally affect industries in which the Company and its subsidiaries conduct business, (iii) the negotiation, announcement, pendency or consummation of the Merger Agreement or the transactions contemplated by the Merger Agreement and the identity of Watsco and its

Affiliates, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners or employees, or (iv) earthquakes or other natural disasters (in the case of unexpected product shortages referred to in clause (i) and each of clauses (ii), (iv), other than to the extent any change, event, development or occurrence has had or would reasonably be expected to have a disproportionately adverse effect on the Company and its subsidiaries as generally compared to other participants in the industries in which the Company and its subsidiaries conduct business).

16. Certain Legal Matters; Regulatory Approvals.

General. Based on our examination of publicly available information filed by the Company with the SEC and other publicly available information concerning the Company, we are not aware of any governmental license or regulatory permit that appears to be material to the Company's business that might be adversely affected by our acquisition of Shares pursuant to the Offer or, except as set forth below, of any approval or other action by any government or governmental administrative or regulatory authority or agency that would be required for our acquisition or ownership of Shares pursuant to the Offer. Should any such approval or other action be required or desirable, we currently contemplate that, except as described below under "State Takeover Statutes", such approval or other action will be sought. Except as described under "Antitrust in the United States", there is, however, no current intent to delay the purchase of Shares tendered pursuant to the Offer pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained (with or without substantial conditions) or that if such approvals were not obtained or such other actions were not taken adverse consequences might not result to the Company's business or certain parts of the Company's business might not have to be disposed of, any of which could cause us to elect to terminate the Offer without the purchase of Shares thereunder. Our obligation under the Offer to accept for payment and pay for Shares is subject to the conditions set forth in "The Offer—Section 15".

Texas Law. In general, Article 13.03 of Texas Law prevents an "affiliated shareholder" (generally, a shareholder owning 20% or more of a corporation's outstanding voting stock or an affiliate thereof) or an affiliate or associate of the affiliated shareholder from engaging in a "business combination" (defined to include a merger and certain other transactions as described below) with a Texas issuing public corporation for a period of three years following the time on which such shareholder became an affiliated shareholder of the issuing public corporation unless, among other exceptions, before such time the corporation's board of directors approved either the business combination or the transaction which resulted in such shareholder becoming an affiliated shareholder. On July 3, 2007, the Company Board approved the Merger Agreement and the transactions contemplated thereby (including the Offer and the Merger). Accordingly, Article 13.03 of Texas Law does not apply to the Merger Agreement and the transactions contemplated thereby (including the Offer and the Merger).

State Takeover Statutes. A number of states have adopted laws which purport, to varying degrees, to apply to attempts to acquire corporations that are incorporated in, or which have substantial assets, shareholders, principal executive offices or principal places of business or whose business operations otherwise have substantial economic effects in, such states. The Company, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted such laws. Except as described herein, we do not know whether any of these laws will, by their terms, apply to the Offer or the Merger, and we have not complied with any such laws. To the extent that certain provisions of these laws purport to apply to the Offer or any such merger or other business combination, we believe that there are reasonable bases for contesting such laws.

In 1982, in Edgar v. MITE Corp., the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987 in CTS Corp. v. Dynamics Corp. of America, the Supreme Court held that the State of Indiana could, as a matter of corporate law, constitutionally disqualify a potential acquiror from voting shares of a target corporation without the prior approval of the remaining shareholders where, among other things, the corporation is incorporated, and has a substantial number

of shareholders, in the state. Subsequently, in TLX Acquisition Corp. v. Telex Corp., a U.S. federal district court in Oklahoma ruled that the Oklahoma statutes were unconstitutional as applied to corporations incorporated outside Oklahoma in that they would subject such corporations to inconsistent regulations. Similarly, in Tyson Foods, Inc. v. McReynolds, a U.S. federal district court in Tennessee ruled that four Tennessee takeover statutes were unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit. In December 1988, a U.S. federal district court in Florida held in Grand Metropolitan PLC v. Butterworth, that the provisions of the Florida Affiliated Transactions Act and the Florida Control Share Acquisition Act were unconstitutional as applied to corporations incorporated outside of Florida.

If any government official or third party seeks to apply any state takeover law to the Offer or the Merger, we will take such action as then appears desirable, which action may include challenging the applicability or validity of such statute in appropriate court proceedings. If it is asserted that one or more state takeover statutes is applicable to the Offer or any such merger or other business combination and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer the Merger, we might be required to file certain information with, or to receive approvals from, the relevant state authorities or holders of Shares, and we may be unable to accept for payment or pay for Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer the Merger. In such case, we may not be obligated to accept for payment or pay for any tendered Shares. See “The Offer—Section 15”.

Antitrust in the United States. Under the HSR Act and rules promulgated thereunder, certain acquisitions may not be consummated unless certain information has been furnished to the Antitrust Division of the Department of Justice (the “Antitrust Division”) and the Federal Trade Commission (“FTC”), and a prescribed waiting period has expired or otherwise terminated. The purchase of Shares pursuant to the Offer is subject to such requirements.

We are required to file a Notification and Report Form under the HSR Act, which the Merger Agreement requires us to use our reasonable best efforts to make such filing within ten business days of the date of the Merger Agreement. Currently, we expect to file the Notification and Report Form on Monday, July 9, 2007, or as promptly thereafter as practical. The waiting period under the HSR Act with respect to the Offer will expire at 11:59 p.m., New York City time, on the 15th day after Watsco’s form is filed unless early termination of the waiting period is granted. If the 15th day does not fall on a business day, the waiting period extends and will expire at 11:59 p.m., New York City time, on the next business day. However, before such time, the Antitrust Division or the FTC may extend the waiting period by requesting additional information or documentary material relevant to the Offer from us. If such a request is made, the waiting period will be extended until 11:59 p.m., New York City time, 10 days after our substantial compliance with such request. We expect to make a request pursuant to the HSR Act for early termination of the waiting period applicable to the Offer. There can be no assurance, however, that the 15-day HSR Act waiting period will be terminated early.

Any merger or other similar business combination that we propose would also have to comply with any applicable U.S. Federal law. In particular, unless the Shares were deregistered under the Exchange Act prior to such transaction, if such merger or other business combination were consummated more than one year after termination of the Offer or did not provide for shareholders to receive cash for their Shares in an amount at least equal to the price paid in the Offer, we may be required to comply with Rule 13e-3 under the Exchange Act. If applicable, Rule 13e-3 would require, among other things, that certain financial information concerning the Company and certain information relating to the fairness of the proposed transaction and the consideration offered to minority shareholders in such a transaction be filed with the SEC and distributed to such shareholders prior to consummation of the transaction.

17. Fees and Expenses.

We have retained BNY Mellon Shareowner Services to act as the depositary and information agent in connection with the Offer and the Merger. The Information Agent may contact holders of Shares by mail, telephone, facsimile or personal interviews and may request brokers, dealers, banks, trust companies and other nominees to forward materials relating to the Offer to beneficial owners. The Depositary and Information Agent will each receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities in connection therewith, including certain liabilities under the U.S. Federal securities laws.

We will not pay any fees or commissions to any broker or dealer or any other person (other than the Depositary and Information Agent) for soliciting tenders of Shares pursuant to the Offer. Brokers, dealers, banks, trust companies and other nominees will, upon request, be reimbursed by us for reasonable and necessary costs and expenses incurred by them in forwarding materials to their customers.

18. Miscellaneous.

Other Information

The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, we may, in our sole discretion, take such action as we may deem necessary to make the Offer in any such jurisdiction and extend the Offer to holders of Shares in such jurisdiction.

No person has been authorized to give any information or make any representation on behalf of Watsco or the Purchaser not contained in this Offer to Purchase or in the Letter of Transmittal and, if given or made, such information or representation must not be relied upon as having been authorized.

We have filed with the SEC on July 9, 2007 a Tender Offer Statement on Schedule TO (the “Schedule TO”), together with exhibits, pursuant to Rule 14d-3 under the Exchange Act, furnishing certain additional information with respect to the Offer. The Schedule TO and any amendments thereto, including exhibits, may be examined and copies may be obtained from the offices of the SEC in the manner described in “The Offer—Section 9” of this Offer to Purchase.

COCONUT GROVE HOLDINGS, INC.

July 9, 2007

ANNEX I

DIRECTORS AND EXECUTIVE OFFICERS OF WATSCO AND THE PURCHASER

DIRECTORS AND EXECUTIVE OFFICERS OF WATSCO

The name, current principal occupation or employment and material occupations, positions, offices or employment for the past five years of each director and executive officer of Watsco are set forth below. The business address of each director and officer is Watsco, Inc., 2665 South Bayshore Drive, Suite 901, Coconut Grove, Florida 33133. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment currently with Watsco.

Neither Watsco nor any of the directors and officers of Watsco listed below has, during the past five years, (i) been convicted in a criminal proceeding or (ii) been a party to any judicial or administrative proceeding that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, U.S. federal or state securities laws, or a finding of any violation of U.S. federal or state securities laws. All directors and officers listed below are citizens of the United States.

Directors of Watsco are identified by "DO". Executive officers of Watsco and its subsidiaries are identified by "EO".

Name	Age	Current Principal Occupation or Employment and Five-Year Employment History
Albert H. Nahmad DO, EO	66	Mr. Nahmad has served as our Chairman of the Board and President since December 1973. Mr. Nahmad is the general partner of Alna Capital Associates, LP, a New York limited partnership, which is a shareholder of Watsco.
Barry S. Logan EO	44	Mr. Logan has served as our Senior Vice President since November 2003 and as Secretary since 1997. Mr. Logan served as Vice President—Finance and Chief Financial Officer from 1997 to October 2003 and as Treasurer from 1996 to 1998.
Ana M. Menendez EO	42	Ms. Menendez has served as our Chief Financial Officer since November 2003, as Treasurer since 1998 and as Assistant Secretary since 1999. Ms. Menendez is a certified public accountant.
Carole J. Poindexter EO	51	Ms. Poindexter has served as President of Baker Distributing Company, LLC, a Watsco subsidiary, since 1999. She served as Executive Vice President from 1996 to 1999, Vice President Finance and Chief Financial Officer from 1984 to 1996, Treasurer from 1981 to 1984 and Controller from 1979 to 1981.
Stephen R. Combs EO	63	Mr. Combs has served as President of Gemaire Distributors, LLC, a Watsco subsidiary, since 2000. He also served as Vice President of Sales and Marketing from 1993 to 1999. Prior to 1993 he held various positions within the air conditioning, heating and refrigeration industry.
Cesar L. Alvarez DO	59	Mr. Alvarez has been a director since 1997. Mr. Alvarez has served as the President and Chief Executive Officer of the international law firm of Greenberg Traurig, P.A. since 1997. Prior to that time, Mr. Alvarez practiced law at Greenberg Traurig, P.A. for over 20 years. Mr. Alvarez also serves as the Chairman of the Board of Directors of Pediatrix Medical Group, Inc., a Director of Atlantis Plastics, Inc. and Chair of the Audit Committee of New River Pharmaceuticals, Inc.

Name	Age	Current Principal Occupation or Employment and Five-Year Employment History
Robert L. Berner III DO	45	Mr. Berner has been a director since 2007. Mr. Berner is a Partner at CVC Capital Partners, an independent investment and advisory company dedicated to private equity. Mr. Berner served previously as Managing Director of Ripplewood Holdings LLC where he oversaw investments in a number of industries since 2001. Mr. Berner served as a Managing Director of Charterhouse Group International, Inc., a private equity firm from January 1997 to 2001. From 1986 until 1997, Mr. Berner held numerous positions with Morgan Stanley. He currently serves on the Board of Directors and the Audit Committee of Shaklee Global Group, Inc., and a number of private companies.
Denise Dickins DO	45	Ms. Dickins has been a director since 2007. Ms. Dickins is an Assistant Professor of Accounting and Auditing for East Carolina University. She was also a professor in various accounting courses at Florida Atlantic University from 2002 to 2006. Prior to that, she was with Arthur Andersen LLP where she served in different capacities from 1983 to 2002, including Partner in Charge of the South Florida Audit Division. Ms. Dickins is a certified public accountant. She currently serves on the Board of Directors and the Audit Committee of TradeStation Group, Inc.
Frederick H. Joseph DO	70	Mr. Joseph has been a director since 2003. Mr. Joseph has been a Managing Director of Morgan Joseph & Co. Inc., an investment banking firm, since 2001. From 1998 to 2001, Mr. Joseph served as Senior Advisor and Managing Director of ING Barings LLC, an investment banking firm. Mr. Joseph serves as a director of American Biltrite Inc. Mr. Joseph is subject to a 1993 consent decree with the SEC that bars him from being chairperson, chief executive officer or president of any broker, dealer, municipal securities dealer, investment adviser or investment company.
Paul F. Manley DO	70	Mr. Manley has been a director since 1984. Mr. Manley served as Executive Director of the law firm of Holland & Knight from 1987 to 1991. From 1982 to 1987, Mr. Manley served as Vice President of Planning at Sensormatic Electronics Corporation. Prior to 1982, Mr. Manley served as the Managing Partner of the Miami office of Arthur Young & Company.
Bob L. Moss DO	59	Mr. Moss has been a director since 1992. Mr. Moss is President of Moss & Associates, Inc., a consulting firm specializing in construction management and development. Mr. Moss previously served as Chairman of the Board and Chief Executive Officer of Centex Construction Group from 2000 to 2002, the largest domestic general building contractor in the nation. From 1986 to December 1999, Mr. Moss served as Chairman of the Board and Chief Executive Officer of Centex-Rooney Construction Company, Inc., one of Florida’s largest contracting organizations.

Name	Age	Current Principal Occupation or Employment and Five-Year Employment History
George P. Sape DO	62	Mr. Sape has been a director since 2003. Mr. Sape has been the Managing Partner of Epstein Becker and Green, P.C., a New York-based law firm, since 1986. Mr. Sape previously served as Vice President and General Counsel for Organizations Resources Counselors, Inc., a consulting services provider to a number of Fortune 500 companies and has served as counsel or as an advisor to various congressional committees related to labor, education and public welfare. Mr. Sape also serves on the Board of the University of Colorado School of Business.
Gary L. Tapella DO	63	Mr. Tapella has been a director since 2006. Mr. Tapella is an Industrial Partner with Ripplewood Holdings, LLC. From 1991 to 2005, Mr. Tapella served as the Chief Executive Officer and President of Rheem Manufacturing Company (“Rheem”). He was also Rheem’s Chairman of the Board from 2002 to 2005. Mr. Tapella has served in various other capacities, including Chief Operating Officer and Vice President-International, during his 36 years at Rheem. Rheem is one of Watsco’s key equipment suppliers.

DIRECTORS AND EXECUTIVE OFFICERS OF THE PURCHASER

The name, current principal occupation or employment and material occupations, positions, offices or employment for the past five years of each director and executive officer of the Purchaser are set forth below. The business address of each director and officer is care of Watsco, Inc., 2665 South Bayshore Drive, Suite 901, Coconut Grove, Florida 33133. Neither the Purchaser nor any of the directors and officers of the Purchaser listed below has, during the past five years, (i) been convicted in a criminal proceeding or (ii) been a party to any judicial or administrative proceeding that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, U.S. federal or state securities laws, or a finding of any violation of U.S. federal or state securities laws. All directors and officers listed below are citizens of the United States.

Directors of the Purchaser are identified by “DO”. Executive officers of the Purchaser are identified by “EO”.

Barry S. Logan DO, EO	44	Mr. Logan is our President. Mr. Logan has served as Watsco’s Senior Vice President since November 2003 and as Secretary since 1997. Mr. Logan served as Vice President—Finance and Chief Financial Officer of Watsco from 1997 to October 2003 and as Treasurer from 1996 to 1998.
Ana M. Menendez DO, EO	42	Ms. Menendez is our Vice President and Secretary. Ms. Menendez has served as Watsco’s Chief Financial Officer since November 2003, as its Treasurer since 1998 and as its Assistant Secretary since 1999. Ms. Menendez is a certified public accountant.
Carole J. Poindexter DO	51	Ms. Poindexter has served as President of Baker Distributing Company, LLC, a Watsco subsidiary, since 1999. She served as Executive Vice President from 1996 to 1999, Vice President Finance and Chief Financial Officer from 1984 to 1996, Treasurer from 1981 to 1984 and Controller from 1979 to 1981.

The Letter of Transmittal and certificates for Shares and any other required documents should be sent to the Depositary at one of the addresses set forth below:

The Depositary for the Offer is:

BNY Mellon Shareowner Services

By Mail:
Reorganization Department
PO Box 3301
South Hackensack, New Jersey 07606

By Overnight Courier/Hand:
Reorganization Department
480 Washington Blvd.
27th Floor, Attn: Corporate Actions
Jersey City, New Jersey 07310

By Facsimile Transmission
(For Eligible Institutions Only):
(201) 680-4626

Confirm Facsimile Transmission:
(201) 680-4860

Lost Security Telephone Number:
1-800-270-3449

If you have questions or need additional copies of this Offer to Purchase or the Letter of Transmittal, you can call the Information Agent at the telephone numbers set forth below. You may also contact your broker, dealer, bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

BNY Mellon Shareowner Services

Toll-Free: 1-877-206-7049

Collect: (201) 680-6579

LETTER OF TRANSMITTAL

To Tender Shares of Common Stock
of
ACR GROUP, INC.
Pursuant to the Offer to Purchase
dated July 9, 2007
of
COCONUT GROVE HOLDINGS, INC.
a wholly-owned subsidiary of
WATSCO, INC.

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON FRIDAY, AUGUST 3, 2007, UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:

BNY Mellon Shareowner Services

By Mail:
Reorganization Department
PO Box 3301
South Hackensack, New Jersey 07606

By Overnight Courier/Hand:
Reorganization Department
480 Washington Blvd.
27th Floor, Attn: Corporate Actions
Jersey City, New Jersey 07310

By Facsimile Transmission
(For Eligible Institutions Only):
(201) 680-4626

Confirm Facsimile Transmission:
(201) 680-4860

Lost Security Telephone Number:
1-800-270-3449

ALL QUESTIONS REGARDING THE OFFER SHOULD BE DIRECTED TO THE INFORMATION AGENT, AT THE ADDRESSES AND TELEPHONE NUMBERS AS SET FORTH ON THE BACK COVER PAGE OF THE OFFER TO PURCHASE.

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE FOR THE DEPOSITARY WILL NOT CONSTITUTE A VALID DELIVERY.

THIS LETTER OF TRANSMITTAL AND THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

DESCRIPTION OF SHARES TENDERED			
Name(s) and Address(es) of Registered Holder(s) (Please Fill in, if Blank, Exactly as Name(s) Appear(s) on Share Certificate(s))	**Shares Tendered (Attach additional list if necessary)**		
	Certificate Number(s)*	Total Number of Shares Represented by Certificate(s)*	Number of Shares Tendered**
Total Shares			

* Need not be completed by shareholders tendering by book-entry transfer.

** Unless otherwise indicated, it will be assumed that all Shares represented by any certificates delivered to the Depositary are being tendered. See Instruction 4.

You must sign this Letter of Transmittal in the appropriate space provided below, with signature guarantee if required, and complete the Substitute Form W-9 set forth below, if required.

The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the laws of such jurisdiction.

This Letter of Transmittal is to be used if certificates are to be forwarded herewith or, unless an Agent's Message (as defined in the Offer to Purchase) is utilized, if delivery of Shares (as defined below) is to be made by book-entry transfer to the Depositary's account at The Depository Trust Company, the Book-Entry Transfer Facility, pursuant to the procedures set forth in Section 3 of the Offer to Purchase.

Holders of outstanding shares of common stock, par value $0.01 per share (the "*Shares*"), of ACR Group, Inc., whose certificates for such shares are not immediately available or who cannot deliver such certificates and all other required documents to the Depositary on or prior to the expiration of the Offer, or who cannot complete the procedure for book-entry transfer on a timely basis, must tender their Shares according to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. See Instruction 2. **Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Depositary.**

NOTE: SIGNATURES MUST BE PROVIDED BELOW PLEASE READ ACCOMPANYING INSTRUCTIONS CAREFULLY

☐ **CHECK HERE IF SHARE CERTIFICATES HAVE BEEN MUTILATED, LOST, STOLEN OR DESTROYED. SEE INSTRUCTION 9.**

☐ **CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:**

Name of Tendering Institution
Account Number
Transaction Code Number

☐ **CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:**

Name(s) of Tendering Shareholder(s)
Date of Execution of Notice of Guaranteed Delivery , 2007
Name of Institution which Guaranteed Delivery

IF DELIVERY IS BY BOOK-ENTRY TRANSFER:

Name of Tendering Institution
Account Number
Transaction Code Number

Ladies and Gentlemen:

The undersigned hereby tenders to Coconut Grove Holdings, Inc., a Texas corporation (the "*Purchaser*") and a wholly-owned subsidiary of Watsco, Inc., a Florida corporation ("*Watsco*"), the above-described shares of common stock, par value $0.01 per share, (the "*Shares*") of ACR Group, Inc., a Texas corporation (the "*Company*"), pursuant to the Purchaser's offer to purchase all outstanding Shares at $6.75 per Share in cash, without interest, less any required withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase dated July 9, 2007, receipt of which is hereby acknowledged, and in this Letter of Transmittal (which together as amended from time to time constitute the "*Offer*"). The Offer expires at 5:00 p.m., New York City time, on Friday, August 3, 2007, unless extended as described in the Offer to Purchase (as extended, the "*Expiration Date*"). The Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates the right to purchase Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve Purchaser of its obligations under the Offer or prejudice your rights to receive payment for Shares validly tendered and accepted for payment.

Upon the terms and subject to the conditions of the Offer and effective upon acceptance for payment of and payment for the Shares tendered herewith, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Purchaser all right, title and interest in and to all the Shares that are being tendered hereby (and any and all other Shares or other securities issued or issuable in respect thereof on or after July 9, 2007) and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and all such other Shares or securities), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver certificates for such Shares (and all such other Shares or securities), or transfer ownership of such Shares (and all such other Shares or securities) on the account books maintained by The Depository Trust Company (the "*Book-Entry Transfer Facility*"), together, in any such case, with all accompanying evidences of transfer and authenticity, to or upon the order of the Purchaser, (ii) present such Shares (and all such other Shares or securities) for transfer on the books of the Company and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and all such other Shares or securities), all in accordance with the terms of the Offer.

The undersigned hereby irrevocably appoints each of Barry S. Logan and Ana M. Menendez, the attorneys and proxies of the undersigned, each with full power of substitution, to exercise all voting and other rights of the undersigned in such manner as each such attorney and proxy or his or her substitute shall in his or her sole discretion deem proper, with respect to all of the Shares tendered hereby which have been accepted for payment by the Purchaser and payment for the shares tendered prior to the time of any vote or other action (and any and all other Shares or other securities issued or issuable in respect thereof on or after July 9, 2007), at any meeting of shareholders of the Company (whether annual or special and whether or not an adjourned meeting), or otherwise. This proxy is irrevocable and is granted in consideration of, and is effective upon, the acceptance for payment of such Shares by the Purchaser and payment for the Shares tendered in accordance with the terms of the Offer. Such acceptance for payment and payment for the shares tendered shall revoke any other proxy granted by the undersigned at any time with respect to such Shares (and all such other Shares or securities), and no subsequent proxies will be given by the undersigned (and if given, will not be deemed to be effective).

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered herein (and any and all other Shares or other securities issued or issuable in respect thereof on or after July 9, 2007) and that when the same are accepted for payment by the Purchaser, the Purchaser will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claims. The undersigned will, upon request, execute and deliver any additional documents deemed by the Depositary or the Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby (and all such other Shares or securities).

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer, this tender is irrevocable.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the instructions hereto will constitute an agreement between the undersigned and the Purchaser upon the terms and subject to the conditions of the Offer.

Unless otherwise indicated under "Special Payment Instructions", please issue the check for the purchase price of any Shares purchased, and return any Shares not tendered or not purchased, in the name(s) of the undersigned (and, in the case of Shares tendered by book-entry transfer, by credit to the account at the Book-Entry Transfer Facility). Similarly, unless otherwise indicated under "Special Delivery Instructions", please mail the check for the purchase price of any Shares purchased and any certificates for Shares not tendered or not purchased (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature(s). In the event that both "Special Payment Instructions" and "Special Delivery Instructions" are completed, please issue the check for the purchase price of any Shares purchased and return any Shares not tendered or not purchased in the name(s) of, and mail said check and any certificates to, the person(s) so indicated. The undersigned recognizes that the Purchaser has no obligation, pursuant to the "Special Payment Instructions", to transfer any Shares from the name of the registered holder(s) thereof if the Purchaser does not accept for payment any of the Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS
(See Instructions 6, 7 and 8)

To be completed ONLY if the check for the purchase price of Shares purchased (less the amount of any federal income and backup withholding tax required to be withheld) or certificates for Shares not tendered or not purchased are to be issued in the name of someone other than the undersigned.

Issue ☐ check ☐ certificates to:

Name(s): _____

(Please Type or Print)

_____

(Please Type or Print)

Address: _____

_____

(Including Zip Code)

Taxpayer Identification or Social Security Number: _____

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 6, 7 and 8)

To be completed ONLY if the check for the purchase price of Shares purchased (less the amount of any federal income and backup withholding tax required to be withheld) or certificates for Shares not tendered or not purchased are to be mailed to someone other than the undersigned or to the undersigned at an address other than that shown below the undersigned's signature(s).

Mail ☐ check ☐ certificates to:

Name(s): _____

(Please Type or Print)

_____

(Please Type or Print)

Address: _____

_____

(Including Zip Code)

SIGN HERE
(Please complete Substitute Form W-9 below)

Signature(s) of Shareholder(s)

Dated , 2007

Name(s): _____

(Please Type or Print)

Capacity (full title): _____

Address: _____

(Including Zip Code)

Area Code and Telephone Number: _____

(Must be signed by registered holder(s) exactly as name(s) appear(s) on stock certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth full title and see Instruction 5.)

Guarantee of Signature(s)

(If required; see Instructions 1 and 5)
(For use by Eligible Institutions only. Place medallion guarantee in space below)

Name of Firm: _____

Address: _____

(Including Zip Code)

Authorized Signature: _____

Name: _____

(Please Type or Print)

Title: _____

Area Code and Telephone Number: _____

Dated , 2007

SUBSTITUTE FORM **W-9**	**Part 1 Taxpayer Identification No.—For All Accounts**	**For Payees Exempt From Backup Withholding (see enclosed *Guidelines*)**
Department of the Treasury Internal Revenue Service	Enter your taxpayer identification number in the appropriate box. For most individuals and sole proprietors, this is your social security number. For other entities, it is your employer identification number. If you do not have a number, see "How to Obtain a TIN" in the enclosed *Guidelines.*	**Social Security Number** **OR**
Payer's Request for Taxpayer Identification No.	Note: If the account is in more than one name, see the chart in the enclosed *Guidelines* to determine what number to enter.	**Employer Identification Number**

Part III Certification—Under penalties of perjury, I certify that:

(1) The number shown on this form is my correct taxpayer identification number or I am waiting for a number to be issued to me;

(2) I am not subject to backup withholding either because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and

(3) I am a U.S. person (including a U.S. resident alien).

Certification Instructions—You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because you have failed to report all interest and dividends on your tax return.

SIGNATURE _____ **DATE** , 2007

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING TAX BEING WITHHELD ON ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW ENCLOSED *GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9* FOR ADDITIONAL DETAILS.

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Offer

1. *Guarantee of Signatures.* Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a financial institution (including most banks, savings and loan associations and brokerage houses) that is a member of a recognized Medallion Program approved by The Securities Transfer Association, Inc., including the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchange Medallion Program (SEMP) and the New York Stock Exchange, Inc. Medallion Signature Program (MSP) or any other "eligible guarantor institution" (as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended) (each an "*Eligible Institution*"). Signatures on this Letter of Transmittal need not be guaranteed (i) if this Letter of Transmittal is signed by the registered holder(s) of the Shares (which term, for purposes of this document, shall include any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares) tendered herewith and such holder(s) has not completed the box entitled "Special Payment Instructions" on this Letter of Transmittal or (ii) if such Shares are tendered for the account of an Eligible Institution. See Instruction 5.

2. *Delivery of Letter of Transmittal and Shares.* This Letter of Transmittal is to be used either if certificates are to be forwarded herewith or, unless an Agent's Message is utilized, if delivery of Shares is to be made by book-entry transfer pursuant to the procedures set forth in Section 3 of the Offer to Purchase. Certificates for all physically delivered Shares, or a confirmation of a book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility of all Shares delivered electronically, as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth on the front page of this Letter of Transmittal by the Expiration Date. Shareholders who cannot deliver their Shares and all other required documents to the Depositary by the Expiration Date must tender their Shares pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Purchaser must be received by the Depositary by the Expiration Date and (iii) the certificates for all physically delivered Shares, or a confirmation of a book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility of all Shares delivered electronically, as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof or, in the case of a book-entry delivery, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depositary within three American Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided in Section 3 of the Offer to Purchase.

The method of delivery of Shares and all other required documents, including through the Book-Entry Transfer Facility, is at the option and risk of the tendering shareholder. If certificates for Shares are sent by mail, registered mail with return receipt requested, properly insured, is recommended.

No alternative, conditional or contingent tenders will be accepted, and no fractional Shares will be purchased. By executing this Letter of Transmittal (or facsimile thereof), the tendering shareholder waives any right to receive any notice of the acceptance for payment of the Shares.

3. *Inadequate Space.* If the space provided herein is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate schedule attached hereto.

4. *Partial Tenders* (*not applicable to shareholders who tender by book-entry transfer*). If fewer than all the Shares represented by any certificate delivered to the Depositary are to be tendered, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered". In such case, a new certificate for the remainder of the Shares represented by the old certificate will be issued and sent to the person(s) signing this

Letter of Transmittal, unless otherwise provided in the boxes entitled “Special Payment Instructions” or “Special Delivery Instructions”, as the case may be, on this Letter of Transmittal, as promptly as practicable following the expiration or termination of the Offer. All Shares represented by certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. *Signatures on Letter of Transmittal; Stock Powers and Endorsements.* If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the certificates without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are held of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any of the Shares tendered hereby are registered in different names on different certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, no endorsements of certificates or separate stock powers are required unless payment of the purchase price is to be made, or Shares not tendered or not purchased are to be returned, in the name of any person other than the registered holder(s). Signatures on any such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares tendered hereby, certificates must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name(s) of the registered holder(s) appear(s) on the certificates for such Shares. Signature(s) on any such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Purchaser of the authority of such person so to act must be submitted.

6. *Stock Transfer Taxes.* The Purchaser will pay any stock transfer taxes with respect to the sale and transfer of any Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or Shares not tendered or not purchased are to be returned in the name of, any person other than the registered holder(s), or if a transfer tax is imposed for any reason other than the sale or transfer of Shares to the Purchaser pursuant to the Offer, then the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person or otherwise) will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes, or exemption therefrom, is submitted herewith.

7. *Special Payment and Delivery Instructions.* If the check for the purchase price of any Shares purchased is to be issued, or any Shares not tendered or not purchased are to be returned, in the name of a person other than the person(s) signing this Letter of Transmittal or if the check or any certificates for Shares not tendered or not purchased are to be mailed to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal at an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Shareholders tendering Shares by book-entry transfer may request that Shares not purchased be credited to such account at the Book-Entry Transfer Facility as such shareholder may designate under “Special Payment Instructions”. If no such instructions are given, any such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated above.

8. *Substitute Form W-9.* Under the U.S. federal income tax laws, the Depositary will be required to withhold 28% of the amount of any payments made to certain shareholders pursuant to the Offer. In order to avoid such backup withholding, each tendering shareholder, and, if applicable, each other payee, must provide the Depositary with such shareholder's or payee's correct taxpayer identification number and certify that such shareholder or payee is not subject to such backup withholding by completing the Substitute Form W-9 set forth above. In general, if a shareholder or payee is an individual, the taxpayer identification number is the social security number of such individual. If the Depositary is not provided with the correct taxpayer identification number, the shareholder or payee may be subject to a $50 penalty imposed by the Internal Revenue Service. Certain shareholders or payees (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order to satisfy the Depositary that a foreign individual qualifies as an exempt recipient, such shareholder or payee must submit a Form W-8BEN Certificate of Foreign Status (or other applicable Form W-8) to the Depositary. Such certificates can be obtained from the Depositary. For further information concerning backup withholding and instructions for completing the Substitute Form W-9 (including how to obtain a taxpayer identification number if you do not have one and how to complete the Substitute Form W-9 if Shares are held in more than one name), consult the enclosed *Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.*

Failure to complete the Substitute Form W-9 will not, by itself, cause Shares to be deemed invalidly tendered, but may require the Depositary to withhold 28% of the amount of any payments made pursuant to the Offer. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of a person subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained provided that the required information is furnished to the Internal Revenue Service.

Failure to complete and return the Substitute Form W-9 may result in backup withholding of 28% of any payments made to you pursuant to the Offer. Please review the enclosed *Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9* for additional details.

9. *Mutilated, Lost, Stolen or Destroyed Certificates.* If the certificate(s) representing Shares to be tendered have been mutilated, lost, stolen or destroyed, shareholders should (i) complete this Letter of Transmittal and check the appropriate box above and (ii) contact the Depositary immediately by calling BNY Mellon Shareowner Services at 1-800-270-3449. The Depositary will provide such holder with all necessary forms and instructions to replace any such mutilated, lost, stolen or destroyed certificates. The shareholder may be required to give Purchaser a bond as indemnity against any claim that may be made against it with respect to the certificate(s) alleged to have been mutilated, lost, stolen or destroyed.

10. *Requests for Assistance or Additional Copies.* Requests for assistance or additional copies of the Offer to Purchase and this Letter of Transmittal may be obtained from the Information Agent and the Depositary at the address or telephone numbers set forth below.

Requests for Information May Be Directed To:

BNY Mellon Shareowner Services

Toll-Free: 1-877-206-7049

Collect: (201) 680-6579

The Depositary for the Offer is:

BNY Mellon Shareowner Services

By Mail:
Reorganization Department
PO Box 3301
South Hackensack, New Jersey 07606

By Overnight Courier/Hand:
Reorganization Department
480 Washington Blvd.
27th Floor, Attn: Corporate Actions
Jersey City, New Jersey 07310

By Facsimile Transmission
(For Eligible Institutions Only):
(201) 680-4626

Confirm Facsimile Transmission:
(201) 680-4860

Lost Security Telephone Number:
1-800-270-3449

NOTICE OF GUARANTEED DELIVERY
To Tender Shares of Common Stock
of
ACR GROUP, INC.
Pursuant to the Offer to Purchase
dated July 9, 2007
of
COCONUT GROVE HOLDINGS, INC.
a wholly-owned subsidiary of
WATSCO, INC.

This form, or a substantially equivalent form, must be used to accept the Offer (as defined below) if the certificates for shares of common stock, par value $0.01 per share, of ACR Group, Inc. and any other documents required by the Letter of Transmittal cannot be delivered to the Depositary by the expiration of the Offer. Such form may be delivered by hand, or transmitted by telegram, telex facsimile transmission, or mail to the Depositary. See Section 3 of the Offer to Purchase.

The Depositary for the Offer is:

BNY Mellon Shareowner Services

By Mail:
Reorganization Department
PO Box 3301
South Hackensack, New Jersey 07606

By Overnight Courier/Hand:
Reorganization Department
480 Washington Blvd.
27th Floor, Attn: Corporate Actions
Jersey City, New Jersey 07310

By Facsimile Transmission
(For Eligible Institutions Only):
(201) 680-4626

Confirm Facsimile Transmission:
(201) 680-4860

Lost Security Telephone Number:
1-800-270-3449

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

This Notice of Guaranteed Delivery is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an Eligible Institution under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

☐ **CHECK HERE IF SHARE CERTIFICATES HAVE BEEN MUTILATED, LOST, STOLEN OR DESTROYED. SEE INSTRUCTION 9 OF THE LETTER OF TRANSMITTAL.**

Ladies and Gentlemen:

The undersigned hereby tenders to Coconut Grove Holdings, Inc., a Texas corporation (the "*Purchaser*") and a wholly-owned subsidiary of Watsco, Inc., a Florida corporation ("*Watsco*"), upon the terms and subject to the conditions set forth in the Offer to Purchase dated July 9, 2007 and the related Letter of Transmittal (which, together with any amendments and supplements thereto, collectively constitute the "*Offer*"), receipt of which is hereby acknowledged, shares of common stock, par value $0.01 per share, (the "*Shares*") of ACR Group, Inc., a Texas corporation, pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase.

Certificate Numbers (if available)

_____

_____

If delivery will be by book-entry transfer:

Name of Tendering Institution

_____

Account Number _____

SIGN HERE

_____

Signature(s)

_____

(Name(s)) (Please Print)

_____

(Addresses)

_____

(Zip Code)

_____

(Area Code and Telephone Number)

GUARANTEE

(Not to be used for signature guarantee)

The undersigned, a firm which is a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association Inc., including the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchange Medallion Program (SEMP) and the New York Stock Exchange, Inc. Medallion Signature Program (MSP) or any other "eligible guarantor institution" (as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended), guarantees (i) that the above named person(s) "own(s)" the Shares tendered hereby within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, (ii) that such tender of Shares complies with Rule 14e-4 and (iii) to deliver to the Depositary the Shares tendered hereby, together with a properly completed and duly executed Letter(s) of Transmittal (or facsimile(s) thereof) and certificates for the Shares to be tendered or an Agent's Message (as defined in the Offer to Purchase) in the case of a book-entry delivery, and any other required documents, all within three American Stock Exchange trading days of the date hereof.

(Name of Firm)

(Address)

(Zip Code)

(Authorized Signature)

(Name)

(Area Code and Telephone Number)

Dated , 2007.

Offer to Purchase for Cash
Outstanding Shares of Common Stock
of
ACR GROUP, INC.
at $6.75 Per Share
by
COCONUT GROVE HOLDINGS, INC.
a wholly-owned subsidiary of
WATSCO, INC.

July 9, 2007

To Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

Coconut Grove Holdings, Inc., a Texas corporation (the "*Purchaser*") and a wholly-owned subsidiary of Watsco, Inc., a Florida corporation ("*Watsco*"), is making an offer to purchase outstanding shares of common stock, par value $0.01 per share, (the "*Shares*") of ACR Group, Inc., a Texas corporation (the "*Company*"), at $6.75 per Share in cash, without interest, less any required withholding taxes, upon the terms and subject to the conditions set forth in the Purchaser's Offer to Purchase dated July 9, 2007, and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "*Offer*").

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. Offer to Purchase, dated July 9, 2007;

2. Letter of Transmittal, including a Substitute Form W-9, for your use and for the information of your clients;

3. Notice of Guaranteed Delivery to be used to accept the Offer if the Shares and all other required documents cannot be delivered to BNY Mellon Shareowner Services, the Depositary for the Offer, by the expiration of the Offer;

4. A form of letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Offer;

5. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 providing information relating to backup federal income tax withholding; and

6. Return envelope addressed to the Depositary.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE.

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON FRIDAY, AUGUST 3, 2007, UNLESS THE OFFER IS EXTENDED AS DESCRIBED IN THE OFFER TO PURCHASE.

The Purchaser will not pay any fees or commissions to any broker, dealer or other person (other than the Information Agent or the Depositary as described in the Offer to Purchase) for soliciting tenders of Shares pursuant to the Offer. The Purchaser will, however, upon request, reimburse brokers, dealers, banks and trust

companies for reasonable and necessary costs and expenses incurred by them in forwarding materials to their customers. The Purchaser will pay all stock transfer taxes applicable to its purchase of Shares pursuant to the Offer, subject to Instruction 6 of the Letter of Transmittal.

In order to accept the Offer a duly executed and properly completed Letter of Transmittal and any required signature guarantees, or an Agent's Message (as defined in the Offer to Purchase) in connection with a book-entry delivery of Shares, and any other required documents, should be sent to the Depositary by 5:00 p.m., New York City time, on Friday, August 3, 2007.

Any inquiries you may have with respect to the Offer should be addressed to, and additional copies of the enclosed materials may be obtained from, the Information Agent or the undersigned at the addresses and telephone numbers set forth on the back cover of the Offer to Purchase.

Very truly yours,

WATSCO, INC.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU THE AGENT OF COCONUT GROVE HOLDINGS, INC., WATSCO, INC. OR THE DEPOSITARY, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HEREWITH AND THE STATEMENTS CONTAINED THEREIN.

Offer to Purchase for Cash
Outstanding Shares of Common Stock
of
ACR GROUP, INC.
at $6.75 Per Share
by
COCONUT GROVE HOLDINGS, INC.
a wholly-owned subsidiary of
WATSCO, INC.

July 9, 2007

To Our Clients:

Enclosed for your consideration are the Offer to Purchase dated July 9, 2007 and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "*Offer*") in connection with the offer by Coconut Grove Holdings, Inc., a Texas corporation (the "*Purchaser*") and a wholly-owned subsidiary of Watsco, Inc., a Florida corporation ("*Watsco*"), to purchase for cash all outstanding shares of common stock, par value $0.01 per share, (the "*Shares*") of ACR Group, Inc., a Texas corporation (the "*Company*") upon the terms and subject to the conditions described in the Offer. We are the holder of record of Shares held for your account. A tender of such Shares can be made only by us as the holder of record and pursuant to your instructions. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Shares held by us for your account.

We request instructions as to whether you wish us to tender any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer to Purchase and the Letter of Transmittal.

Your attention is directed to the following:

1. The tender price is $6.75 per Share in cash, without interest, less any required withholding tax.

2. The Offer and withdrawal rights expire at 5:00 p.m., New York City time, on Friday, August 3, 2007, unless extended (as extended, the "*Expiration Date*").

3. The Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn before the expiration of the Offer a number of Shares exceeding the Minimum Condition as defined in the Offer, and (ii) any waiting periods or approvals under applicable antitrust laws having expired, been terminated or been obtained. The Offer is not conditioned upon Watsco or the Purchaser obtaining financing.

4. Any stock transfer taxes applicable to the sale of Shares to the Purchaser pursuant to the Offer will be paid by the Purchaser, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing, detaching and returning to us the instruction form below. An envelope to return your instructions to us is enclosed. If you authorize tender of your Shares, all such Shares will be tendered unless otherwise specified on the instruction form. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf by the Expiration Date.

The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the laws of such jurisdiction.

Payment for Shares purchased pursuant to the Offer will in all cases be made only after timely receipt by BNY Mellon Shareowner Services (the "*Depositary*") of (i) certificates representing the Shares tendered or timely confirmation of the book-entry transfer of such Shares into the account maintained by the Depositary at The Depository Trust Company (the "*Book-Entry Transfer Facility*"), pursuant to the procedures set forth in Section 3 of the Offer to Purchase, (ii) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in the Offer to Purchase), in connection with a book-entry delivery, and (iii) any other documents required by the Letter of Transmittal. Accordingly, payment may not be made to all tendering shareholders at the same time depending upon when certificates for or confirmations of book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility are actually received by the Depositary.

Instruction Form with Respect to
Offer to Purchase for Cash
Outstanding Shares of Common Stock
of
ACR Group, Inc.
by
Coconut Grove Holdings, Inc.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase dated July 9, 2007, and the related Letter of Transmittal, in connection with the offer by Coconut Grove Holdings, Inc. to purchase outstanding shares of common stock, par value $0.01 per share, (the "*Shares*") of ACR Group, Inc.

This will instruct you to tender the number of Shares indicated below held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal.

Number of Shares to be Tendered

Shares*

Date , 2007

SIGN HERE

Signature(s)

Name(s)

Address(es)

(Zip Code)

* Unless otherwise indicated, it will be assumed that all Shares held for the undersigned's account are to be tendered.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number to Give the Payer—Social Security numbers have nine digits separated by two hyphens: *i.e.*, 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: *i.e.*, 00-0000000. The table below will help determine the number to give the payer.

For this type of account	Give the SOCIAL SECURITY number of:
1. An individual's account	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
4. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b. So-called trust account that is not a legal or valid trust under State law	The actual owner(1)
5. Sole proprietorship account	The owner(3)
For this type of account	**Give the EMPLOYER IDENTIFICATION number of:**
6. A valid trust, estate, or pension trust	Legal entity(4)
7. Corporate account or LLC electing corporate status	The corporation
8. Association, club, religious, charitable, educational or other tax-exempt organization	The organization
9. Partnership or multi-member LLC	The partnership
10. A broker or registered nominee	The broker or nominee
11. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district or prison) that receives agricultural program payments	The public entity

1 List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.

2 Circle the minor's name and furnish the minor's social security number.

3 You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security number or employer identification number (if you have one).

4 List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

Note: If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

How to Obtain a TIN

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service ("IRS") and apply for a number.

Payees Exempt from Backup Withholding

Payees exempt from backup withholding on all payments include the following:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of Section 401(f)(2).
2. The United States or any of its agencies or instrumentalities.
3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities.
4. A foreign government or any of its political subdivisions, agencies, or instrumentalities.
5. An international organization or any of its agencies or instrumentalities.

Other payees that **may be exempt** from backup withholding include:

6. A corporation.
7. A foreign central bank of issue.
8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States.
9. A futures commission merchant registered with the Commodity Futures Trading Commission.
10. A real estate investment trust.
11. An entity registered at all times during the tax year under the Investment Company Act of 1940.
12. A common trust fund operated by a bank under section 584(a).
13. A financial institution.
14. A middleman known in the investment community as a nominee or custodian.
15. A trust exempt from tax under section 664 or described in section 4947.

The chart below shows two of the types of payments that may be exempt from backup withholding. The chart applies to the exempt recipients listed above, 1 through 15.

IF the payment is for	**THEN the payment is exempt for…**
Interest and dividend payments	All exempt recipients except for 9
Broker transactions	Exempt recipients 1 through 13; also, a person who regularly acts as a broker and who is registered under the Investment Advisers Act of 1940

Exempt payees should file the Substitute Form W-9 to avoid possible erroneous backup withholding. FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM IN PART II, SIGN AND DATE THE FORM, AND RETURN IT TO THE PAYER. Foreign payees who are not subject to backup withholding should complete the appropriate IRS Form W-8 and return it to the payer.

Privacy Act Notice

Section 6109 requires most recipients of dividend, interest or other payments to give their correct taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes and to help verify the accuracy of tax returns. It may also provide this information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. possessions to carry out their tax laws. It may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, and to federal law enforcement and intelligence agencies to combat terrorism.

Payees must provide payers with their taxpayer identification numbers whether or not they are required to file tax returns. Payers must generally withhold 28% of taxable interest, dividend and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

Penalties

(1) **Penalty for Failure to Furnish Taxpayer Identification Number**—If you fail to furnish your correct taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) **Civil Penalty for False Information With Respect to Withholding**—If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) **Criminal Penalty for Falsifying Information**—Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

This announcement is not an offer to purchase or a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made solely by the Offer to Purchase dated July 9, 2007 and the related Letter of Transmittal and any amendments or supplements thereto. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions where the applicable laws require that the Offer be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash

Outstanding Shares of Common Stock

of

ACR Group, Inc.

at $6.75 Per Share by

Coconut Grove Holdings, Inc.

a wholly-owned subsidiary of

Watsco, Inc.

Coconut Grove Holdings, Inc., a Texas corporation (the "Purchaser") and a wholly-owned subsidiary of Watsco, Inc., a Florida corporation ("Watsco"), is offering to purchase all outstanding shares of common stock, $0.01 par value per share (the "Shares") of ACR Group, Inc., a Texas corporation (the "Company") (other than the Committed Shares (as defined below)), at $6.75 per Share in cash, without interest, less any applicable withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase dated July 9, 2007 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer").

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON FRIDAY, AUGUST 3, 2007, UNLESS THE OFFER IS EXTENDED AS DESCRIBED IN THE OFFER TO PURCHASE.

The Offer is being made pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated July 3, 2007 among Watsco, the Purchaser and the Company. The Merger Agreement provides, among other things, that as soon as practicable after the consummation of the Offer and the satisfaction or waiver of certain conditions in the Merger Agreement, the Purchaser will seek to merge with and into the Company (the "Merger"), with the Company continuing as the surviving corporation and a wholly-owned subsidiary of Watsco. In the Merger, except as set forth in the Merger Agreement and described in the Offer to Purchase, each outstanding Share will be converted into the right to receive the price paid in the Offer, without interest. The Merger Agreement and the Merger are more fully described in Section 13 of the Offer to Purchase.

The Board of Directors of the Company has unanimously, among other things, (i) declared the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, to be in the best interests of the shareholders of the Company, (ii) approved and declared advisable the Merger Agreement and the transactions contemplated thereby, and (iii) recommended that the Company's shareholders tender their Shares in the Offer and, if required by applicable law, approve and adopt the Merger Agreement and the Merger.

The Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn before the expiration of the Offer a number of Shares which, together with the shares held by the Company's executive officers and certain of their affiliates to be acquired by Purchaser following the Offer pursuant to sale and support agreements between Watsco, Purchaser and such officers and affiliates (the "Committed Shares")), represents at least two-thirds of the aggregate number of Shares outstanding at the expiration of the offer (the "Minimum Condition") and (ii) any waiting periods or approvals under applicable antitrust laws having expired, been terminated or been obtained. The Offer is also subject to other conditions described in the Offer to Purchase.

If by 5:00 p.m., New York City time, on Friday, August 3, 2007 (or any later time to which the Purchaser, subject to the terms of the Merger Agreement, extends the period of time during which the Offer is open (the "Expiration Date")) any condition to the Offer is not satisfied or waived on any scheduled Expiration Date, and Watsco reasonably determines that such condition to the Offer could be satisfied, the Purchaser will extend the Expiration Date for an additional period or periods, from time to time until all of the conditions are satisfied or waived, provided that Purchaser is not required to extend the Offer beyond four months following the date of the Merger Agreement. The Purchaser will also extend the offer for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission or the staff thereof or required by law applicable to the Offer. Any extension of the Offer will be followed by a public announcement of such extension no later than 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the rights of a tendering shareholder to withdraw such shareholder's Shares.

After the expiration of the Offer, if all of the conditions to the Offer have been satisfied or waived, but less than 90% of the Shares have been tendered, the Purchaser may, subject to certain conditions, include a subsequent offering period to permit additional tenders of Shares. No withdrawal rights apply to Shares tendered in a subsequent offering period, and no withdrawal rights apply during a subsequent offering period with respect to Shares previously tendered in the Offer and accepted for payment. The Purchaser does not currently intend to include a subsequent offering period, although the Purchaser reserves the right to do so.

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment tendered Shares when, as and if the Purchaser gives oral or written notice to the Depositary of its acceptance for payment of the tenders of such Shares. Payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) certificates for such Shares (or a confirmation of a book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase)), (ii) a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and (iii) any other required documents. **Under no circumstances will the Purchaser pay interest on the consideration paid for Shares pursuant to the Offer, regardless of any delay in making such payment.**

Tenders of Shares made pursuant to the Offer may be withdrawn at any time prior to the Expiration Date. Thereafter, such tenders are irrevocable, except that they may be withdrawn after September 7, 2007 unless such Shares have been accepted for payment as provided in the Offer to Purchase. To withdraw tendered Shares, a written, telegraphic, telex or facsimile transmission notice of withdrawal with respect to such Shares must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase, and the notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of Shares, if different from that of the person who tendered such Shares. If the Shares to be withdrawn have been delivered to the Depositary, a signed notice of withdrawal with (except in the case of Shares tendered by an Eligible Institution (as defined in the Offer to Purchase)) signatures guaranteed by an Eligible Institution must be submitted prior to the release of such Shares. In addition, such notice must specify, in the case of Shares tendered by delivery of certificates, the name of the registered holder (if different from that of the tendering shareholder) and the serial numbers shown on the particular certificates evidencing the Shares to be withdrawn or, in the case of Shares tendered by book-entry transfer, the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares.

The information required to be disclosed by paragraph (d)(1) of Rule 14d-6 of the General Rules and Regulations under the Securities Exchange Act of 1934 is contained in the Offer to Purchase and the related Letter of Transmittal and is incorporated herein by reference.

The Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares and will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

The Offer to Purchase and the related Letter of Transmittal contain important information. Shareholders should carefully read both in their entirety before any decision is made with respect to the Offer.

Any questions or requests for assistance may be directed to the Information Agent at the telephone numbers and addresses set forth below. Requests for copies of the Offer to Purchase and the related Letter of Transmittal and other tender offer materials may be directed to the Information Agent as set forth below, and copies will be furnished promptly at the Purchaser's expense. Shareholders may also contact their broker, dealer, commercial bank, trust company or nominee for assistance concerning the Offer.

Requests for Information May Be Directed To:

BNY Mellon Shareowner Services

Toll-Free: 1-877-206-7049

Collect: (201) 680-6579

July 9, 2007

AGREEMENT AND PLAN OF MERGER

Dated as of July 3, 2007

among

WATSCO, INC.,

COCONUT GROVE HOLDINGS, INC.

and

ACR GROUP, INC.

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of July 3, 2007 (this "Agreement"), is by and among Watsco, Inc., a Florida corporation ("Parent"), Coconut Grove Holdings, Inc., a Texas corporation ("Merger Sub") and ACR Group, Inc., a Texas corporation (the "Company"). Certain capitalized terms used in this Agreement are used as defined in Section 9.11.

WHEREAS, it is proposed that Merger Sub shall commence a tender offer (as it may be amended from time to time in accordance with this Agreement, the "Offer") to purchase all of the outstanding shares of common stock, par value $0.01 per share, of the Company ("Company Common Stock") (other than Company Restricted Shares, Converted Company Restricted Shares and Committed Shares as defined herein) at a price of $6.75 per share (such amount, or any different amount per share offered pursuant to the Offer in accordance with the terms of this Agreement, the "Offer Price"), on the terms and subject to the conditions set forth herein;

WHEREAS, it is also proposed that, following the consummation of the Offer, Merger Sub will merge with and into the Company (the "Merger"), and each share of Company Common Stock that is not tendered and accepted pursuant to the Offer will thereupon be cancelled and converted into the right to receive cash in an amount equal to the Offer Price, on the terms and subject to the conditions set forth herein, in accordance with the Texas Business Corporation Act (the "TBCA") and Texas Business Organization Code (the "TBOC"), upon the terms and subject to the conditions set forth herein;

WHEREAS, the Board of Directors of Parent and Merger Sub and the Company's Board of Directors have each unanimously approved and adopted this Agreement and deem it advisable and in the best interests of their respective shareholders to consummate the Offer, the Merger and the other transactions contemplated hereby, on the terms and subject to the conditions set forth herein; and

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition and inducement to Parent's and Merger Sub's willingness to enter into this Agreement, certain shareholders of the Company are entering into a Sale and Support Agreement substantially in the form attached hereto as Exhibit A (the "Sale and Support Agreement").

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, and intending to be legally bound hereby, Parent, Merger Sub and the Company hereby agree as follows:

ARTICLE I

The Offer

Section 1.1 The Offer.

(a) *Provided* that nothing shall have occurred that, had the Offer been commenced, would give rise to a right to terminate the Offer pursuant to any of the conditions set forth in Annex I, as promptly as practicable after the date hereof, Merger Sub shall, and Parent shall cause Merger Sub to, commence (within the meaning of Rule 14d-2 under the Exchange Act) the Offer at the Offer Price. Parent's and Merger Sub's obligation to accept and pay for shares of Company Common Stock tendered in the Offer shall be subject to the condition that there shall be validly tendered in accordance with the terms of the Offer, prior to the scheduled expiration of the Offer (as it may be extended hereunder) and not withdrawn, a number of shares of Company Common Stock that, together with the shares of Company Common Stock subject to a Sale and Support Agreement (the "Committed Shares"), represents at least two-thirds (or such lesser number as may be determined by Parent and Merger Sub) of all shares of Company Common Stock then outstanding (the "Minimum Condition") and to the other conditions set forth in Annex I. Merger Sub expressly reserves the right to waive any of the conditions to the Offer and to make any change in the terms of or conditions to the Offer; *provided* that unless otherwise provided by this Agreement, the Sale and Support Agreement or previously approved by the Company in writing, (i) the Minimum Condition may not be waived below that number of shares of Company Common Stock that, together with the Committed Shares, represents a majority of all shares of Company Common Stock then outstanding**,** (ii) no change may be made that changes the form of consideration to be paid pursuant to the Offer, decreases the Offer Price or the number of shares of Company Common Stock sought in the Offer, imposes conditions to the Offer in addition to those set forth in Annex I, or otherwise amends or modifies the Offer in any manner materially adverse to the holders of shares of Company Common Stock and (iii) the Offer may not be extended except as set forth in this Section 1.1(a). Subject to the terms and conditions of this Agreement, the Offer shall expire at midnight, New York City time, on the date that is 20 Business Days (for this purpose calculated in accordance with Section 14d-1(g)(3) under the Exchange Act) after the date that the Offer is commenced. Merger Sub shall extend the Offer (1) if, at the scheduled or extended expiration date of the Offer, any of the conditions to the Offer shall not have been satisfied or waived, from time to time, until the earliest to occur of (x) the satisfaction or waiver of such conditions, (y) the reasonable determination by Parent that any such condition to the Offer is not capable of being satisfied on or prior to the Walk-Away Date, *provided* that the inability to satisfy such condition does not result from any breach of any provision of this Agreement by Parent or Merger Sub, and (z) the Walk-Away Date, and (2) for any period required by any rule, regulation, interpretation or position of the SEC or the staff thereof applicable to the Offer or any period required by applicable Law. Following expiration of the Offer, Merger Sub may, in its sole discretion, provide one or more subsequent offering periods (each, a "Subsequent Offering Period") in accordance with Rule 14d-11 of the Exchange Act, if, as of the commencement of each such period, the number of shares of Company Common Stock validly tendered and not withdrawn pursuant to the Offer and any prior Subsequent Offering Period, together with the Committed Shares, is less than that number of shares of Company Common Stock necessary to permit the Merger to be effected without a meeting of shareholders of the Company,

in accordance with Section 5.16 of TBCA. Subject to the foregoing, including the requirements of Rule 14d-11, and upon the terms and subject to the conditions of the Offer, Merger Sub shall, and Parent shall cause Merger Sub to, accept for payment and pay for, as promptly as practicable, all shares of Company Common Stock (A) validly tendered and not withdrawn pursuant to the Offer after the final expiration of the Offer and/or (B) validly tendered in any Subsequent Offering Period. The Offer Price payable in respect of each share of Company Common Stock validly tendered and not withdrawn pursuant to the Offer or validly tendered in any Subsequent Offering Period shall be paid net to the holder thereof in cash, subject to reduction for any applicable withholding Taxes.

(b) As soon as practicable on the date of commencement of the Offer, Parent and Merger Sub shall (i) file with the SEC a Tender Offer Statement on Schedule TO with respect to the Offer (together with all amendments and supplements thereto and including exhibits thereto, the "Schedule TO") that shall include the summary term sheet required thereby and, as exhibits or incorporated by reference thereto, the Offer to Purchase and forms of letter of transmittal and summary advertisement, if any, in respect of the Offer (collectively, together with any amendments or supplements thereto, the "Offer Documents"), and (ii) cause the Offer Documents to be disseminated to holders of shares of Company Common Stock. The Company shall promptly furnish to Parent and Merger Sub in writing all information concerning the Company that may be required by applicable securities laws or reasonably requested by Parent or Merger Sub for inclusion in the Schedule TO or the Offer Documents. Each of Parent, Merger Sub and the Company agrees promptly to correct any information provided by it for use in the Schedule TO and the Offer Documents if and to the extent that such information shall have become false or misleading in any material respect. Parent and Merger Sub agree to take all steps necessary to cause the Schedule TO as so corrected to be filed with the SEC and the Offer Documents as so corrected to be disseminated to holders of shares of Company Common Stock, in each case as and to the extent required by applicable U.S. federal securities laws. The Company and its counsel shall be given a reasonable opportunity to review and comment on the Schedule TO and the Offer Documents each time before any such document is filed with the SEC, and Parent and Merger Sub shall give reasonable and good faith consideration to any comments made by the Company and its counsel. Parent and Merger Sub shall promptly provide the Company and its counsel with (A) any comments or other communications, whether written or oral, that Parent, Merger Sub or their counsel may receive from time to time from the SEC or its staff with respect to the Schedule TO or Offer Documents promptly after receipt of those comments or other communications, and (B) a reasonable opportunity to participate in the response of Parent and Merger Sub to those comments and to provide comments on that response (to which reasonable and good faith consideration shall be given), including by participating with Parent and Merger Sub or their counsel in any discussions or meetings with the SEC.

Section 1.2 Company Action.

(a)(i) The Company hereby consents to the Offer and represents that at a meeting duly called and held prior to the execution of this Agreement at which all directors of the Company were present, the Company's Board of Directors duly and unanimously adopted resolutions (A) declaring that this Agreement and the Transactions, are in the best interests of the Company's shareholders, (B) approving and declaring advisable this Agreement and the Transactions and (C) recommending that the Company's shareholders accept the Offer, tender their shares of Company Common Stock to Merger Sub pursuant to the Offer and, if applicable, grant the

Company Shareholder Approval (collectively, the "Company Board Recommendation"). (ii) The Company hereby consents to the inclusion of the foregoing determinations and approvals in the Offer Documents and, to the extent that no Adverse Recommendation Change shall have occurred in accordance with Section 6.3, the Company hereby consents to the inclusion of the Company Board Recommendation in the Offer Documents. The Company shall promptly furnish Parent with a list of its shareholders, mailing labels and any available listing or computer file containing the names and addresses of all record holders of shares of Company Common Stock and lists of securities positions of shares of Company Common Stock held in stock depositories, in each case true and correct as of the most recent practicable date, and shall provide to Parent such additional information (including updated lists of shareholders, mailing labels and lists of securities positions) and such other assistance as Parent may reasonably request in connection with the Offer. Parent and Merger Sub shall treat the information contained in such labels, listing or files and any additional information referred to in the preceding sentence in accordance with the terms and conditions of the Confidentiality Agreement.

(b) As soon as practicable on the day that the Offer is commenced, the Company shall file with the SEC and disseminate to holders of shares of Company Common Stock, in each case, as and to the extent required by applicable U.S. federal securities laws, a Solicitation/Recommendation Statement on Schedule 14D-9 (together with any amendments or supplements thereto, the "Schedule 14D-9") that, subject to Section 6.3, shall reflect the Company Board Recommendation. Each of Parent and Merger Sub shall promptly furnish to the Company in writing all information concerning Parent and Merger Sub that may be required by applicable securities laws or reasonably requested by the Company for inclusion in the Schedule 14D-9. Each of the Company, Parent and Merger Sub agrees promptly to correct any information provided by it for use in the Schedule 14D-9 if and to the extent that it shall have become false or misleading in any material respect. The Company agrees to take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and to be disseminated to holders of shares of Company Common Stock, in each case as and to the extent required by applicable U.S. federal securities laws. Parent and its counsel shall be given a reasonable opportunity to review and comment on the Schedule 14D-9 each time before it is filed with the SEC, and the Company shall give reasonable and good faith consideration to any comments made by Parent, Merger Sub and their counsel. The Company shall promptly provide Parent, Merger Sub and their counsel with (i) any comments or other communications, whether written or oral, that the Company or its counsel may receive from time to time from the SEC or its staff with respect to the Schedule 14D-9 promptly after receipt of those comments or other communications, and (ii) a reasonable opportunity to participate in the Company's response to those comments and to provide comments on that response (to which reasonable and good faith consideration shall be given), including by participating with the Company or its counsel in any discussions or meetings with the SEC.

Section 1.3 Directors.

(a) Effective upon the acceptance for payment of the number of shares of Company Common Stock constituting at least the Minimum Condition pursuant to the Offer and subject to the conditions in Annex I, Parent shall be entitled to designate the number of directors, rounded up to the next whole number, on the Company's Board of Directors that equals the product of (x) the total number

of directors on the Company's Board of Directors (giving effect to the election of any additional directors pursuant to this Section), and (y) the percentage that the number of shares of Company Common Stock beneficially owned by Parent and/or Merger Sub (including shares of Company Common Stock accepted for payment) bears to the total number of shares of Company Common Stock then outstanding, and the Company shall take all action necessary to cause Parent's designees to be elected or appointed to the Company's Board of Directors, including increasing the number of directors, and seeking and accepting resignations of incumbent directors. At such time, the Company shall take all action necessary to cause individuals designated by Parent to constitute the number of members, rounded up to the next whole number, on (i) each committee of the Company's Board of Directors and (ii) each Board of Directors of each Subsidiary of the Company (and each committee thereof) that represents the same percentage as such individuals represent on the Company's Board of Directors, in each case to the fullest extent permitted by applicable Law. Notwithstanding the foregoing, until Parent and/or Merger Sub acquires a majority of the outstanding shares of Company Common Stock on a fully diluted basis, the Company shall use its reasonable best efforts to ensure that all of the members of the Company's Board of Directors and such committees and boards as of the date hereof who are not employees of the Company shall remain members of the Company's Board of Directors and such committees and boards.

(b) The Company's obligations to appoint Parent's designees to the Company's Board of Directors shall be subject to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder. The Company shall promptly take all actions, and shall include in the Schedule 14D-9 such information with respect to the Company and its officers and directors, as Section 14(f) and Rule 14f-1 require in order to fulfill its obligations under this Section. Parent shall supply to the Company in writing any information with respect to itself and its nominees, officers, directors and affiliates required by Section 14(f) and Rule 14f-1.

(c) Following the election or appointment of Parent's designees pursuant to Section 1.3(a) and until the Effective Time, the approval of a majority of the directors of the Company then in office who were not designated by Parent (the "Continuing Directors") (or the approval of the sole Continuing Director if there shall be only one Continuing Director) shall be required to authorize (and such authorization shall constitute the authorization of the Company's Board of Directors and no other action on the part of the Company, including any action by any other director of the Company, shall be required to authorize) any termination of this Agreement by the Company, any amendment of this Agreement, including any decrease in or change of form of the Merger Consideration, any extension of time for performance of any obligation or action hereunder by Parent or Merger Sub, any waiver of compliance with any of the agreements or conditions contained herein for the benefit of the Company, and any amendment or change to Section 6.8. Following the election or appointment of Parent's designees pursuant to Section 1.3(a) and until the Effective Time, any actions with respect to the enforcement of this Agreement by the Company shall be effected only by the action of a majority of the Continuing Directors (or the approval of the sole Continuing Director if there shall be only one Continuing Director).

Section 1.4 90% Top-Up Option.

(a) The Company hereby irrevocably grants to Merger Sub an option (the "90% Top Up Option"), exercisable upon the terms and conditions set forth in this Section 1.4, to purchase that number of shares of Company Common Stock (the "90% Top Up Option Shares") equal to the lowest number of shares of Company Common Stock that, when added to the number of Committed Shares, shall constitute one share more than 90% of the shares of Company Common Stock then outstanding (taking into account the issuance of the 90% Top Up Option Shares) at an exercise price per share equal to the Offer Price; *provided* that in no event shall the 90% Top Up Option be exercisable for a number of shares of Company Common Stock (i) that would require the Company to obtain shareholder approval under applicable Law, or (ii) in excess of the Company's then authorized and unissued shares of Company Common Stock.

(b) Merger Sub may exercise the 90% Top Up Option, in whole but not in part, at any time after acceptance for payment by Merger Sub of the number of shares of Company Common Stock constituting at least the Minimum Condition in accordance with the Offer and prior to the earlier to occur of (i) the Effective Time and (ii) the termination of this Agreement in accordance with its terms.

(c) Parent and Merger Sub acknowledge that the shares of Company Common Stock which Merger Sub may acquire upon exercise of the 90% Top Up Option will not be registered under the Securities Act and will be issued in reliance upon an exemption thereunder for transactions not involving a public offering. Parent and Merger Sub represent and warrant to the Company that Merger Sub is, or will be upon the purchase of the 90% Top Up Option Shares, an "accredited investor", as defined in Rule 501 of Regulation D under the Securities Act. Merger Sub agrees that the 90% Top Up Option and the 90% Top Up Option Shares to be acquired upon exercise of the 90% Top Up Option are being and will be acquired by Merger Sub for the purpose of investment and not with a view to, or for resale in connection with, any distribution thereof (within the meaning of the Securities Act).

ARTICLE II

The Merger

Section 2.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the TBCA and the TBOC, at the Effective Time, Merger Sub, an indirect wholly-owned subsidiary of Parent, shall be merged with and into the Company, and the separate corporate existence of Merger Sub shall thereupon cease, and the Company shall be the surviving corporation in the Merger (the "Surviving Corporation").

Section 2.2 Closing. The closing of the Merger (the "Closing") shall take place at 10:00 a.m. (Houston, Texas time) on a date to be specified by the parties (the "Closing Date"), which date shall be no later than the fifth business day after satisfaction or waiver of the conditions set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions at such time), at the offices of Fulbright & Jaworski L.L.P., Fulbright Tower, 1301 McKinney, Suite 5100, Houston, TX 77010, unless another time, date or place is agreed to in writing by the parties hereto.

Section 2.3 Effective Time. Subject to the provisions of this Agreement, as soon as practicable on the Closing Date the parties shall file with the Secretary of State of the State of Texas the articles of merger, executed in accordance with, and in such form as is required by, the relevant provisions of the TBCA and TBOC (the "Articles of Merger"). The Merger shall become effective upon the issuance of the certificate of merger by the Secretary of State of the State of Texas or at such later time and date as is agreed to by the parties hereto and set forth in the Articles of Merger (the time and date at which the Merger becomes effective is herein referred to as the "Effective Time").

Section 2.4 Effects of the Merger. The Merger shall have the effects set forth herein and in the applicable provisions of the TBCA and TBOC. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

Section 2.5 Certificate of Formation and By-laws of the Surviving Corporation. At the Effective Time, the certificate of formation of the Company shall be amended and restated in its entirety to be identical (subject to Section 6.8 hereof) to the certificate of formation of Merger Sub, as in effect immediately prior to the Effective Time, except that the name of the Surviving Corporation shall remain ACR Group, Inc., until thereafter amended as provided therein or by applicable Law. The by-laws of Merger Sub in effect immediately prior to the Effective Time shall be the by-laws of the Surviving Corporation until thereafter amended as provided therein or by applicable Law.

Section 2.6 Directors and Officers of the Surviving Corporation.

(a) Each of the parties hereto shall take all necessary action to cause the directors of Merger Sub immediately prior to the Effective Time to be the initial directors of the Surviving Corporation immediately following the Effective Time, until their respective successors are duly elected or appointed and qualified or their earlier death, resignation or removal in accordance with the certificate of formation and by-laws of the Surviving Corporation.

(b) Each of the parties hereto shall take all necessary action to cause the officers of the Merger Sub immediately prior to the Effective Time to be the initial officers of the Surviving Corporation until their respective successors are duly appointed and qualified or their earlier death, resignation or removal in accordance with the certificate of formation and by-laws of the Surviving Corporation.

ARTICLE III

Effect of the Merger on the Capital Stock of the Constituent Corporations; Exchange of Certificates

Section 3.1 Effect on Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of Merger Sub, the Company or the holders of any shares of Company Common Stock or any shares of capital stock of Merger Sub:

(a) Capital Stock of Merger Sub. Each share of capital stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become one validly issued, fully paid and nonassessable share of common stock of the Surviving Corporation.

(b) Cancellation of Treasury Stock and Parent-Owned Stock. Any shares of Company Common Stock that are owned by the Company as treasury stock, and any shares of Company Common Stock owned by Parent, Merger Sub or any Subsidiary of the Company, shall be automatically canceled and shall cease to exist and no consideration shall be delivered in exchange therefore (the "Cancelled Shares").

(c) Conversion of Company Restricted Shares and Common Stock.

(i) At the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof, each share of Company Common Stock listed on Schedule 3.1(c)(I) issued pursuant to restricted stock agreements between the individuals listed on Schedule 3.1(c)(I) and the Company (including performance based restricted shares) (a "Company Restricted Share") outstanding immediately prior to the Effective Time shall become fully vested and converted into the right to receive the Merger Consideration. At the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof except the execution and delivery of documentation or performance of other actions required by Parent's 2001 Incentive Compensation Plan, each share of Company Common Stock listed on Schedule 3.1(c)(II) issued pursuant to restricted stock agreements between the individuals listed on Schedule 3.1(c)(II) and the Company (including performance based restricted shares) (a "Converted Company Restricted Share") shall be converted automatically into that number of restricted shares of Parent common stock equal to the product of the number of Converted Company Restricted Shares multiplied by the Offer Price divided by the closing price of Parent common stock on the NYSE on the trading day immediately prior to the Effective Time ("Parent Restricted Shares") and each Parent Restricted Share issued pursuant to this Section 3.1(c)(i) shall remain subject to the same terms and conditions as were applicable to such Converted Company Restricted Share (including vesting schedule and any acceleration of vesting set forth on Schedule 3.1(c)(II) of the Company Disclosure Schedule) and shall bear a legend containing the same restrictions on transferability.

(ii) Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than Company Common Stock received pursuant to Section 3.1(a), Cancelled Shares (as defined and to the extent provided in Section 3.1(b)), any Converted Company Restricted Shares and any Dissenting Shares (as defined and to the extent provided in Section 3.1(d))), shall be converted into the right to receive $6.75 in cash or any different amount as may have been paid per share of Company Common Stock in the Offer, without interest (the "Merger Consideration").

(iii) As of the Effective Time, all shares of Company Common Stock (including Cancelled Shares, Converted Company Restricted Shares and any Dissenting Shares) shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each holder of a certificate (or evidence of shares in book-entry form) which immediately prior to the Effective Time represented any such shares of Company Common Stock (each, a "Certificate") (or effective affidavits of loss in lieu thereof) or non-certificated shares of Company Common Stock represented by book-entry ("Book-Entry Shares") shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration to be paid in consideration therefor upon surrender of such Certificate or Book-Entry Share in accordance with Section 3.2(b), without interest.

(d) Dissenters' Rights. Notwithstanding anything in this Agreement to the contrary, shares of Company Common Stock that are issued and outstanding immediately prior to the Effective Time and which are held by a shareholder who did not vote in favor of the Merger (or consent thereto in writing) and who is entitled to demand and properly demands the fair value of such shares pursuant to, and who complies in all respects with, the provisions of Articles 5.12 and 5.13 of the TBCA (the "Dissenting Shareholders"), shall not be converted into or be exchangeable for the right to receive the Merger Consideration (the "Dissenting Shares," and together with the Cancelled Shares and the Converted Company Restricted Shares, the "Excluded Shares"), but instead such holder shall be entitled to payment of the fair value of such shares in accordance with the provisions of Articles 5.12 and 5.13 of the TBCA (and at the Effective Time, such Dissenting Shares shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and such holder shall cease to have any rights with respect thereto, except the right to receive the fair value of such Dissenting Shares in accordance with the provisions of Articles 5.12 and 5.13 of the TBCA), unless and until such holder shall have failed to perfect or shall have effectively withdrawn or lost rights to receive the fair value of such shares of Company Common Stock under the TBCA. If any Dissenting Shareholder shall have failed to perfect or shall have effectively withdrawn or lost such right, such holder's shares of Company Common Stock shall thereupon be treated as if they had been converted into and become exchangeable for the right to receive, as of the Effective Time, the Merger Consideration for each such share of Company Common Stock, in accordance with Section 3.1(a), without any interest thereon. The Company shall give Parent (i) prompt notice of any written demands to exercise dissenter's rights in respect of any shares of Company Common Stock, attempted withdrawals of such demands and any other

instruments served pursuant to the TBCA and received by the Company relating to shareholders' dissenter's rights and (ii) the opportunity to participate in negotiations and proceedings with respect to demands for fair value under the TBCA. The Company shall not, except with prior written consent of Parent, voluntarily make any payment with respect to, or settle, or offer or agree to settle, any such demand for payment. Any portion of the Merger Consideration made available to the Paying Agent pursuant to Section 3.2 to pay for shares of Company Common Stock for which dissenter's rights have been perfected shall be returned to Parent upon demand.

Section 3.2 Exchange of Certificates.

(a) Paying Agent. Prior to the Effective Time, Parent shall designate a bank or trust company reasonably acceptable to the Company to act as agent for the benefit of the holders of shares of Company Common Stock in connection with the Merger (the "Paying Agent") to receive, on terms reasonably acceptable to the Company, for the benefit of holders of shares of Company Common Stock immediately prior to the Merger, the aggregate Merger Consideration to which holders of shares of Company Common Stock shall become entitled pursuant to Section 3.1(c) (other than Company Common Stock received pursuant to Section 3.1(a) and the Excluded Shares). The Paying Agent shall also act as the agent for the Company's shareholders for the purpose of holding the Certificates and shall obtain no rights or interests in the shares represented by such Certificates. Parent shall deposit such aggregate Merger Consideration with the Paying Agent at or prior to the Effective Time. Such aggregate Merger Consideration deposited with the Paying Agent shall, pending its disbursement to such holders, be invested by the Paying Agent in short term investments in direct obligations of the United States of America, obligations for which the full faith and credit of the United States of America is pledged to provide for the payment of all principal and interest or commercial paper obligations receiving the highest rating from either Moody's Investors Service, Inc. or Standard & Poor's or a combination thereof as directed by Parent or the Surviving Corporation; provided that Parent shall promptly replace any funds deposited with the Paying Agent lost through any investment made pursuant to this paragraph.

(b) Payment Procedures. Promptly after the Effective Time (but in no event more than five business days thereafter), the Surviving Corporation shall cause the Paying Agent to mail to each holder of record of Company Common Stock (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates (or effective affidavits of loss in lieu thereof) or Book-Entry Shares to the Paying Agent, and which shall be in such form and shall have such other customary provisions (including customary provisions with respect to delivery of an "agent's message" with respect to shares held in book-entry form) as Parent may reasonably specify and (ii) instructions for use in effecting the surrender of the Certificates (or effective affidavits of loss in lieu thereof) or Book-Entry Shares in exchange for payment of the Merger Consideration. Upon surrender of a Certificate (or effective affidavits of loss in lieu thereof) or Book-Entry Shares for cancellation to the Paying Agent, together with such letter of transmittal, duly completed and validly executed in accordance with the instructions (and such other customary documents as may reasonably be required by the Paying Agent), the holder of such Certificate or Book-Entry Share shall be entitled to receive in exchange therefor the Merger Consideration, without interest, for each share of Company Common Stock formerly represented by such Certificate or Book-Entry Share,

and the Certificate or Book-Entry Share so surrendered shall forthwith be canceled. If payment of the Merger Consideration is to be made to a Person other than the Person in whose name the surrendered Certificate is registered, it shall be a condition of payment that (x) the Certificate so surrendered shall be properly endorsed or shall otherwise be in proper form for transfer and (y) the Person requesting such payment shall have paid any transfer and other taxes required by reason of the payment of the Merger Consideration to a Person other than the registered holder of such Certificate surrendered or shall have established to the reasonable satisfaction of the Surviving Corporation that such tax either has been paid or is not applicable. Until surrendered as contemplated by this Section 3.2, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive the Merger Consideration as contemplated by this Article III, without interest, and any declared and unpaid dividends to which the holder of such Certificate is entitled.

(c) Transfer Books; No Further Ownership Rights in Company Stock. The Merger Consideration paid in respect of shares of Company Common Stock upon the surrender for exchange of Certificates or Book-Entry Shares in accordance with the terms of this Article III shall be deemed to have been paid in full satisfaction of all rights pertaining to the shares of Company Common Stock previously represented by such Certificates or Book-Entry Shares, and at the Effective Time, the stock transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Stock that were outstanding immediately prior to the Effective Time. From and after the Effective Time, the holders of Certificates or Book-Entry Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares of Company Common Stock, except as otherwise provided for herein or by applicable Law. Subject to the last sentence of Section 3.2(e), if, at any time after the Effective Time, Certificates or Book-Entry Shares are presented to the Surviving Corporation for any reason, they shall be canceled and exchanged as provided in this Article III.

(d) Lost, Stolen or Destroyed Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such Person of a bond, in such reasonable amount as Parent may direct, as indemnity against any claim that may be made against it with respect to such Certificate, the Paying Agent will pay, in exchange for such lost, stolen or destroyed Certificate, the applicable Merger Consideration to be paid in respect of the shares of Company Common Stock formerly represented by such Certificate, as contemplated by this Article III.

(e) Termination of Fund. At any time following the first anniversary of the Closing Date, the Surviving Corporation shall be entitled to require the Paying Agent to deliver to it any funds (including any interest received with respect thereto) that had been delivered to the Paying Agent and which have not been disbursed to holders of Certificates or Book-Entry Shares, and thereafter such holders shall be entitled to look only to the Surviving Corporation (subject to abandoned property, escheat or other similar Laws) as general creditors thereof with respect to the payment of any Merger Consideration that may be payable upon surrender of any Certificates or Book-Entry Shares held by such holders, as determined pursuant to this Agreement, without any interest thereon. Any

amounts remaining unclaimed by such holders at such time at which such amounts would otherwise escheat to or become property of any Governmental Authority shall become, to the extent permitted by applicable Law, the property of the Surviving Corporation, free and clear of all claims or interest of any Person previously entitled thereto.

(f) No Liability. Notwithstanding any provision of this Agreement to the contrary, none of the parties hereto, the Surviving Corporation or the Paying Agent shall be liable to any Person for Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(g) Withholding Taxes. Parent, the Surviving Corporation and the Paying Agent shall be entitled to deduct and withhold from the consideration otherwise payable to any Person who was a holder of shares of Company Common Stock pursuant to this Agreement such amounts as may be required to be deducted and withheld with respect to the making of such payment under the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder (the "Code"), or under any provision of state, local or foreign tax Law. To the extent amounts are so withheld and paid over to the appropriate Governmental Authority, the withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

Section 3.3 Adjustments. Notwithstanding any provision of this Article III to the contrary, if between the date of this Agreement and the Effective Time the outstanding shares of Company Common Stock shall have been changed into a different number of shares or a different class by reason of the occurrence or record date of any stock dividend, subdivision, reclassification, recapitalization, split, combination, exchange of shares or similar transaction, the Offer Price, the Merger Consideration any other amounts payable pursuant to this Agreement shall be appropriately adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination, exchange of shares or similar transaction.

ARTICLE IV

Representations and Warranties of the Company

The Company represents and warrants to Parent that except as set forth in (i) the disclosure schedule delivered by the Company to Parent immediately prior to the execution of this Agreement (the "Company Disclosure Schedule"), it being understood that any matter set forth under a particular section or subsection of the Company Disclosure Schedule shall also be deemed disclosed with respect to any other section or subsection of Article IV or to Section 6.2 of this Agreement, in each case to the extent the relevance of such matter to such section or subsection is reasonably apparent from the text of such disclosure, or (ii) the Company SEC Documents (as hereinafter defined) filed prior to the date of this Agreement:

Section 4.1 Organization, Standing and Corporate Power.

(a) The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Texas. The Company has all requisite corporate power and authority necessary to own or lease all of its properties and assets and to carry on its business as it is now being conducted and is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing (or equivalent status), individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect (as defined below) on the Company ("Company Material Adverse Effect"). For purposes of this Agreement, "Material Adverse Effect" shall mean, with respect to any party, any change, event, development or occurrence that is materially adverse to (A) the ability of such party to timely consummate the Transactions or (B) the results of operations, financial condition or assets of such party and its Subsidiaries taken as a whole, other than changes, events, developments or occurrences arising out of, resulting from or attributable to (i) changes in conditions in the United States or the global economy or the capital or financial or markets generally, including changes in interest or exchange rates, fluctuating commodity prices and unexpected product shortages, (ii) changes in general legal, regulatory, political, economic or business conditions or changes in GAAP that, in each case, generally affect industries in which such party and its Subsidiaries conduct business, (iii) the negotiation, announcement, pendency or consummation of this Agreement or the Transactions and the identity of Parent and its Affiliates, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners or employees, or (iv) earthquakes or other natural disasters (in the case of unexpected product shortages referred to in clause (i) and each of clauses (ii) and (iv), other than to the extent any change, event, development or occurrence has had or would reasonably be expected to have a disproportionately adverse effect on such party and its Subsidiaries as generally compared to other participants in the industries in which such party and its Subsidiaries conduct business).

(b) Exhibit 21.1 of the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2007, together with Schedule 4.1(b) of the Company Disclosure Schedule, sets forth a true and complete list of each of the Company's Subsidiaries, as of the date hereof. Each of the Company's Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite corporate or other power and authority necessary to own or lease all of its properties and assets and to carry on its business as it is now being conducted, except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect. Each of the Company's Subsidiaries is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing (or equivalent status), individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect. All the outstanding shares of capital stock of, or other equity interests in, each such Subsidiary are owned directly or indirectly by the Company free and clear of liens, pledges, security interests and transfer restrictions or other encumbrances ("Liens"), except for such transfer restrictions of general

applicability as may be provided under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act"), and other applicable securities Laws. The Company does not own of record or beneficially (within the meaning of Rule 13d-3 of the Exchange Act), any material equity or similar interest in, or any material interest convertible into or exchangeable or exercisable for any equity or similar interest in, any other Person.

(c) The Company has made available to Parent prior to the date hereof (i) complete and correct copies of the articles of incorporation and by-laws of the Company and each of its Subsidiaries, as amended to the date of this Agreement (the "Company Charter Documents") and (ii) the minutes (or, in the case of draft minutes, the most recent drafts thereof) of all meetings of the Company's shareholders, the Company's Board of Directors and each committee of the Company's Board of Directors held since February 28, 2005 through the date hereof.

Section 4.2 Capitalization.

(a) The authorized capital stock of the Company consists of 25,000,000 shares of Company Common Stock par value $0.01 per share and 2,000,000 shares of preferred stock, par value $0.01 ("Company Preferred Stock"). At the close of business on June 29, 2007, (i) 12,063,765 shares of Company Common Stock were issued and outstanding, which includes 289,751 Company Restricted Shares and 373,001 Converted Company Restricted Shares, (ii) no shares of Company Common Stock were held by the Company in its treasury, (iii) no shares of the Company's capital stock, voting securities or other ownership interests were reserved for issuance for the types of arrangements described in Section 4.2(b) and (iv) no shares of Company Preferred Stock were issued or outstanding. All outstanding shares of Company Common Stock and all outstanding shares of capital stock or other equity interests of each of the Company's Subsidiaries have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive and similar rights in favor of third parties. Since June 29, 2007, the Company has not issued, or entered into any agreement or arrangement to issue, any shares of its capital stock, or entered into any agreement or arrangement to issue securities convertible into or exchangeable or exercisable for any shares of its capital stock. All dividends on the Company Common Stock that have been declared or have accrued prior to the date hereof have been paid in full to the Company's paying agent.

(b) Except for the Company Restricted Shares and Converted Company Restricted Shares referenced in Section 4.2(a)(i), there are no outstanding (i) securities of the Company or any of its Subsidiaries convertible into or exchangeable for shares of capital stock or other voting securities or ownership interests in the Company or any of its Subsidiaries, (ii) options, restricted stock, warrants, rights or other agreements or commitments to acquire from the Company or any of its Subsidiaries, or obligations of the Company or any of its Subsidiaries to issue or transfer, any capital stock, voting securities or other ownership interests (or securities convertible into or exchangeable for capital stock or voting securities or other ownership interests) in the Company or any of its Subsidiaries, (iii) obligations of the Company or any of its Subsidiaries to grant, extend or enter into any subscription, warrant, right, convertible or exchangeable security or other similar agreement or commitment relating to any capital stock, voting securities or other ownership interests in the Company or any of its Subsidiaries or (iv) obligations of the Company or any of its Subsidiaries to make any payment

based on the market price or value of any securities of the Company or any of its Subsidiaries. There are no (i) outstanding obligations of the Company or any of its Subsidiaries to purchase, redeem or otherwise acquire any outstanding securities of the Company or any of its Subsidiaries or (ii) voting trusts or other agreements or understandings to which the Company or any of its Subsidiaries is a party with respect to the voting of capital stock of the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has any obligation or commitment to provide financing to or make any debt or equity investment in any entity other than wholly-owned Subsidiaries of the Company.

Section 4.3 Authority; Noncontravention; Voting Requirements.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the Transactions, subject in the case of the consummation of the Merger to obtaining the Company Shareholder Approval. The execution, delivery and performance by the Company of this Agreement, and the consummation by it of the Transactions, have been duly authorized by all necessary corporate action and no other corporate action on the part of the Company is necessary to authorize the execution, delivery and performance by the Company of this Agreement and the consummation by it of the Transactions, subject in the case of the consummation of the Merger to obtaining the Company Shareholder Approval. This Agreement has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery hereof by Parent and Merger Sub, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws of general application affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity, whether considered in a proceeding at Law or in equity (the "Bankruptcy and Equity Exception").

(b) The Company's Board of Directors, at a meeting duly called and held, has unanimously (i) approved and adopted this Agreement and approved the Transactions, including the Merger, (ii) determined that this Agreement and the Transactions are advisable and in the best interests of, the shareholders of the Company, (iii) consented to the public disclosure of this Agreement and the Transactions in accordance with the terms and provisions of the Confidentiality Agreement, dated as of June 1, 2005, between Parent and the Company (as it may be amended from time to time, the "Confidentiality Agreement") and (iv) resolved to, subject to Section 6.3 hereof, recommend that the shareholders of the Company accept the Offer, tender their shares of Company Common Stock to Merger Sub pursuant to the Offer and, if applicable, grant the Company Shareholder Approval and submit this Agreement to the shareholders of the Company for approval and file with the SEC each document required to be filed by the Company with the SEC or required to be distributed or otherwise disseminated to the Company's shareholders in connection with the Transactions, including the Schedule 14D-9 and the proxy or information statement, if any, (the "Company Disclosure Documents"), as required by Law.

(c) Neither the execution, delivery and performance of this Agreement by the Company nor the consummation by the Company of the Transactions, nor compliance by the Company with any of the terms or provisions hereof, will (i) conflict with or violate any provision of the Company Charter Documents or (ii) assuming that the authorizations, consents and approvals referred to in Section 4.4 (and, in the case of the consummation of the Merger, the Company Shareholder Approval) are obtained and the filings referred to in Section 4.4 are made, (x) violate any Law, judgment, writ or injunction of any Governmental Authority applicable to the Company or any of its Subsidiaries or any of their respective assets, properties or rights, (y) violate or constitute a default (or an event which with notice or lapse of time or both would become a default) or give rise to any right of termination, cancellation, modification or acceleration under any of the terms, conditions or provisions of any loan or credit agreement, debenture, note, bond, mortgage, indenture, deed of trust, lease, license, contract or other instrument or agreement (each, a "Contract") to which the Company or any of its Subsidiaries is a party or by which any of their assets, properties or rights are bound or (z) result in the creation of any Lien upon any of the assets, properties or rights of the Company or any of its Subsidiaries other than Permitted Liens, except, in the case of clause (ii), for such violations, defaults, rights or Liens, as, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(d) The affirmative vote (in person or by proxy) of the holders of at least two-thirds of the outstanding shares of Company Common Stock entitled to vote on such matter at the Company Shareholders Meeting, or any adjournment or postponement thereof, in favor of the adoption of this Agreement and the approval of the Merger (the "Company Shareholder Approval") is the only vote or approval of the holders of any class or series of capital stock of the Company or any of its Subsidiaries which is necessary to approve this Agreement and the Transactions.

Section 4.4 Governmental Approvals. Except for (i) the filing with the SEC of any Company Disclosure Documents and other filings required under, and compliance with other applicable requirements of, the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"), and the rules of the AMEX, (ii) the filing of the Articles of Merger with the Secretary of State of the State of Texas pursuant to the TBCA and TBOC and (iii) filings required under, and compliance with other applicable requirements of, the HSR Act and any other applicable Antitrust Law, no consents or approvals of, or filings, declarations or registrations with, any Governmental Authority are necessary for the execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the Transactions, other than such other consents, approvals, filings, declarations or registrations that, if not obtained, made or given, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

Section 4.5 Company SEC Documents; Undisclosed Liabilities.

(a) The Company and each of its Subsidiaries have timely filed or furnished, as applicable, all required registration statements, reports, schedules, forms, certifications and other documents with the Securities and Exchange Commission (the "SEC") since February 29, 2004 (collectively, and in each case including all exhibits and schedules thereto and financial statements contained in, and documents incorporated by reference therein, the "Company SEC Documents"). As of their respective filing dates, the Company

SEC Documents complied, and each such Company SEC Document filed subsequent to the date hereof and prior to the consummation of the Offer will comply, in all material respects with the requirements of the Exchange Act and the Securities Act and all other federal securities Laws applicable to such Company SEC Documents, and none of the Company SEC Documents as of their respective dates contained or will contain any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company has made available to Parent prior to the date hereof copies of all correspondence between the SEC and the Company or any Company Subsidiary, since February 29, 2004 until the date hereof. As of the date of this Agreement, there are no material outstanding or unresolved comments from the SEC staff with respect to the Company SEC Documents.

(b) The consolidated financial statements of the Company included in the Company SEC Documents have been prepared in accordance with GAAP (except, in the case of unaudited interim statements, as indicated in the notes thereto) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations, cash flows and shareholders' equity (when required to be included in any such Company SEC Document) for the periods then ended (subject, in the case of unaudited interim statements, to normal year-end audit adjustments).

(c) Neither the Company nor any of its Subsidiaries has any liabilities, whether accrued, absolute, fixed, contingent or otherwise, whether due or to become due, whether or not known, and whether or not required to be reflected or reserved against on a consolidated balance sheet of the Company prepared in accordance with GAAP or the notes thereto, except liabilities (i) reflected or reserved against on the balance sheet of the Company and its Subsidiaries as of February 28, 2007 (the "Balance Sheet Date") (including the notes thereto) included in the Company SEC Documents, (ii) incurred after the Balance Sheet Date in the ordinary course of business consistent with past practice, (iii) as expressly contemplated by this Agreement or set forth in the Company Disclosure Schedules or (iv) as, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(d) The Company has established and maintains effective internal control over financial reporting (and, except as disclosed in the Company SEC Documents, since February 29, 2004 has had no material weaknesses with respect to its internal control over financial reporting) and disclosure controls and procedures (as such terms are defined in Rule 13a-15 and Rule 15d-15 under the Exchange Act) sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP; such disclosure controls and procedures are designed to ensure that material information relating to the Company, including its consolidated Subsidiaries, required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded and reported to the Company's principal executive officer and its principal financial officer by others within those entities to allow timely decisions regarding required disclosure; and such disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits

under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. The Company's principal executive officer and its principal financial officer have disclosed, based on their most recent evaluation, to the Company's outside auditors and the audit committee of the Company's Board of Directors (x) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's outside auditors any material weaknesses in internal controls and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls. The principal executive officer and the principal financial officer of the Company have made all certifications required by the Sarbanes-Oxley Act, the Exchange Act and any related rules and regulations promulgated by the SEC with respect to the Company SEC Documents, and the statements contained in such certifications are complete and correct. Any written notifications the Company has received of a "reportable condition" or "material weakness" (each as defined in the Statement of Auditing Standards No. 60, as in effect on the date hereof) in the Company's internal controls have been made available to Parent prior to the date hereof.

Section 4.6 Absence of Certain Changes. Since the Balance Sheet Date, (a) the Company, together with its Subsidiaries, has carried on and operated its businesses in all material respects in the ordinary course of business consistent with past practice, (b) there have not been any events, changes, conditions, developments or occurrences that, individually or in the aggregate, have had or would be reasonably be expected to have a Company Material Adverse Effect and (c) neither the Company nor any of its Subsidiaries have taken any action that, if taken after the date hereof, would constitute a breach of Section 6.2(b) hereof.

Section 4.7 Legal Proceedings. There is no pending or, to the Knowledge of the Company, threatened, legal or administrative proceeding, claim, suit, action or, to the Knowledge of the Company, any pending investigation against or relating to the Company or any of its Subsidiaries (or any of their respective assets or properties), nor is there any injunction, order, writ, judgment, ruling or decree imposed upon the Company or any of its Subsidiaries, in each case, by or before any Governmental Authority that, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect or, as of the date hereof, that challenges or relates to, or would prevent, materially delay or impair the consummation of, the proposed sale of the Company, this Agreement or any of the Transactions.

Section 4.8 Compliance With Laws; Permits. The Company and its Subsidiaries are in compliance with all laws, statutes, ordinances, codes, rules, regulations, decrees and orders of Governmental Authorities (collectively, "Laws") applicable to the Company or any of its Subsidiaries or any of their respective properties and assets, except for such non-compliance as, individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect. The Company and each of its Subsidiaries hold all licenses, franchises, permits, certificates, approvals and authorizations from Governmental Authorities necessary for the lawful conduct of their respective businesses (collectively, "Permits"), except where the failure to hold the same, individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect. The Company and its Subsidiaries are in compliance with the terms of all Permits, except for such non-compliance as,

individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect. The Company and its Subsidiaries are in compliance in all material respects with all applicable listing and corporate governance rules and regulations of the AMEX.

Section 4.9 Information Supplied.

(a) Each Company Disclosure Document filed or required to be filed with the SEC for use in connection with the solicitation of proxies from the Company's shareholders in connection with the Merger and the Shareholder Meeting, and any amendments or supplements thereto, when filed, distributed or disseminated, as applicable, will comply as to form in all material respects with the applicable requirements of the Exchange Act. The representations and warranties contained in this Section 4.9(a) will not apply to statements or omissions included in the Company Disclosure Documents based upon information furnished to the Company in writing by Parent or Merger Sub specifically for use therein.

(b)(i) Any Company Disclosure Document required to be mailed to shareholders of the Company, as supplemented or amended, if applicable, at the time such Company Disclosure Documents or any amendment or supplement thereto is first mailed to shareholders of the Company and at the time such shareholders vote on adoption of this Agreement, and (ii) any Company Disclosure Document, at the time of the filing of such Company Disclosure Document or any supplement or amendment thereto and at the time of any distribution or dissemination thereof, will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties contained in this Section 4.9(b) will not apply to statements or omissions included in the Company Disclosure Documents based upon information furnished to the Company in writing by Parent or Merger Sub specifically for use therein.

(c) The information with respect to the Company or any of its Subsidiaries that the Company furnishes to Parent in writing specifically for use in the Schedule TO and the Offer Documents, at the time of the filing of the Schedule TO, at the time of any distribution or dissemination of the Offer Documents and at the time of the consummation of the Offer, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

Section 4.10 Tax Matters. Except for those matters that would not reasonably be expected to have a Company Material Adverse Effect: (i) each of the Company and its Subsidiaries has timely filed, or has caused to be timely filed on its behalf (taking into account any extension of time within which to file), all Tax Returns required to be filed by it, and all such filed Tax Returns are correct and complete in all respects; (ii) all Taxes shown to be due on such Tax Returns have been timely paid and all Taxes payable (whether or not actually shown on such Tax Returns) have, to the Knowledge of the Company, been adequately reserved for in the Company SEC Documents; (iii) no deficiency with respect to Taxes has been proposed, asserted or assessed against the Company or any of its Subsidiaries, which has not been fully paid or adequately reserved in the financial statements included in the Company SEC Documents in accordance with GAAP; (iv) no audit or other administrative or court proceedings are pending with any Governmental

Authority with respect to Taxes of the Company or any of its Subsidiaries, and no written notice of threatened or proposed audit or proceeding has been received; (v) there are no Liens for Taxes other than Permitted Liens upon any assets of the Company or any of its Subsidiaries and (vi) since the Balance Sheet Date, neither the Company nor any of its Subsidiaries has incurred any liability for Taxes other than in the ordinary course of business.

Section 4.11 Employee Benefits and Labor Matters.

(a) Schedule 4.11(a) of the Company Disclosure Schedule lists (i) each "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), whether or not subject to ERISA, and (ii) all employment, consulting, and severance plans and agreements and all bonus or other incentive compensation, stock purchase, equity or equity-based compensation, deferred compensation, change in control, vacation, salary continuation, profit-sharing, fringe benefit, life insurance and other similar plans, programs, and agreements with respect to which the Company or any of its Subsidiaries has any obligation or liability, contingent or otherwise ((i) and (ii) collectively, the "Company Plans").

(b) The Company has made available to Parent prior to the date hereof, with respect to each Company Plan (if applicable), a correct and complete copy of the most recent (i) document constituting the Company Plan or, with respect to any such Company Plan that is not in writing, a written description thereof, and any modifications thereto, (ii) annual report on Form 5500, including all schedules thereto, (iii) summary plan description for each Company Plan and any modifications thereto, (iv) trust agreement and insurance or group annuity contract, (v) annual report, financial statement and/or actuarial report, and (vi) determination letter from the Internal Revenue Service.

(c) Each Company Plan has been established, maintained and funded in all material respects in accordance with its terms and in compliance with the applicable provisions of ERISA, the Code and all other applicable Laws and, to the Knowledge of the Company, the terms of each Company Plan are in material compliance with all such applicable Laws.

(d) All contributions, premiums and benefit payments under or in connection with the Company Plans that are required to have been made as of the date hereof in accordance with the terms of the Company Plans or applicable Laws have been timely made. Other than routine claims for benefits, there are no actions pending, or to the Knowledge of the Company, threatened with respect to any Company Plan that, individually or in the aggregate, have had or would reasonably be expected to have a Company Material Adverse Effect.

(e) Each Company Plan that is intended to qualify under Section 401 of the Code (i) has received a favorable determination letter to such effect and (ii) no facts, circumstances or events have occurred since the date of the most recent determination letter or application therefor relating to any such Company Plan that, individually or in the aggregate, have caused or would reasonably be expected to cause the loss of such qualification.

(f) None of the Company Plans is subject to Title IV of ERISA or is a multi-employer plan or a multiple employer plan described in Section 3(37) or Section 4063/4064, respectively, of ERISA, and neither the Company nor any of its Subsidiaries to its and their Knowledge has any obligation to contribute to any such multi-employer plan or has any withdrawal liability associated with any such multi-employer plan. There have been no non-exempt "prohibited transactions" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) with respect to any Company Plan that, individually or in the aggregate, have had or would reasonably be expected to have a Company Material Adverse Effect.

(g) There are no strikes, work slowdowns, work stoppages, lockouts, arbitrations, grievances, unfair labor practice charges or complaints pending or, to the Knowledge of the Company, threatened with respect to the Company or any of its Subsidiaries, and neither the Company nor any of its Subsidiaries has experienced any such strikes, slowdowns, work stoppages, lockouts, arbitrations, grievances, unfair labor practice charges or complaints within the past three years, that, individually or in the aggregate, have had or would reasonably be expected to have a Company Material Adverse Effect. Each of the Company and its Subsidiaries is in compliance with all applicable Laws relating to labor, employment, termination of employment or similar matters and has not engaged in any unfair labor practices or similar prohibited practices except in each case for any instances of noncompliance that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

(h) Neither the Company nor any of the Subsidiaries is a party to or is bound by any labor or collective bargaining agreement, and, as of the date hereof and to the Knowledge of the Company, there is no organizational campaigns, petitions or other unionization activities seeking recognition of a collective bargaining unit with respect to, or otherwise attempting to represent, any of the employees of the Company or any of its Subsidiaries.

(i) Neither the execution and delivery of this Agreement nor the consummation of the Transactions will, either alone or in conjunction with any other event, (i) result in any payment becoming due, or increase the amount of any compensation due, to any current or former director, individual who is an independent contractor or employee of the Company or its Subsidiaries, (ii) increase the amount or value of any benefits or compensation otherwise payable under any Company Plan or (iii) result in the acceleration of the time of payment, vesting or funding of any such compensation or benefits. Neither the Company nor any of its Subsidiaries is a party to or is bound by any agreement that obligates the Company or any of its Subsidiaries to make a gross-up payment to any employee of the Company or any of its Subsidiaries for any tax imposed by Section 4999 of the Code.

(j) On or prior to the date hereof, the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") has (i) approved each Company Plan pursuant to which consideration is payable to any officer, director or employee (each, a "Company Compensation Arrangement") as an "employment compensation, severance or other employee benefit arrangement" within the meaning of Rule 14d-10(d)(2) under the Exchange Act (an "Employment Compensation Arrangement"), and (ii) taken all other action necessary to satisfy the requirements of the non exclusive safe harbor with respect to such Company

Compensation Arrangements in accordance with Rule 14d-10(d)(3) under the Exchange Act (the approvals and actions referred to in clauses (i) and (ii) above, the "Company Compensation Approvals"). The Company's Board of Directors has determined that each of the members of the Compensation Committee are, and the members of the Compensation Committee are, "independent directors" as defined in the listing standards of AMEX.

Section 4.12 Environmental Matters.

(a) Except for those matters that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect, (i) each of the Company and its Subsidiaries is and has been in compliance with all applicable Environmental Laws (as defined below), (ii) there is no notice of violation in writing, investigation, suit, claim, action or proceeding relating to or arising under Environmental Laws that is pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries or any real property currently or, to the Knowledge of the Company, formerly owned, operated or leased by the Company or any of its Subsidiaries, (iii) neither the Company nor any of its Subsidiaries has received any notice of, or entered into, any order, settlement, judgment, injunction or decree (or, to the Knowledge of the Company, has agreed to perform or entered into any contractual obligation with a reasonable likelihood of requiring a material payment) involving uncompleted, outstanding or unresolved obligations, liabilities or requirements relating to or arising under Environmental Laws and (iv) to the Knowledge of the Company, no Hazardous Materials have been released at, on, above, under or from any properties currently or formerly owned, leased or operated by the Company or any of its Subsidiaries, nor are there any conditions or circumstances at any properties currently or formerly owned, leased or operated by the Company that have or would reasonably be expected to give rise to material liability for the Company or any of its Subsidiaries under any Environmental Law. The Company and its Subsidiaries are in possession of all Environmental Permits required for the operation of their current business and are in compliance with all of the requirements and limitations included in such Environmental Permits other than Environmental Permits which the failure to possess would not, individually or in the aggregate, have a Company Material Adverse Effect.

(b) To the Knowledge of the Company, copies of all material environmental and health and safety reports or assessments or other material communications or documentation concerning environmental, health and safety matters in the Company's possession, as of the date hereof, relating to the Company and any of its Subsidiaries and any real property owned, operated or leased by the Company or any of its Subsidiaries, have been made available to Parent prior to the date hereof, to the extent any of the issues identified in any such reports, assessments or other communications or documentation would reasonably be expected to result in a material liability to the Company or any of its Subsidiaries.

(c) For purposes of this Agreement, "Environmental Laws" shall mean all applicable Laws relating to (i) the protection or remediation of the environment, including soil and subsurface soil, surface water, groundwater, drinking water, indoor and ambient air, and natural resources, (ii) human health and safety as affected by exposure to Hazardous Materials, or (iii) the presence, use, management, assessment, remediation, transportation, treatment, storage, disposal or recycling of any Hazardous Materials.

(d) For purposes of this Agreement, "Environmental Permit" shall mean all registrations, filings, permits, consents, licenses, certificates, variances and similar rights granted by or obtained from any Governmental Authority required under any Environmental Laws for the lawful operation of the Company's and its Subsidiaries' business as it was conducted immediately prior to the Closing Date.

(e) For purposes of this Agreement, "Hazardous Materials" shall mean any material, substance, or waste defined or regulated as hazardous, toxic, a pollutant, a contaminant or words of similar meaning, including without limitation, petroleum and petroleum byproducts and any fraction thereof, asbestos and asbestos containing material, mold of the concentrations and levels that would reasonably be likely to adversely affect human health, radon or polychlorinated biphenyls, in non-utility owned electrical equipment.

Section 4.13 Properties.

(a) Schedule 4.13(a) of the Company Disclosure Schedule contains a true and complete list of all real property owned by the Company or any of its Subsidiaries (the "Owned Real Property") and for each parcel of Owned Real Property, identifies the correct street address (including business unit, if applicable) of such Owned Real Property. Neither the Company nor any of its Subsidiaries has received any notice of any, and to the Knowledge of the Company there is no, default under any restrictive covenants, restrictions and conditions affecting the Owned Real Property and there has not occurred any event that with the lapse of time or the giving of notice or both would constitute such a default under any such restrictive covenants, restrictions or conditions, except as, individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on the Company's or any of its Subsidiaries' present use, enjoyment and marketability of each such parcel of the Owned Real Property.

(b) Schedule 4.13(b) of the Company Disclosure Schedule contains a true and complete list of all real property leased, subleased, licensed or otherwise used or occupied (whether as a tenant, subtenant or pursuant to other occupancy arrangements) by the Company or any of its Subsidiaries or which the Company or any of its Subsidiaries has the right to use or occupy (collectively, including the improvements thereon, the "Leased Real Property"), and for each Leased Real Property, identifies the correct street address (including business unit, if applicable) of such Leased Real Property. True and complete copies of all agreements (including all material written modifications, amendments, supplements, waivers and side letters thereto) under which the Company or any Subsidiary is the landlord, sublandlord, tenant, subtenant, or occupant (each a "Real Property Lease") that have not been terminated or expired as of the date of this Agreement have been made available to Parent prior to the date hereof.

(c) The Company and/or its Subsidiaries have good and marketable fee simple title to all Owned Real Property and valid leasehold estates in all Leased Real Property free and clear, in each case, of all Liens other than Permitted Liens, except as, individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on the Company's or any of its Subsidiaries' present use, enjoyment and marketability of each such parcel of Owned Real Property or Leased Real Property.

(d) Other than the Real Property Leases, none of the Owned Real Property or the Leased Real Property is subject to any lease, sublease, license or other agreement granting to any other Person any right to the use, occupancy or enjoyment of such Owned Real Property or Leased Real Property or any part thereof, except as, individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on the Company's or any of its Subsidiaries' present use, enjoyment and marketability of each such parcel of Owned Real Property or Leased Real Property.

(e) Each Real Property Lease is in full force and effect and constitutes the valid and legally binding obligation of the Company or its Subsidiaries, enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception), and there is no material default under any Real Property Lease either by the Company or its Subsidiaries party thereto or, to the Knowledge of the Company, by any other party thereto, except as, individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on the Company's or any of its Subsidiaries' leasehold interest in a parcel of Leased Real Property.

(f) There does not exist any violations of building codes or pending condemnation or eminent domain proceedings that affect any Owned Real Property or, to the Knowledge of the Company, any such proceedings that affect any Leased Real Property or, to the Knowledge of the Company, any threatened condemnation or eminent domain proceedings that affect any Owned Real Property or Leased Real Property, and neither the Company nor its Subsidiaries have received any written notice of the intention of any Governmental Authority or other Person to take or use any Owned Real Property or Leased Real Property, except as, individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on the Company's or any of its Subsidiaries' present use, enjoyment and marketability of each such parcel of Owned Real Property or Leased Real Property.

(g) The buildings and improvements on the Owned Real Property and the Leased Real Property are in good condition and in a state of good and working maintenance and repair, ordinary wear and tear excepted, except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect.

(h) The Company and each of its Subsidiaries are in possession of and have good title to, or have valid leasehold interests in, all tangible personal property used in the business of the Company and each of its Subsidiaries, respectively, and all such tangible personal property is owned by the Company or any of its Subsidiaries, free and clear of all Liens other than Permitted Liens, or is leased under a valid and subsisting lease, and in any case, is in good working order and condition, ordinary wear and tear excepted, except as, individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect.

Section 4.14 Opinion of Financial Advisor. The Company's Board of Directors has received the opinion of Houlihan, Lokey, Howard & Zurkin, Inc., dated the date of this Agreement, to the effect that, as of such date, and subject to the various assumptions and qualifications set forth therein, the consideration to be received in the Offer or the Merger by holders of the Company Common Stock is fair from a financial point of view to holders of such shares.

Section 4.15 Brokers and Other Advisors. Except for Houlihan, Lokey, Howard & Zurkin, Inc., the fees and expenses of which will be paid by the Company and a true and correct copy of whose engagement letter, including all amendments and modifications thereto, has been made available to Parent prior to the date hereof, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission, or the reimbursement of expenses (other than Fulbright & Jaworski L.L.P., counsel to the Company), in connection with the Transactions based upon arrangements made by or on behalf of the Company or any of its Subsidiaries.

Section 4.16 Takeover Statutes. The Company has taken all actions necessary for purposes of Article 13.03 of the TBCA to ensure that the restrictions of such provisions are not applicable to this Agreement, the Transactions or the Sale and Support Agreement. In making such representation, the Company has relied, in part, on the representations of Parent and Merger Sub in Section 5.8 of this Agreement. No "moratorium," "fair price," "control share acquisition," "affiliate transaction" or other similar anti-takeover statute or regulation under any applicable Law or any anti-takeover provision in the Company's articles of incorporation or bylaws is applicable to the Company, the Company Common Stock, this Agreement, the Transactions or the Sale and Support Agreement.

Section 4.17 Material Contracts. Schedule 4.17 of the Company Disclosure Schedule contains a true and complete list of all Contracts (other than purchase orders and invoices) to which the Company or any of its Subsidiaries is a party (a) which is a joint venture, partnership or other similar agreement involving co-investment with a third party; (b) under which the Company or any of its Subsidiaries has created, incurred, assumed or guaranteed indebtedness for borrowed money, or any capitalized lease obligation, or any agreement under which it has granted a Lien on any of its assets, tangible or intangible (but with a value in excess of $100,000), or any currency or interest rate swap, collar or hedge agreement; (c) whereby the Company or any of its Subsidiaries has an obligation to make an investment in or loan to any Person in excess of $100,000; (d) that contains a minimum purchase requirement for the Company and its Subsidiaries to purchase during the 12-month period immediately following, or pursuant to which the Company and its Subsidiaries have purchased during the 12-month period immediately preceding, the Balance Sheet Date, in the aggregate, a minimum of $100,000 of goods and/or services on an annual basis; (e) that contains a minimum supply commitment for the Company and its Subsidiaries to sell during the 12-month period immediately following, or pursuant to which the Company and its Subsidiaries have sold during the 12-month period immediately preceding, the Balance Sheet Date, in the aggregate, a minimum of $100,000 of goods and/or services on an annual basis; (f) that contains covenants restricting or limiting the ability of the Company, any of its Subsidiaries or any of their Affiliates (including, without limitation, Parent or any of its Affiliates from and after the consummation of the Offer or the Closing) to compete in any business or with any person or in any geographic area; (g) that contemplates any extraordinary transaction(s) by the Company or any of its Subsidiaries and/or shares of the Company held by its Affiliates, including

letters of intent, confidentiality, non-solicitation and other similar agreements or arrangements; (h) that contains any indemnification rights or obligations, or credit support relating to such indemnification rights or obligations, where the contingent rights or obligations reasonably would be expected to exceed $100,000; (i) to which any agency or department of the United States federal government is a counterparty; (j) for the lease of personal property to or from any Person providing for lease payments in excess of $100,000 per annum; (k) that involve the use of Intellectual Property by the Company and its Subsidiaries and which require annual license or royalty payments in excess of $100,000; or (l) with customers, manufacturers, distributors, dealers, manufacturer's representatives or sales agents with whom the Company deals which involve (or could reasonably be expected to involve) the receipt or payment, whether contingent or otherwise, by or to the Company of more than $100,000 in fiscal year 2007. The Company has made available to Parent prior to the date hereof a true and correct copy of each such Contract. Each Contract required to be so listed is valid and binding on the Company or its Subsidiary, as the case may be, and, to the Knowledge of the Company, on each counterparty and is in full force and effect, and neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any other party thereto, is in breach of, or default under, any such Contract, and no event has occurred that with notice or lapse of time or both would constitute such a breach or default thereunder by the Company or any of its Subsidiaries, or, to the Knowledge of the Company, any other party thereto, except for such failures to be valid, binding or in full force and effect and such breaches and defaults that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect.

Section 4.18 Intellectual Property Matters. Except for those matters which, individually and in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect, (a) (i) the Company and each of its Subsidiaries owns, or is licensed to use, and on the Closing Date shall own or be licensed to use, (in each case, free and clear of any Liens, other than Permitted Liens), all Intellectual Property (as defined below) used in or necessary for the conduct of its business as currently conducted by it and (ii) reasonable measures have been and continue to be taken to protect the proprietary nature of the Intellectual Property and to prevent disclosure and preserve secrecy of any trade secrets of the Company and its Subsidiaries; (b) (i) to the Knowledge of the Company, the issued patents, trademark registrations and copyright registrations for such Intellectual Property are valid and in full force and effect; (ii) there are no pending or, to the Knowledge of the Company, threatened actions or legal or administrative proceedings, including without limitation oppositions, cancellations, invalidity proceedings, interferences or re-examination proceedings, challenging the validity or ownership of such Intellectual Property by the Company or its Subsidiaries, or the right of the Company or its Subsidiaries to use such Intellectual Property; (iii) to the Knowledge of the Company, the use of any Intellectual Property by the Company and its Subsidiaries does not infringe on or otherwise violate the rights of any Person and is in accordance with any applicable license pursuant to which the Company or any of its Subsidiaries acquired the right to use any Intellectual Property; (iv) to the Knowledge of the Company, no Person is challenging or infringing upon or otherwise violating any Intellectual Property owned or licensed by the Company or its Subsidiaries; (v) neither the Company nor any of its Subsidiaries has received any written notice of any pending or threatened claim with respect to any Intellectual Property owned or licensed by the Company or its Subsidiaries and, to the Knowledge of the Company, no Intellectual Property owned or licensed by the Company or

its Subsidiaries is being used or enforced or is failing to be used or enforced in a manner that would result in the abandonment, cancellation or unenforceability of such Intellectual Property; (vi) there are no agreements with any Person or any outstanding judgments, injunctions, orders or decrees that limit the scope, ownership, registration or use of the Intellectual Property by the Company and its Subsidiaries; and (vii) to the Knowledge of the Company, no Person has any rights to any of the Intellectual Property owned by (and not licensed to) the Company or any of its Subsidiaries. For the purposes of this Agreement, "Intellectual Property" shall mean trademarks, service marks, brand names, certification marks, logos, domain names, trade dress and other indications of source or origin, the goodwill associated with the foregoing and the registrations in any jurisdiction of, and applications in any jurisdiction to register, the foregoing, including any extension, modification or renewal of any such registration or application; inventions, discoveries and ideas, whether patentable or not, in any jurisdiction; patents, applications for patents (including divisions, continuations, continued prosecution applications, continuations in part and renewal applications), and any renewals, extensions or reissues thereof, in any jurisdiction; know-how, technology, trade secrets and confidential information and rights in any jurisdiction to limit the use or disclosure thereof by any Person; writings and other works, whether copyrightable or not, in any jurisdiction, and registrations or applications for registration of copyrights in any jurisdictions, and any renewals or extensions thereof.

Section 4.19 Insurance. Schedule 4.19 of the Company Disclosure Schedule sets forth (i) a list of the material policies of insurance currently maintained by the Company or any of its Subsidiaries (including any material policies of insurance maintained for purposes of providing benefits such as workers' compensation and employers' liability coverage) and (ii) a list of all material claims currently pending (including with respect to insurance obtained but not currently maintained). Except for those matters that, individually and in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect, to the Knowledge of the Company, (i) all such policies are in full force and effect and cover the assets and risks of the Company and its Subsidiaries in a manner consistent with customary practices of companies engaged in businesses and operations similar to those of the Company and its Subsidiaries and (ii) all premiums due on such policies have been paid and no notice of cancellation or termination or intent to cancel has been received by the Company or any of its Subsidiaries with respect to such policies.

Section 4.20 Inventory. All inventory of the Company and its Subsidiaries consists of a quality and quantity usable and salable in the ordinary course of business consistent with past practice, subject to normal and customary reserves and allowances (including for spoilage, damage and outdated and excess items) in accordance with GAAP and consistent with past practice, which items have been written off or written down to fair market value or for which adequate reserves have been provided in the Company's audited financial statements as of and for the period ended February 28, 2007 (the "Financial Statements"). All inventories have been priced consistent with past practice or market. Except as disclosed in the notes to the Financial Statements, all items included in the inventory of the Company and its Subsidiaries are the property of the Company and its Subsidiaries, free and clear of any and all liens, mortgages, pledges, security interests, encumbrances, charges, have not been pledged as collateral, are not held by the Company and its Subsidiaries on consignment from others.

Section 4.21 Accounts Receivable. All accounts receivable of the Company reflected on the Financial Statements arose from bona fide sales transactions in the ordinary course of business. The Company has good title to all of its accounts receivable free and clear of any Liens.

Section 4.22 Ethical Practices. To the Knowledge of the Company, except as permitted under applicable Law, neither the Company nor any of its Subsidiaries has offered or given anything of value to any official of a Governmental Authority, any political party or official thereof, or any candidate for political office (i) with the intent of inducing such Person to use such Person's influence with any Governmental Authority to affect or influence any act or decision of such Governmental Authority to assist the Company or any of its Subsidiaries in obtaining or retaining business for, or with, or directing business to, any Person or (ii) constituting a bribe, kickback or illegal or improper payment to assist the Company or any of its Subsidiaries in obtaining or retaining business for or with any Governmental Authority.

Section 4.23 Related Party Transactions. Except to the extent disclosed in the Company SEC Documents, there are and have been no transactions, agreements, arrangements or understandings involving the Company or its Subsidiaries that would be required to be disclosed under Item 404 of Regulation S-K under the Securities Act.

Section 4.24 Customers and Suppliers. Schedule 4.24 of the Company Disclosure Schedule contains a true and complete list of the ten (10) largest customers and suppliers of each of the Company and its Subsidiaries, taken as a whole, during the fiscal year ended February 28, 2007. Since such date, no customer or supplier listed on Schedule 4.24 has notified the Company of its intent to decrease the amount of business that it does with the Company by more than twenty-five percent (25%).

Section 4.25 Standstill Agreements. Neither the Company nor any of its Subsidiaries has entered into, terminated, waived or amended any standstill agreement with any third party relating to an Alternative Proposal.

ARTICLE V

Representations and Warranties of Parent and Merger Sub

Parent and Merger Sub jointly and severally represent and warrant to the Company:

Section 5.1 Organization; Standing. Each of Parent and Merger Sub is a corporation duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization. Each of Parent and Merger Sub is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, prevent or materially delay or materially impair the ability of Parent or Merger Sub to consummate the Merger and the Transactions (a "Parent Material Adverse Effect").

Section 5.2 Authority; Noncontravention.

(a) Each of Parent and Merger Sub has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the Transactions. The execution, delivery and performance by Parent and Merger Sub of this Agreement, and the consummation by Parent of the Transactions, have been duly authorized and approved by the Board of Directors of each of Parent and Merger Sub, and by Parent, as sole shareholder of Merger Sub, and no other corporate action on the part of Parent or Merger Sub is necessary to authorize the execution, delivery and performance by Parent or Merger Sub of this Agreement and the consummation by it of the Transactions. This Agreement has been duly executed and delivered by Parent and Merger Sub and, assuming due authorization, execution and delivery hereof by the Company, constitutes a legal, valid and binding obligation of Parent and Merger Sub, enforceable against it in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(b) Neither the execution, delivery and performance of this Agreement by Parent and Merger Sub, nor the consummation by Parent or Merger Sub of the Transactions, nor compliance by Parent and Merger Sub with any of the terms or provisions hereof, will (i) conflict with or violate any provision of the certificate of incorporation or bylaws of Parent or Merger Sub or (ii) assuming that the authorizations, consents and approvals referred to in Section 5.3 are obtained and the filings referred to in Section 5.3 are made, (x) violate any Law, judgment, writ or injunction of any Governmental Authority applicable to Parent or any of its Subsidiaries or any of their respective assets, properties or rights, (y) violate or constitute a default (or an event which with notice or lapse of time or both would become a default) or give rise to any right of termination, cancellation, modification or acceleration under any of the terms, conditions or provisions of any Contract to which Parent, Merger Sub or any of their respective Subsidiaries is a party or (z) result in the creation of any Lien upon any of the assets, property or rights of the Parent or any of its Subsidiaries, except, in the case of clause (ii), for such violations, defaults, rights or Liens, as, individually or in the aggregate, would not reasonably be expected to impair in any material respect the ability of Parent or Merger Sub to perform its obligations hereunder or prevent or materially delay consummation of the Transactions.

Section 5.3 Governmental Approvals. Except for (i) filings required under, and compliance with other applicable requirements of, the Exchange Act and the rules of the NYSE and AMEX, (ii) the filing of the Articles of Merger with the Secretary of State of the State of Texas pursuant to the TBCA and TBOC and (iii) filings required under, and compliance with other applicable requirements of, the HSR Act and any other applicable Antitrust Law, no consents or approvals of, or filings, declarations or registrations with, any Governmental Authority are necessary for the consummation by Parent and Merger Sub of the Transactions, other than such other consents, approvals, filings, declarations or registrations that, if not obtained, made or given, would not reasonably be expected to impair in any material respect the ability of Parent or Merger Sub to perform its obligations hereunder or prevent or materially delay consummation of the Transactions.

Section 5.4 Information Supplied.

(a) The information with respect to Parent and any of its Subsidiaries that Parent furnishes to the Company in writing specifically for use in any Company Disclosure Document will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (i) in the case of any Company Disclosure Document required to be mailed to shareholders of the Company, as supplemented or amended, if applicable, at the time such Company Disclosure Documents or any amendment or supplement thereto is first mailed to shareholders of the Company and at the time such shareholders vote on adoption of this Agreement, and (ii) in the case of any Company Disclosure Document, at the time of the filing of such Company Disclosure Document or any supplement or amendment thereto and at the time of any distribution or dissemination thereof and at the consummation of the Offer.

(b) The Schedule TO, when filed, and the Offer Documents, when distributed or disseminated, will comply as to form and substance in all material respects with the applicable requirements of the Exchange Act and, at the time of such filing, at the time of such distribution or dissemination and at the time of consummation of the Offer, will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; *provided* that this representation and warranty will not apply to statements or omissions included in the Schedule TO and the Offer Documents based upon information furnished to Parent or Merger Sub in writing by the Company specifically for use therein.

Section 5.5 Ownership and Operations of Merger Sub. As of the Effective Time, Parent will own beneficially and of record all of the outstanding capital stock of Merger Sub. Merger Sub was formed solely for the purpose of engaging in the Transactions, will engage in no other business activities and will conduct its operations only as contemplated hereby.

Section 5.6 Financing. Parent and Merger Sub reasonably believe that they collectively will have at the expiration of the Offer cash and cash equivalents that are sufficient to purchase the shares of Company Common Stock outstanding at the Offer Price pursuant to the Offer.

Section 5.7 Brokers and Other Advisors. No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Parent or any of its Subsidiaries.

Section 5.8 No Ownership of Company Common Stock. As of the date hereof, neither Parent nor Merger Sub owns any shares of Company Common Stock.

ARTICLE VI

Additional Covenants and Agreements

Section 6.1 Company Disclosure Documents; Shareholders Meeting; Short-Form Merger.

(a) If Company Shareholder Approval is required under the TBCA in order to consummate the Merger other than pursuant to Section 5.16 of the TBCA, then, in accordance with applicable Law and the Company Charter Documents, the Company shall establish a record date (which will be as promptly as reasonably practicable following the consummation of the Offer) for, duly call, give notice of, convene and hold a meeting of its shareholders (the "Company Shareholder Meeting") as promptly as practicable after the consummation of the Offer, for the purpose of voting on the matters requiring the Shareholder Approval; *provided* that (i) if the Company is unable to obtain a quorum of its shareholders at such time, the Company may extend the date of the Shareholder Meeting by no more than five business days and the Company shall use its reasonable best efforts during such five-business day period to obtain such a quorum as soon as practicable, and (ii) the Company may delay the Shareholder Meeting to the extent (and only to the extent) the Company reasonably determines that such delay is required by applicable Law or the Company Charter Documents. Subject to Section 6.3, the Company's Board of Directors shall recommend unanimously that the shareholders of the Company grant the Shareholder Approval and use its reasonable best efforts to obtain the Shareholder Approval, and the Company shall otherwise comply with all applicable Laws applicable to the Shareholder Meeting.

(b) If the Shareholder Approval is required under the TBCA or TBOC in order to consummate the Merger other than pursuant to Section 5.16 of the TBCA, then, in accordance with applicable Law and the Company's Charter Documents, as promptly as practicable after the consummation of the Offer, the Company and Parent shall prepare jointly and the Company shall file with the SEC the applicable Company Disclosure Documents and as soon as practicable thereafter use its reasonable best efforts to mail to its shareholders such Company Disclosure Documents and all other proxy materials for such meeting, and if necessary in order to comply with applicable securities laws, after the Company Disclosure Documents shall have been so mailed, as promptly as practicable circulate amended, supplemental or supplemented proxy material, and, if required in connection therewith, resolicit proxies. Subject to Section 6.3, the Company Disclosure Documents shall contain the unanimous recommendation of the Company's Board of Directors to the shareholders of the Company to grant the Company Shareholder Approval. The Company and Parent, as the case may be, shall furnish all information concerning the Company or Parent as the other party hereto may reasonably request in connection with the preparation and filing with the SEC of the Company Disclosure Documents. Parent and its counsel shall be given a reasonable opportunity to review and comment on the Company Disclosure Documents before such document (or any amendment or supplement thereto) is filed with the SEC, and the Company shall give reasonable and good faith consideration to any comments reasonably proposed by Parent and its counsel. The Company shall (i) as promptly as practicable after the receipt thereof, provide Parent and its counsel with copies of any written comments, and advise Parent and its counsel of any oral comments, with respect to the Company Disclosure Documents (or any amendment or supplement thereto) received from the SEC or its staff, (ii) provide Parent

and its counsel a reasonable opportunity to review the Company's proposed response to such comments, (iii) give reasonable and good faith consideration to any comments reasonably proposed by Parent and its counsel, and (iv) provide Parent and its counsel a reasonable opportunity to participate in any discussions or meetings with the SEC.

(c) Notwithstanding any provision of this Agreement to the contrary, if Parent, Merger Sub or any other Subsidiary of Parent shall acquire at least 90% of the outstanding Company Common Stock pursuant to the Offer, through exercise of the 90% Top Up Option or otherwise, the parties hereto shall take all necessary and appropriate action to cause the Merger to be effective as soon as practicable after such acquisition without a meeting of shareholders of the Company, in accordance with Section 5.16 of the TBCA.

Section 6.2 Conduct of Business.

(a) Except as contemplated by this Agreement, or Schedule 6.2(a) of the Company Disclosure Schedule, or required by applicable Law, during the period from the date of this Agreement until the Effective Time, unless Parent otherwise consents (which consent shall not be unreasonably withheld or delayed), the Company shall, and shall cause its Subsidiaries to, conduct its business in all material respects in the ordinary course consistent with past practice and use commercially reasonable efforts consistent with past practice to preserve intact its present business organizations, keep available the services of its present executive officers and key employees and preserve its relationships with Persons having significant business dealings with it and take no action which would adversely affect or delay in any material respect the ability of either Parent or the Company to obtain any necessary approvals of any Governmental Authority required for the Transactions.

(b) Neither the Company nor its Subsidiaries shall, unless Parent otherwise consents (which consent shall not be unreasonably withheld or delayed):

(i)(A) issue, sell or grant any shares of its capital stock, or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for any shares of its capital stock, or any rights, warrants or options to purchase any shares of its capital stock, or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for, any shares of its capital stock; (B) redeem, purchase or otherwise acquire any of its outstanding shares of capital stock, or any rights, warrants or options to acquire any shares of its capital stock, except pursuant to commitments in effect as of the date hereof; (C) declare, set aside for payment or pay any dividend on, or make any other distribution in respect of, any shares of its capital stock; or (D) adjust, split, combine, subdivide or reclassify any shares of its capital stock or otherwise amend the terms of its capital stock;

(ii) incur any indebtedness for borrowed money or guarantee any such indebtedness, other than changes in indebtedness under the Company's existing revolving credit agreement incurred in the ordinary course of business;

(iii) sell, lease, dispose of or grant, create or incur any Lien on (x) any Owned Real Property or Leased Real Property or (y) any of its properties or assets with a fair market value in excess of $100,000 in the aggregate, except (A) sales, leases, rentals and licenses of inventory in the ordinary course of business consistent with past practice or (B) transfers among the Company and its wholly owned Subsidiaries;

(iv) except with respect to leases or acquisitions of real property, which are intended to be covered in Section 6.2(b)(xi) below (it being understood that any business combination transaction with another Person, even if such transaction includes the acquisition of the real property of such Person, shall be covered by this clause (iv) and not by clause (xi)), make any acquisition (including by merger) of another Person or business, including capital stock, or purchase or lease (except for purchases of inventory in the ordinary course of business consistent with past practice) the assets or properties, of any other Person, in each case for consideration that, when taken together with the consideration in all other such transactions not prohibited by this clause (iv), is not in excess of $250,000 in the aggregate;

(v)(A) amend or terminate any Company Plan, fail to make any required contribution to any Company Plan or establish, adopt or enter into any plan, agreement or policy that would be a Company Plan if it were in existence on the date of this Agreement or (B) increase the compensation or other benefits payable or to become payable to any of its current or former directors, officers, or employees, other than (i) as required pursuant to applicable Law or the terms of Contracts in effect on the date of this Agreement and (ii) increases in salaries, wages and benefits of employees other than the Company Senior Executives made in the ordinary course of business consistent with past practice;

(vi) make any changes in financial or Tax accounting methods, principles or practices (or change an annual accounting period), except insofar as may be required by a change in GAAP or applicable Law;

(vii) amend the Company Charter Documents;

(viii) amend in a material way or waive any material rights under or enter into a Contract that would be required to be listed in the Company Disclosure Schedules if the value at issue in any such amendment, waiver or entrance (or any group of related amendments, waivers or entrances) exceeds $100,000;

(ix) enter into any transaction that would be required to be reported pursuant to Item 404 of Regulation S-K in a future SEC report;

(x) forgive or make any loans, advances or capital contributions to, or investments in, any other Person, other than (A) loans or advances in immaterial amounts in the ordinary course of business consistent with past practice or (B) to wholly owned Subsidiaries of the Company;

(xi) except for renewals of existing leases, make any lease or acquisition of real property or any commitment for any other capital expenditure in excess of $250,000 in the aggregate (it being understood that (A) the total present value of all future lease payments shall be taken into account for purposes of determining whether the $250,000 basket has been filled and (B) leases, acquisitions and commitments that would be covered by clause (iv) shall not be included in the $250,000 basket in this clause (xi));

(xii) enter into, amend, or extend any collective bargaining or other labor agreement;

(xiii) settle or agree to settle any material suit, action, claim, proceeding or investigation (including any suit, action, claim, proceeding or investigation relating to this Agreement or the Transactions) or pay, discharge or satisfy or agree to pay, discharge or satisfy any material claim, liability or obligation (absolute or accrued, asserted or unasserted, contingent or otherwise) other than the payment, discharge or satisfaction of liabilities reflected or reserved against in full in the Financial Statements or incurred in the ordinary course of business consistent with past practice subsequent to February 28, 2007;

(xiv) adopt a plan or agreement of complete or partial liquidation or dissolution;

(xv) unless requested or directed by a Governmental Authority, convene any regular or special meeting (or any adjournment thereof) of the Shareholders of the Company other than the Company Shareholders Meeting; and

(xvi) agree to take any of the foregoing actions.

(c) The Company and Parent agree that, during the period from the date of this Agreement until the Effective Time, the Company and Parent shall not, and shall not permit any of their respective Subsidiaries to, take, or agree or commit to take, any action that could reasonably be expected to (i) impose any material delay in the obtaining of, or significantly increase the risk of not obtaining, any authorizations, consents, orders, declarations or approvals of any Governmental Authority necessary to consummate the Transactions or the expiration or termination of any applicable waiting period, (ii) significantly increase the risk of any Governmental Authority entering an order or Restraint prohibiting or impeding the consummation of the Transactions or (iii) otherwise materially delay the consummation of the Transactions (each, a "Delay"). Without limiting the generality of the foregoing, Parent agrees that, during the period from the date of this Agreement until the Effective Time, Parent shall not, and shall not permit any of its Subsidiaries to, acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of or equity in, or by any other manner, any Person or portion thereof, or otherwise acquire or agree to acquire any assets or rights, if the entering into of a definitive agreement relating to or the consummation of such acquisition, merger or consolidation would reasonably be expected to result in a Delay.

Section 6.3 No Solicitation.

(a) The Company shall, and shall cause its Subsidiaries and its and its Subsidiaries' respective directors, officers and employees and each investment banker, financial advisor, attorney, accountant and each other advisor, agent or representative retained by or acting at the direction of the Company or any of its Subsidiaries in connection with the Transactions (collectively, "Representatives") to, (i) cease any discussions or negotiations with any Person with respect to an Alternative Proposal or that would reasonably be expected to lead to an Alternative Proposal, (ii) request the prompt return or destruction of any confidential information or evaluation material previously provided or furnished to any such Person and (iii) not terminate, waive, amend, modify or fail to enforce any provision of any standstill or confidentiality agreement to which it or any of its Subsidiaries is a party. The Company shall not, and shall cause its Subsidiaries and its and their Representatives not to, directly or indirectly (i) solicit, initiate, knowingly facilitate or otherwise knowingly encourage any Alternative Proposal or any inquiry that constitutes or would reasonably be likely to lead to an Alternative Proposal or (ii) other than to inform such third party of the provisions of this Section 6.3, participate in any discussions or negotiations regarding any Alternative Proposal or any inquiry that constitutes or would reasonably be likely to lead to an Alternative Proposal, furnish to any Person any information or data with respect to, or otherwise cooperate with or take any action to knowingly facilitate any proposal that constitutes or would reasonably be expected to lead to any Alternative Proposal, or requires the Company to abandon, terminate or fail to consummate the Transactions or (iii) enter into any letter of intent, memorandum of understanding, merger agreement or other agreement or understanding relating to, or that would reasonably be expected to lead to, any Alternative Proposal. Notwithstanding the foregoing, prior to the acceptance for payment of shares of Company Common Stock in the Offer, if the Company's Board of Directors determines, after consultation with outside counsel, in good faith by resolution duly adopted that an unsolicited written Alternative Proposal received after the date hereof other than in breach of this Section 6.3 constitutes or is reasonably likely to constitute a Superior Proposal and that it is reasonably necessary to take such action to comply with its fiduciary duties to the shareholders of the Company under applicable Law, then the Company, after giving Parent prompt written notice of such determination (and in any event no later than 24 hours after such determination), may (A) furnish any information with respect to the Company and its Subsidiaries to the Person (and its Representatives) making such Alternative Proposal pursuant to a confidentiality agreement not less restrictive of such Person than the Confidentiality Agreement, provided, that all such information provided or furnished to such Person has been provided or furnished previously to Parent or is provided or furnished to Parent concurrently with it being provided or furnished to such Person and (B) participate in discussions and negotiations with such Person (and its Representatives) regarding an Alternative Proposal. The Company agrees that any violation of this Section 6.3(a) by any Representative of the Company or any of its Subsidiaries shall be deemed a breach of this Section 6.3(a) by the Company.

(b) In the event the Company receives an Alternative Proposal or request for information or inquiry that relates to or would be reasonably likely to lead to an Alternative Proposal, the Company shall promptly (within 24 hours) provide Parent with a copy (if in writing) and summary of the material terms and conditions of such Alternative Proposal, request or inquiry and the identity of the Person (and its equity investors, if known by the Company) making such Alternative Proposal, request or inquiry, and shall keep

Parent reasonably informed of the status of any financial or other material modifications to such Alternative Proposal, request or inquiry, including by conveying a copy of all such modifications that are in writing, promptly (within 24 hours) of any of the Company's officers', directors' or financial advisors' receipt thereof.

(c) Except as expressly permitted by this Section 6.3(c), the Company's Board of Directors or any committee thereof shall not and shall not publicly propose to (i)(A) withdraw or modify, in a manner adverse to Parent, the Company Board Recommendation, (B) recommend to the shareholders of the Company, or approve or adopt, an Alternative Proposal or (C) in the event that any Alternative Proposal is publicly announced or any Person commences a tender offer or exchange offer for any outstanding shares of Company Common Stock, fail to issue a press release that reaffirms the Company Board Recommendation and, in the case of a tender offer or exchange offer, recommend against acceptance of such tender offer or exchange offer by the Company shareholders, in each case within 10 business days of such announcement or commencement (for the avoidance of doubt, the taking of no position by the Company's Board of Directors in respect of the acceptance of any tender offer or exchange offer by its shareholders shall constitute a failure to recommend against any such offer) (any action, publicly proposed action or inaction described in this clause (i) being referred to as a "Company Adverse Recommendation Change") or (ii) enter into, approve or authorize the Company or any of its Subsidiaries to enter into any letter of intent, memorandum of understanding, or any merger, acquisition, option, joint venture, partnership or similar agreement with respect to any Alternative Proposal (other than a confidentiality agreement, subject to the requirements set forth in Section 6.3(a)) (each, a "Company Acquisition Agreement"). Notwithstanding the foregoing, prior to the acceptance for payment of shares of Company Common Stock in the Offer (x) the Company's Board of Directors may, subject to compliance with this Section 6.3, withdraw or modify the Company Board Recommendation if the Company's Board of Directors determines (after receiving the advice of its outside counsel) in good faith by resolution duly adopted that it is reasonably necessary to do so to comply with its fiduciary duties to the shareholders of the Company under applicable Law and (y) if the Company's Board of Directors receives an Alternative Proposal that the Company's Board of Directors determines, in good faith by resolution duly adopted, constitutes a Superior Proposal, the Company or its Subsidiaries may, subject to compliance with this Section 6.3, enter into a definitive Company Acquisition Agreement with respect to such Superior Proposal and concurrently with entering into such Company Acquisition Agreement terminates this Agreement pursuant to Section 8.1(d). If the Company desires to enter into such a Company Acquisition Agreement with respect to an Alternative Proposal or to make a Company Adverse Recommendation Change, it shall give Parent written notice (a "Company Adverse Recommendation Notice") containing a description of the material terms of such Alternative Proposal or any other basis for a Company Adverse Recommendation Change, the most current version of any Company Acquisition Agreement relating to the Superior Proposal, if any, any other information required by Section 6.3(b) and, if applicable, advising Parent that the Company's Board of Directors has determined that such Alternative Proposal is a Superior Proposal and that the Company's Board of Directors intends to enter into a Company Acquisition Agreement with respect to such Superior Proposal. The Company may make a Company Adverse Recommendation Change or terminate this Agreement pursuant to Section 8.1(d) only (i) if at least five business days have passed since the date of the Company Adverse Recommendation Notice and

(ii) if after taking into account any revised proposal that may be made by Parent since receipt of the Company Adverse Recommendation Notice, the Company's Board of Directors shall have not changed its determination that such Alternative Proposal is a Superior Proposal (it being understood that any amendment to the financial terms or other material terms of such Superior Proposal shall require a new Company Adverse Recommendation Notice and a new five business day period).

(d) For purposes of this Agreement:

"Alternative Proposal" means any inquiry, proposal or offer, whether or not conditional, from any Person (other than Parent and its Subsidiaries) relating to any direct or indirect (A) acquisition of assets of the Company and its Subsidiaries (including securities of Subsidiaries, but excluding sales of assets in the ordinary course of business in compliance with this Agreement) equal to 15% or more of the Company's consolidated assets or to which 15% or more of the Company's revenues or earnings on a consolidated basis are attributable, (B) acquisition of 15% or more of the outstanding Company Common Stock, voting power of the Company or any class of equity securities of the Company, (C) tender offer or exchange offer that if consummated would result in any Person beneficially owning 15% or more of the outstanding Company Common Stock, (D) merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company, (E) acquisition by the Company or any of its Subsidiaries of any third party in any of the foregoing types of transactions in which the shareholders of such third party immediately prior to the consummation of such transaction will own more than 15% of the outstanding Company Common Stock immediately following such transaction, or (F) without limiting any of the foregoing, any of the foregoing types of transactions involving the acquisition of greater than 49% of the voting equity interests in any Subsidiary or Subsidiaries of the Company with assets, revenue or earnings representing 15% or more of the consolidated assets, revenue or earnings of the Company on a consolidated basis.

"Superior Proposal" means a bona fide written proposal or offer to acquire, directly or indirectly, for consideration consisting of cash and/or publicly listed and traded securities, more than two-thirds of the equity securities of the Company or all or substantially all of the assets of the Company and its Subsidiaries on a consolidated basis, made by a third party, and which is otherwise on terms and conditions which the Company's Board of Directors determines in its good faith and reasonable judgment and by resolution duly adopted (after consultation with a financial advisor of national reputation and in light of all relevant circumstances, including all the terms and conditions of such proposal and this Agreement and the timing and certainty of consummation) to be more favorable to the Company's shareholders than the terms set forth in this Agreement or the terms of any other proposal made by Parent after Parent's receipt of a Company Adverse Recommendation Notice, and which the Company's Board of Directors determines in good faith is reasonably capable of being consummated on the terms so proposed and determines (after receiving the advice of its outside counsel) in good faith by resolution duly adopted that it is reasonably necessary to withdraw or modify the Company Board Recommendation in order to comply with its fiduciary duties to the shareholders of the Company under applicable Law, taking into account such matters as the Company's Board of Directors deems relevant to its decision, including but not limited to, any financing and approval requirements, timing of such consummation and all financial, regulatory, legal and other aspects of such proposal.

(e) Nothing in this Section 6.3 shall prohibit the Company or the Company's Board of Directors from taking and disclosing to the Company's shareholders a position contemplated by Rule 14e-2(a), Rule 14d-9 or Item 1012(a) of Regulation M-A promulgated under the Exchange Act, or other applicable Law, if the Company's Board of Directors determines, after consultation with outside counsel, that there is a reasonable likelihood failure to so disclose such position would constitute a violation of applicable Law. In addition, it is understood and agreed that, for purposes of this Agreement (including Article VIII), (i) a factually accurate public statement by the Company that merely describes the Company's receipt of an Alternative Proposal and the operation of this Agreement with respect thereto shall not be deemed a withdrawal or modification, or proposal by the Company's Board of Directors to withdraw or modify, the Company's Board of Directors' recommendation of this Agreement or the Transactions, or an approval or recommendation with respect to such Alternative Proposal and (ii) any "stop, look and listen" communication by the Company's Board of Directors to the shareholders of the Company pursuant to Rule 14d-9(f) of the Exchange Act or any similar communication to the shareholders shall not constitute a Company Adverse Recommendation Change provided that, in no event will the Company, the Company's Board of Directors or any committee thereof (A) recommend that the shareholders of the Company tender their shares in connection with any such tender or exchange offer (or otherwise approve or recommend any Alternative Proposal) or (B) withdraw or modify the Company Board Recommendation, in each case other than in accordance with Section 6.3(c).

Section 6.4 Reasonable Best Efforts.

(a) Subject to the terms and conditions of this Agreement, each of the parties hereto shall cooperate with the other parties and use (and shall cause their respective Subsidiaries to use) their respective reasonable best efforts to (i) take, or cause to be taken, all actions, and do, or cause to be done, all things, necessary, proper or advisable to cause the conditions to Closing to be satisfied as promptly as practicable and to consummate and make effective, in the most expeditious manner practicable, the Transactions, including using its reasonable efforts to prepare and file promptly and fully all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents (including any required or recommended filings under applicable Antitrust Laws) and (ii) obtain all approvals, consents, registrations, permits, authorizations and other confirmations from any Governmental Authority or third party necessary, proper or advisable to consummate the Transactions. For purposes hereof, "Antitrust Laws" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other applicable Laws issued by a foreign, United States or federal Governmental Authority that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

For purposes of this Agreement, the "reasonable best efforts" of Parent or Merger Sub shall not include acceptance by Parent or Merger Sub of any or all divestitures of any subsidiary or assets of Parent or Merger Sub or any of their Affiliates or acceptance of an agreement to hold any assets of the business of the Company and its Subsidiaries separate in any lawsuit or other legal proceeding,

whether judicial or administrative and whether required by the FTC, the Antitrust Division or any other applicable U.S. or foreign Governmental Authority in connection with the transactions contemplated by this Agreement or any other agreement contemplated hereby to the extent such action would reasonably be expected to deprive Parent or Merger Sub of a material benefit or benefits of the Transactions.

(b) In furtherance and not in limitation of the foregoing, (i) each party hereto agrees use its reasonable best efforts to make an appropriate filing of a Notification and Report Form pursuant to the HSR Act with respect to the Transactions as promptly as practicable and in any event within ten business days of the date hereof and to supply as promptly as practicable any additional information and documentary material that may be requested pursuant to the HSR Act and use its reasonable best efforts to take, or cause to be taken, all other actions consistent with this Section 6.4 necessary to cause the expiration or termination of the applicable waiting periods under the HSR Act (including any extensions thereof) as soon as practicable and (ii) the Company and Parent shall each use its reasonable best efforts to (x) take all action necessary to ensure that no state takeover, "moratorium," "fair price," "affiliate transaction" or similar statute or regulation under any applicable Law is or becomes applicable to any of the Transactions and (y) if any state takeover, "moratorium," "fair price," "affiliate transaction" or similar statute or regulation under any applicable Law becomes applicable to any of the Transactions, take all action necessary to ensure that the Transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise minimize the effect of such Law on the Transactions.

(c) Each of the parties hereto shall use its reasonable best efforts to (i) cooperate in all respects with each other in connection with any filing or submission with a Governmental Authority in connection with the Transactions and in connection with any investigation or other inquiry by or before a Governmental Authority relating to the Transactions, including any proceeding initiated by a private party and (ii) keep the other party informed in all material respects and on a reasonably timely basis of any material communication received by such party from, or given by such party to, the Federal Trade Commission, the Antitrust Division of the Department of Justice or any other Governmental Authority and of any material communication received or given in connection with any proceeding by a private party, in each case regarding any of the Transactions. Subject to applicable Laws relating to the exchange of information, each of the parties hereto shall have the right to review in advance, and to the extent practicable each will consult the other on, all the information relating to the other parties and their respective Subsidiaries, as the case may be, that appears in any filing made with, or written materials submitted to, any third party and/or any Governmental Authority in connection with the Transactions. Each party shall have the right to attend conferences and meetings between the other party and regulators concerning the Transactions, unless objection is raised by the Governmental Authority. Notwithstanding anything in this Agreement to the contrary, nothing in the Agreement shall require Parent or Merger Sub to provide to the Company any or any access to non-public information about Parent and its Affiliates.

(d) In furtherance and not in limitation of the covenants of the parties contained in this Section 6.4, each of the parties hereto shall use its reasonable best efforts to resolve such objections, if any, as may be asserted by a Governmental Authority or other Person with respect to the Transactions. Without limiting any other provision hereof, Parent and the Company shall each use its reasonable best efforts to (i) avoid the entry of, or to have vacated or terminated, any decree, order or judgment that would restrain, prevent or delay the consummation of the Transactions, on or before the Walk-Away Date, including by defending through litigation on the merits any claim asserted in any court by any Person, and (ii) avoid or eliminate each and every impediment under any Antitrust Law that may be asserted by any Governmental Authority with respect to the Transactions so as to enable the consummation of the Transactions to occur as soon as reasonably possible (and in any event no later than the Walk-Away Date).

Section 6.5 Public Announcements. The initial press release with respect to the execution of this Agreement shall be a joint press release to be reasonably agreed upon by Parent and the Company. Thereafter, neither the Company nor Parent shall issue or cause the publication of any press release or other public announcement (to the extent not previously issued or made in accordance with this Agreement) with respect to the Merger, this Agreement or the other Transactions without the prior consent of the other party (which consent shall not be unreasonably withheld or delayed), except (i) as may be required by Law or by any applicable listing agreement with a national securities exchange or Nasdaq as determined in the good faith judgment of the party proposing to make such release (in which case such party shall not issue or cause the publication of such press release or other public announcement without prior consultation with the other party) and (ii) each of Parent and the Company may make any public statement in response to specific questions by the press, analysts, investors or those attending industry conferences or financial analyst conference calls, so long as such statements are substantially similar to previous press releases, public disclosures or public statements made jointly by Parent and the Company (or individually, if approved by the other party).

Section 6.6 Access to Information; Confidentiality. Subject to applicable Laws relating to the exchange of information, the Company shall (i) afford to Parent and Parent's Representatives reasonable access during normal business hours to the Company's properties, books, Contracts, records (including Tax Returns) and employees (subject to reasonable procedures), (ii) use reasonable best efforts to cause the Company's consultants and independent public accountants to provide access to their work papers and such other information as Parent may reasonably request and (iii) furnish promptly to Parent (A) a copy of each report, schedule and other document filed by it pursuant to the requirements of Federal or state securities Laws, (B) each written update provided to the Company's Board of Directors on the financial performance and projections for the Company or any of its Subsidiaries and (C) other information concerning its business and properties as Parent may reasonably request; provided, however, that the Company shall not be obligated to provide such access or information if the Company determines, in its reasonable judgment, that doing so would violate applicable Law or a Contract or obligation of confidentiality owing to a third-party or jeopardize the protection of an attorney-client privilege. The Company shall use reasonable best efforts to obtain waivers of any of the foregoing confidentiality obligations and the Company and Parent shall use reasonable best efforts to enter into appropriate joint defense agreements to preserve attorney-client privilege. Until the Effective Time, the information provided will be subject to the terms of the Confidentiality Agreement.

Section 6.7 Notification of Certain Matters. The Company shall give prompt notice to Parent, and Parent shall give prompt notice to the Company, of (i) any notice or other communication received by such party from any Governmental Authority in connection with the Transactions or from any Person alleging that the consent of such Person is or may be required in connection with the Transactions, (ii) any actions, suits, claims, investigations or proceedings commenced or, to such party's knowledge, threatened against, relating to or involving or otherwise affecting such party or any of its Subsidiaries which relate to the Transactions, or (iii) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which is likely (A) to cause any representation or warranty of such party contained in this Agreement to be untrue or inaccurate in any material respect if made as of any time at or prior to the Effective Time or (B) to result in any material failure of such party to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.7 shall not limit or otherwise affect the remedies or conditions to Closing available hereunder to the party receiving such notice.

Section 6.8 Insurance. At the Company's election in consultation with Parent, (i) the Company shall obtain prior to the Effective Time "tail" insurance policies with a claims period of at least six years from the Effective Time with respect to directors' and officers' liability insurance in amount and scope at least as favorable as the Company's existing policies for claims arising from facts or events that occurred on or prior to the Effective Time or (ii) if the Company shall not have obtained such tail policy, the Surviving Corporation shall maintain in effect for six years from the Effective Time the Company's current directors' and officers' liability insurance covering acts or omissions occurring at or prior to the Effective Time with respect to those persons who are currently (and any additional persons who prior to the Effective Time become) covered by the Company's directors' and officers' liability insurance policy on terms with respect to such coverage, and in amount, not less favorable to such individuals than those of such policy in effect on the date hereof (or Parent may cause the Surviving Corporation to substitute therefor policies, issued by reputable insurers, of at least the same coverage with respect to matters occurring prior to the Effective Time); provided, however, that, if the aggregate annual premiums for such insurance shall exceed 150% of the current aggregate annual premium, then Parent shall provide or cause to be provided a policy for the applicable individuals with the best coverage as shall then be available at an annual premium equal to 150% of the current aggregate annual premium.

Section 6.9 Fees and Expenses. All fees and expenses incurred in connection with this Agreement and the Transactions shall be paid by the party incurring such fees or expenses, whether or not the Transactions are consummated, except as otherwise provided in Sections 6.13 and 8.3.

Section 6.10 Rule 16b-3. Prior to the Effective Time, the Company shall take such steps as may be reasonably requested by any party hereto to cause dispositions of Company equity securities (including derivative securities) pursuant to the Transactions by or in respect of each individual who is a director or officer of the Company to be exempt under Rule 16b-3 promulgated under the Exchange Act, including any such actions specified in that certain No-Action Letter dated January 12, 1999 issued by the SEC regarding such matters.

Section 6.11 401(k) Plan.

Effective no later than immediately prior to the Effective Time, the Company shall terminate or cause to be terminated any Company Plan intended to include an arrangement under Section 401(k) of the Code (each, a "Company 401(k) Plan") unless Parent provides written notice to the Company that any such Company 401(k) Plan shall not be terminated. Unless Parent provides such written notice to the Company, no later than three business days prior to the Closing Date, the Company shall provide Parent with evidence that such Company 401(k) Plan(s) have been terminated (effective no later than immediately prior to the Effective Time) pursuant to resolutions of the Company's Board of Directors or one of its Subsidiaries, as the case may be. The Company also shall take such other actions in furtherance of terminating such Company 401(k) Plan(s) as Parent may reasonably require.

Section 6.12 Delisting. Parent shall cause the Company's securities to be de-listed from the AMEX and de-registered under the Exchange Act as soon as practicable following the Effective Time.

Section 6.13 Cooperation.

(a) The Company shall cooperate with Parent with respect to any request by Parent to obtain consents to (i) this Agreement and the Transactions from landlords and other nongovernmental counterparties to agreements with the Company and its Subsidiaries, (ii) the prepayment of amounts owing to such parties (including the provision of customary pay-off letters) or (iii) the amendment of covenants under such agreements.

(b) The Company shall cooperate with Parent, upon Parent's request, with respect to and in any negotiations regarding contracts, including distribution agreements with suppliers, entered into or to be entered into by Company prior to consummation of the Merger.

(c) The Company and Parent shall cooperate with one another (i) in connection with the preparation of the Company Disclosure Documents and the Offer Documents, (ii) in determining whether any action by or in respect of, or filing with, any Governmental Authority is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any material contracts, in connection with the consummation of the transactions contemplated by this Agreement, and (iii) in taking such actions or making any such filings, furnishing information required in connection therewith or with the Company Disclosure Documents or the Offer Documents and seeking timely to obtain any such actions, consents, approvals or waivers.

Section 6.14 FIRPTA Certificate. The Company shall deliver to Parent (a) a certification dated not more than 30 days prior to the date of the consummation of the Offer and (b) to the extent necessary in light of the certification delivered pursuant to clause (a), an additional certification dated not more than 30 days prior to the Effective Time, in each case signed by the Company and to the effect that the shares of Company Common Stock are not "United States real property interests" within the meaning of Section 897 of the Code.

Section 6.15 Company Compensation Arrangements. Prior to the scheduled expiration of the Offer (as it may be extended hereunder), the Company (acting through its Compensation Committee) will take all such steps as may be required to cause each Company Compensation Arrangement entered into by the Company or any of its Subsidiaries on or after the date hereof with any of its officers, directors or employees or any member of the Compensation Committee pursuant to which consideration is paid to such officer, director, employee or member to be approved as an Employment Compensation Arrangement and to satisfy the requirements of the non exclusive safe harbor set forth in Rule 14d-10(d) of the Exchange Act. Prior to the scheduled expiration of the Offer (as it may be extended hereunder), neither the Company's Board of Directors nor the Compensation Committee shall withdraw, nor permit the withdrawal of, the Company Compensation Approvals.

ARTICLE VII

Conditions Precedent

Section 7.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party hereto to effect the Merger shall be subject to the satisfaction (or waiver, if permissible under applicable Law) on or prior to the Closing Date of the following conditions:

(a) Company Shareholder Approval. If required by Texas Law, the Company Shareholder Approval shall have been obtained;

(b) Antitrust. The waiting period (and any extension thereof) applicable to the Merger under the HSR Act shall have been terminated or shall have expired;

(c) No Injunctions or Restraints. No Law, injunction, judgment or ruling enacted, promulgated, issued, entered, amended or enforced by any Governmental Authority, nor shall any Governmental Authority have instituted an action or proceeding that remains pending seeking to enjoin, restrain, prevent or prohibit consummation of the Merger, (collectively, "Restraints") shall be in effect enjoining, challenging, restraining, preventing or prohibiting the consummation of the Merger or making the consummation of the Merger illegal; and

(d) Completion of Offer. Merger Sub (or Parent on Merger Sub's behalf) shall have accepted for payment and paid for all of the shares of Company Common Stock validly tendered pursuant to the Offer and not withdrawn, *provided, however*, that this Section 7.1(d) shall not be a condition to the obligation of Parent or Merger Sub to consummate the Merger if the failure to satisfy such condition shall arise from Parent's or Merger Sub's breach of any provision of this Agreement.

ARTICLE VIII

Termination

Section 8.1 Termination. This Agreement may be terminated and the Merger abandoned at any time prior to the Effective Time, whether before or after receipt of the Company Shareholder Approval for any reason provided in paragraphs (a) through (d) below; provided, that if any shares of Company Common Stock are accepted for payment pursuant to the Offer, none of Parent, Merger Sub nor the Company may terminate this Agreement or abandon the Merger except pursuant to paragraphs (a) and (b)(ii) and (b)(iii) below:

(a) by the mutual written consent of the Company and Parent duly authorized by each of their respective Boards of Directors; or

(b) by either of the Company or Parent, if:

(i) the Offer or Company Shareholder Approval has not been consummated or obtained on or before the date that is four months after the date of this Agreement (the "Walk-Away Date"); provided, however, that the right to terminate this Agreement under this Section 8.1(b)(i) shall not be available to a party if the failure of the Offer to have been consummated on or before the Walk-Away Date was proximately caused by the failure of such party to perform any of its obligations under this Agreement and provided, further, that Parent may unilaterally extend, by notice delivered to the Company on or prior to the original Walk-Away Date, the Walk-Away Date for one month after the date above, in which case the Walk-Away Date shall be deemed to be for all purposes to be such date;

(ii) any Restraint having the effect of (A) making acceptance for payment of, and payment for, the shares of Company Common Stock pursuant to the Offer or consummation of the Merger illegal or otherwise prohibited or (B) enjoins Merger Sub from accepting for payment of, and paying for, the shares of Company Common Stock pursuant to the offer or the Company or Parent from consummating the Merger shall be in effect and shall have become final and nonappealable; or

(iii) the Company Shareholder Approval, if required, shall not have been obtained at the Company Shareholders Meeting duly convened therefor or at any adjournment or postponement thereof; or

(c) by Parent, if:

(i) the Company shall have breached or failed to perform any of its representations, warranties, covenants or agreements set forth in this Agreement, which breach or failure to perform (x) would give rise to the failure of a condition set forth in Section 7.1 or Annex I and (y) cannot be cured by the Company by the Walk-Away Date or, if curable, is not cured within 45 days after the Company receives written notice from Parent of such breach; or

(ii) a Company Adverse Recommendation Change shall have occurred; or

(d) by the Company in accordance with Section 6.3(c), if the Company (A) has materially complied with its obligations under Sections 6.1 and 6.3 and (B) has paid the Termination Fee pursuant to Section 8.3(a).

Section 8.2 Effect of Termination. In the event of the termination of this Agreement as provided in Section 8.1, written notice thereof shall be given to the other party or parties, specifying the provision hereof pursuant to which such termination is made, and this Agreement shall forthwith become null and void (other than Sections 6.9, 8.2 and 8.3, Article IX and the last sentence of Section 6.6, and the Confidentiality Agreement in accordance with its terms, all of which shall survive termination of this Agreement), and there shall be no liability on the part of Parent, Merger Sub or the Company or their respective directors, officers and Affiliates, except (i) the Company may have liability as provided in Section 8.3 and (ii) nothing shall relieve any party from liability for fraud.

Section 8.3 Termination Fee.

(a) In the event that this Agreement is to be terminated by the Company pursuant to Section 8.1(d), then the Company shall pay to Parent a termination fee of $5.0 million in cash (the "Termination Fee"), which Termination Fee shall be paid concurrently with such termination, payable by wire transfer of same-day funds.

(b) In the event that this Agreement is terminated by Parent either pursuant to (i) Section 8.1(c)(i) based on a willful breach by the Company of its representations, warranties, covenants or agreements set forth in this Agreement or (ii) Section 8.1(c)(ii), the Company shall pay to Parent the Termination Fee within two business days of such termination, payable by wire transfer of same-day funds; provided, however, that the amount of the Termination Fee due under this Section 8.3(b) shall be reduced by the amount of Expenses (as hereinafter defined), if any, paid to Parent or Merger Sub under Section 8.3(d) of this Agreement.

(c) In the event this Agreement is terminated by (i) Parent pursuant to Section 8.1(b)(i) or (ii) Parent or the Company pursuant to Section 8.1(b)(iii) and, in the case of either (i) or (ii), (A) after the date of this Agreement but prior to the date of such termination an Alternative Proposal or a request or communication reasonably likely to lead to an Alternative Proposal shall have been made known to the Company (or any director or officer of the Company) or shall have been made directly to its shareholders generally or any Person shall have publicly announced an interest in making or an intention (whether or not conditional) to make an Alternative Proposal and (B) the Company enters into a Company Acquisition Agreement with respect to an Alternative Proposal, or the transaction contemplated by an Alternative Proposal is consummated, within twelve months of the date this Agreement is so terminated, the Company shall pay to Parent the Termination Fee concurrently with (and as a condition to) the event under clause (B),

payable by wire transfer of same-day funds; provided, however, that the amount of the Termination Fee due under this Section 8.3(c) shall be reduced by the amount of Expenses (as hereinafter defined), if any, paid to Parent or Merger Sub under Section 8.3(d) of this Agreement.

(d) In the event that this Agreement is terminated by Parent pursuant to (i) Section 8.1(b)(i), (ii) Section 8.1(b)(ii) (other than due to a Restraint that was issued in connection with Antitrust Law), (iii) Section 8.1(b)(iii) or (iv) Section 8.1(c)(i), the Company shall pay to Parent all of the Expenses (as hereinafter defined) of Parent and Merger Sub within two business days of such termination, payable by wire transfer of same-day funds. Parent shall not claim a termination and right of payment of the Expenses if it has been paid the Termination Fee. As used herein, "Expenses" shall mean all reasonable out-of-pocket fees and expenses (including all fees and expenses of counsel, accountants, consultants and other experts engaged by Parent or Merger Sub) incurred by Parent or Merger Sub in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement and any other matters related to the Merger.

(e) Each of the Company and Parent acknowledges that the agreements contained in this Section 8.3 are an integral part of the Transactions. If the Company shall fail to pay the Termination Fee when due, the Company shall reimburse Parent for all reasonable costs and expenses actually incurred or accrued by Parent (including reasonable fees and expenses of counsel) in connection with the collection under and enforcement of this Section 8.3 together with interest on the amount of the Termination Fee from the date such payment was required to be made until the date of payment at the prime rate of SunTrust Bank in effect on the date such payment was required to be made. Solely for the purposes of Section 8.3(c) and 8.3(d), the term "Alternative Proposal" shall have the meaning assigned to such term in Section 6.3(d), except that all references to "15%" shall be changed to "35%".

Section 8.4 Remedies. Except as otherwise provided in this Agreement, any and all remedies expressly conferred upon a party to this Agreement shall be cumulative with, and not exclusive of, any other remedy contained in this Agreement, at law or in equity. The exercise by a party to this Agreement of any one remedy shall not preclude the exercise by it of any other remedy.

ARTICLE IX

Miscellaneous

Section 9.1 No Survival of Representations and Warranties. The representations, warranties and agreements in this Agreement shall terminate at the Effective Time or, except as otherwise provided in Section 8.2, upon the termination of this Agreement pursuant to Section 8.1, as the case may be, except that the agreements set forth in Article III and Sections 6.8, 6.10, 6.11, and 6.12 and any other agreement in this Agreement which contemplates performance after the Effective Time shall survive the Effective Time indefinitely and those set forth in Sections 6.9, 8.2 and 8.3 and this Article IX shall survive termination indefinitely

and, if any shares of Company Common Stock are accepted for payment pursuant to the Offer and Parent or Merger Sub terminates this Agreement pursuant to Section 8.1(b)(iii) following such acceptance for payment pursuant to the Offer, neither Parent or Merger Sub will interfere or limit the Company's indemnification policies for its directors or the Company's obtaining of insurance as contemplated by Section 6.8. The Confidentiality Agreement shall (i) survive termination of this Agreement in accordance with its terms and (ii) terminate as of the Effective Time.

Section 9.2 Amendment or Supplement. At any time prior to the Effective Time, this Agreement may be amended or supplemented in any and all respects, whether before or after receipt of the Company Shareholder Approval, by written agreement of the parties hereto, by action taken or authorized by their respective Boards of Directors; provided, however, that following receipt of the Company Shareholder Approval, there shall be no amendment or change to the provisions hereof which by Law would require further approval by the shareholders of the Company without such approval.

Section 9.3 Extension of Time, Waiver, Etc. At any time prior to the Effective Time, any party may, subject to applicable Law, (a) waive any inaccuracies in the representations and warranties of any other party hereto, (b) extend the time for the performance of any of the obligations or acts of any other party hereto or (c) waive compliance by the other party with any of the agreements contained herein or, except as otherwise provided herein, waive any of such party's conditions. Notwithstanding the foregoing, no failure or delay by the Company or Parent in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right hereunder. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

Section 9.4 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of Law or otherwise, by any of the parties without the prior written consent of the other party, provided, that Parent may assign any of its rights and obligations to any direct or indirect wholly owned Subsidiary of Parent, but no such assignment shall relieve Parent of its obligations hereunder. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns. Any purported assignment not permitted under this Section 9.4 shall be null and void.

Section 9.5 Counterparts. This Agreement may be executed in counterparts (each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement) and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

Section 9.6 Entire Agreement; No Third-Party Beneficiaries. This Agreement, including the Company Disclosure Schedule, the exhibits hereto, the documents and instruments relating to the Transactions referred to herein, the Sale and Support Agreement and the Confidentiality Agreement (a) constitute the entire agreement, and supersede all other prior agreements and understandings,

both written and oral, among the parties with respect to the subject matter hereof and thereof and (b) except for the provisions of Section 6.8 are not intended to and shall not confer upon any Person other than the parties hereto any rights, benefits or remedies hereunder.

Section 9.7 Governing Law; Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed by and interpreted under the laws of the State of Delaware (without regard to its principles of conflicts of laws), except that the Merger and all applicable fiduciary duties of the Company's Board of Directors and any committee thereof hereunder shall be governed by and interpreted under the Laws of the State of Texas. Each party irrevocably and unconditionally (a) consents to submit to the jurisdiction of the courts of Miami-Dade County in the State of Florida for any action, suit or proceeding arising out of or relating to this agreement (and each party irrevocably and unconditionally agrees not to commence any such action, suit or proceeding except in such courts), (b) waives any objection to the laying of venue of any such action, suit or proceeding in any such courts and (c) waives and agrees not to plead or claim that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(b) Each of the parties hereto hereby irrevocably waives any and all rights to trial by jury in any legal proceeding arising out of or related to this Agreement.

Section 9.8 Specific Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement this being in addition to any other remedy to which they are entitled at law or in equity.

Section 9.9 Notices. All notices, requests and other communications to any party hereunder shall be in writing and shall be deemed given if delivered personally, facsimiled (which is confirmed) or sent by overnight courier (providing proof of delivery) to the parties at the following addresses:

If to Parent and Merger Sub, to:

Watsco, Inc.
2665 South Bayshore Drive, Suite 109
Coconut Grove, FL 33133
Attention: Barry S. Logan, Senior Vice President
Facsimile: (305) 858-4492

with a copy (which shall not constitute notice) to:

Moore & Van Allen PLLC
100 N. Tryon Street, Suite 4700
Charlotte, NC 28202-4003
Attention: Stephen D. Hope
Facsimile: (704) 331-1159

If to the Company, to:

ACR Group, Inc.
3200 Wilcrest Drive, Suite 440
Houston, TX 77042
Attention: General Counsel
Facsimile: (713) 780-4067

with a copy (which shall not constitute notice) to:

Fulbright & Jaworski L.L.P.
Fulbright Tower
1301 McKinney, Suite 5100
Houston, TX 77010-3095
Attention: David Peterman
Facsimile: (713) 651-5246

or such other address or facsimile number as such party may hereafter specify by like notice to the other party hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 P.M. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

Section 9.10 Severability. If any term or other provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other terms, provisions and conditions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable Law in an acceptable manner to the end that the Transactions are fulfilled to the extent possible.

Section 9.11 Definitions. As used in this Agreement, the following terms have the meanings ascribed thereto below:

"Affiliate" shall mean, as to any Person, any other Person that, directly or indirectly, controls, or is controlled by, or is under common control with, such Person. For this purpose, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise.

"AMEX" shall mean the American Stock Exchange.

"business day" shall mean a day except a Saturday, a Sunday or other day on which the SEC or banks in the City of New York, New York are authorized or required by Law to be closed.

"GAAP" shall mean generally accepted accounting principles in the United States.

"Governmental Authority" shall mean any government, court, regulatory or administrative agency, commission or authority, securities exchange, Nasdaq or other governmental instrumentality, whether federal, state or local, domestic, foreign or multinational.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Knowledge" shall mean, in the case of the Company, the actual knowledge, as of the date of this Agreement and at and as of the Closing Date, of the individuals listed on Schedule 9.11 of the Company Disclosure Schedule.

"NYSE" means The New York Stock Exchange.

"Permitted Liens" shall mean Liens specifically disclosed in the Company's most recent annual report on Form 10-K for the year ended February 28, 2007 or Liens incurred in accordance with Section 6.2; Liens for taxes not yet due or being contested in good faith (and, with respect to those being contested, for which adequate accruals or reserves have been established on the Company's financial statements in accordance with GAAP); or Liens that do not materially detract from the value or materially interfere with any present or intended use of such property or assets.

"Person" shall mean an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity, including a Governmental Authority.

"Subsidiary" when used with respect to any party, shall mean any corporation, limited liability company, partnership, association, trust or other entity of which securities or other ownership interests representing more than 50% of the equity and more than 50% of the ordinary voting power (or, in the case of a partnership, more than 50% of the general partnership interests) are, as of such date, owned by such party or one or more Subsidiaries of such party or by such party and one or more Subsidiaries of such party.

"Tax Returns" shall mean any return, report, claim for refund, estimate, information return or statement or other similar document relating to or required to be filed with any Governmental Authority with respect to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Taxes" shall mean (i) all federal, state, local or foreign taxes, charges, fees, imposts, levies or other assessments, including all net income, gross receipts, capital, real property, personal property, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, fees, assessments and charges of any kind and all interest, penalties, fines, additions to tax or additional amounts imposed by any Governmental Authority with respect thereto, (ii) any liability for the payment of any amounts described in clause (i) as a result of being a member of an affiliated, consolidated, combined, unitary or similar group or as a result of transferor or successor liability; and (iii) any liability for the payments of any amounts as a result of being a party to any tax sharing agreement or as a result of any express or implied obligation to indemnify any other Person with respect to the payment of any amounts of the type described in clause (i) or (ii).

"Transactions" refers collectively to this Agreement and all transactions contemplated hereby, including the Merger and the Offer.

The following terms are defined on the page of this Agreement set forth after such term below:

Section 9.12 Interpretation.

(a) When a reference is made in this Agreement to an Article, a Section, Exhibit or Schedule, such reference shall be to an Article of, a Section of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns.

(b) The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

WATSCO, INC.

By: /s/ Barry S. Logan
Name: Barry S. Logan
Title: Senior Vice President

COCONUT GROVE HOLDINGS, INC.

By: /s/ Barry S. Logan
Name: Barry S. Logan
Title: President

ACR GROUP, INC.

By: /s/ Alex Trevino, Jr.
Name: Alex Trevino, Jr.
Title: President

Notwithstanding any other provision of the Offer, but subject to compliance with Section 1.1(a) of the Agreement, Merger Sub (i) shall not be required to accept for payment or pay for any tendered shares of Company Common Stock, (ii) may delay the acceptance for payment of, or the payment for, any tendered shares of Company Common Stock, and (iii) may terminate or amend the Offer as to shares of Company Common Stock not then paid for, in the event that at or prior to the scheduled expiration of the Offer (as it may be extended pursuant to Section 1.1(a) of the Agreement) if: (A) the Minimum Condition shall not have been satisfied; (B) the applicable waiting period (and any extension thereof) applicable to the Transactions (including the Offer and the Merger) under the HSR Act shall not have expired or been terminated, or any affirmative approval of a Governmental Authority required shall not have been obtained; or (C) any of the following conditions exists:

(a) there shall be instituted or pending any proceeding by any Governmental Authority, (i) challenging or seeking to make illegal, delay materially or otherwise directly or indirectly restrain or prohibit the making of the Offer, the acceptance for payment of or payment for some or all of the shares of Company Common Stock by Parent or Merger Sub or the consummation of the Offer or the Merger or seeking to obtain material damages in connection therewith, (ii) seeking to restrain or prohibit Parent's ownership or operation (or that of its Affiliates) of all or any material portion of the business, assets or products of the Company and its Subsidiaries, taken as a whole, or of Parent and its Subsidiaries, taken as a whole, or to compel Parent or any of its Affiliates to dispose of, license (whether pursuant to an exclusive or nonexclusive license) or hold separate all or any material portion of the business, assets or products of the Company and its Subsidiaries, taken as a whole, or of Parent and its Subsidiaries, taken as a whole, (iii) seeking, directly or indirectly, to impose or confirm material limitations on the ability of Parent or any of its Affiliates effectively to acquire, hold or exercise full rights of ownership of any shares of Company Common Stock or any shares of common stock of the Surviving Corporation, including the right to vote the shares of Company Common Stock or the shares of common stock of the Surviving Corporation acquired or owned by Parent, Merger Sub or any of Parent's other Affiliates on all matters properly presented to the Company's shareholders, (iv) seeking to require divestiture by Parent, Merger Sub or any of Parent's other Affiliates of any shares of Company Common Stock, or (v) which would reasonably be expected to impede, interfere with, prevent or materially delay the Offer; or

(b) there shall have been any action taken, or any Applicable Law shall have been proposed, enacted, enforced, promulgated, issued or deemed applicable to the Offer or the Merger, by any Governmental Authority, other than the application of the waiting period provisions of the HSR Act or any requirement for affirmative approval of a Governmental Authority, that, in the good faith judgment of Parent is likely, directly or indirectly, to result in any of the consequences referred to in clauses (i) through (v) of paragraph (a) above; or

(c)(i) any of the representations and warranties of the Company contained in Section 4.2 shall not be true in all but de minimis respects when made or at any time prior to the consummation of the Offer as if made at and as of such time (other than any such representation or warranty that is made only as of a specified date, which need only to be true in all but de minimis respects as of such specified date), (ii) any of the representations and warranties of the Company contained in Sections 4.3 and 4.16, disregarding any

materiality or Company Material Adverse Effect qualifications contained in any such representation or warranty, shall not be true in all material respects when made or at any time prior to the consummation of the Offer as if made at and as of such time (other than any such representation or warranty that is made only as of a specified date, which need only to be true in all material respects as of such specified date), or (iii) any of the other representations and warranties of the Company contained in this Agreement, disregarding any materiality or Company Material Adverse Effect qualifications contained in any such representation or warranty, shall not be true in all respects when made or at any time prior to the consummation of the Offer as if made at and as of such time (other than any such representation or warranty that is made only as of a specified date, which need only to be true in all respects as of such specified date); *provided* that the condition set forth in this paragraph (c)(iii) shall be deemed to have been satisfied unless the individual or aggregate impact of the failure to be true of the representations and warranties of the Company contained in this Agreement would reasonably be expected to have a Company Material Adverse Effect; *provided further* that in determining whether a Company Material Adverse Effect would result, any inaccuracies in the representations and warranties set forth in Sections 4.3(c)(ii)(y) and 4.3(c)(ii)(z) that would cause an adverse effect otherwise excluded by clause (iii) of the definition of Company Material Adverse Effect shall be taken into account; or

(d) the Company shall have breached or failed to perform in any material respect any of its obligations required to be performed or complied with by it under the Agreement or any covenants contained in the Agreement, including obtaining all regulatory approvals and consents required to consummate the Transactions; or

(e) any change or development shall have occurred following the date of this Agreement that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect; or

(f)(i) a Company Adverse Recommendation Change shall have occurred and not been withdrawn, or (ii) the Company shall have entered into, or publicly announced its intention to enter into, a letter of intent, memorandum of understanding or Contract (other than a confidentiality agreement contemplated by Section 6.3 of the Agreement) relating to any Acquisition Proposal and such announcement shall not have been withdrawn and such letter, memorandum of understanding or Contract shall remain in effect; or

(g) it shall have been publicly disclosed that any Third Party shall have acquired beneficial ownership of more than 15% of any class or series of capital stock of the Company (including the shares of Company Common Stock), through the acquisition of stock, the formation of a group or otherwise, or shall have been granted any option, right or warrant, conditional or otherwise, to acquire beneficial ownership of more than 15% of any class or series of capital stock of the Company (including the shares of Company Common Stock), other than acquisitions for bona fide arbitrage purposes only; or

(h) Parent shall not have received a certificate signed on behalf of the Company by an executive officer of the Company certifying that the conditions set forth in Annex I have been satisfied; or

(i) the Agreement shall have been terminated in accordance with its terms.

The foregoing conditions are for the sole benefit of Parent and Merger Sub and, subject to the terms and conditions of the Agreement, may be waived by Parent or Merger Sub, in whole or in part at any time and from time to time in the sole discretion of Parent or Merger Sub. The failure by Parent or Merger Sub at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

The capitalized terms that are used in this Annex I shall have the respective meanings ascribed thereto in the Agreement and Plan of Merger (the "Agreement"), dated as of July 3, 2007, by and among Watsco, Inc., a Florida corporation ("Parent"), Coconut Grove Holdings, Inc., a Texas corporation ("Merger Sub") and ACR Group, Inc., a Texas corporation (the "Company").

FORM OF

SALE AND SUPPORT AGREEMENT

SALE AND SUPPORT AGREEMENT (this "*Agreement*") dated as of , 2007 among Watsco, Inc., a Florida corporation ("*Parent*"), Coconut Grove Holdings, Inc., a Texas corporation and a wholly-owned subsidiary of Parent ("*Merger Sub*" together with Parent, the "*Buyer*"), and ("*Shareholder*"), an owner of shares of common stock of ACR Group, Inc., a Texas corporation (the "*Company*").

WHEREAS, as of the date hereof, Shareholder is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of the number of shares of Company Common Stock set forth opposite Shareholder's name under the heading "*Shares Beneficially Owned*" on *Annex I*, and no other Company Securities, (all such directly owned shares of Company Common Stock which are outstanding as of the date hereof and which may hereafter be issued to Shareholder by the Company, acquisition by purchase, or stock dividend, distribution, split-up, recapitalization, combination or similar transaction, being referred to herein as the "*Subject Shares*"). As used herein the term "*Shares*" shall mean the all of the Subject Shares other than any Subject Shares representing Company Restricted Shares as reflected on *Annex I*;

WHEREAS, as a condition to their willingness to enter into the Agreement and Plan of Merger (the "*Merger Agreement*") dated as of the date hereof among Parent, Merger Sub and the Company, Buyer has requested that Shareholder, and in order to induce Buyer to enter into the Merger Agreement, Shareholder (only in such Shareholder's capacity as a shareholder of the Company) has agreed to, enter into this Agreement;

WHEREAS, capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Merger Agreement, and the other definitional and interpretative provisions set forth in Section 9.12 of the Merger Agreement shall apply hereto as if such provisions were set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth below, the parties hereto agree as follows:

ARTICLE I

PURCHASE AND SALE OF THE SHARES

1.1 Agreement to Sell; Purchase Price. On the terms and subject to all of the conditions set forth in this Agreement and in reliance upon the representations and warranties contained herein, at the Closing Shareholder shall sell, transfer, assign, set over, convey and deliver to Buyer, and Buyer shall purchase and acquire from Shareholder, free and clear of any lien, charge, security interest, easement, reservation, restriction, encumbrance or other defect in title (collectively, "*Liens*"), all right, title and interest of Shareholder in, to and under all of the Shares at a price of $6.75 per share pursuant to and in accordance with the terms of this Agreement.

1.2 Closing. (a) The closing of the transaction contemplated hereby (the "*Closing*") will take place at the offices of Moore & Van Allen PLLC located at 100 N. Tryon Street, Suite 4700, Charlotte, North Carolina 28202 following the closing of the Offer and satisfaction of all conditions to Closing set forth below and immediately prior to the filing of the Articles of Merger pursuant to Section 2.3 of the Merger Agreement (the "*Closing Date*") or at such other time and place and on such other date as may be mutually agreed by Buyer and Shareholder, in which case the "Closing Date" means the date so agreed. The Closing shall be effective immediately preceding the filing of the Articles of Merger described above.

(b) At the Closing, Buyer shall deliver to Shareholder an aggregate amount of cash equal to the number of Shares multiplied by $6.75 by wire transfer of immediately available funds to an account designated by Shareholder at least three (3) days prior to the Closing Date.

(c) At Closing, Shareholder shall deliver to Buyer all of the following agreements, documents and instruments in a form reasonably satisfactory to Buyer:

(i) Certificates representing all of the Shares accompanied by stock powers duly executed in blank by Shareholder and bearing or accompanied by any requisite stock transfer stamps.

(ii) A certificate of Shareholder confirming that all of Shareholder's representations and warranties set forth in Article II are true and correct as of the Closing Date and that all of the conditions to Buyer's obligations to consummate the transactions contemplated hereby have been satisfied.

Shareholder shall also execute and deliver (or cause to be executed and delivered) to Buyer at Closing such other documents, materials and instruments as Buyer may reasonably request in order to consummate the transactions contemplated hereby.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF SHAREHOLDER

Shareholder represents and warrants to Buyer that as of the date of this Agreement:

2.1 Title to Shares. Shareholder owns, of record and beneficially, the Shares reflected as being owned by Shareholder on *Annex I* hereto free and clear of any Liens. At Closing, Buyer will obtain good and valid title to the Shares, free and clear of any Lien, other than any Lien created by Buyer.

2.2 Valid and Binding Agreement. The execution, delivery and performance of this Agreement by Shareholder have been duly and validly authorized by all necessary action. Shareholder has the legal capacity, power and authority to execute, deliver and perform this Agreement. This Agreement has been duly executed and delivered by Shareholder and constitutes the valid and binding obligation of Shareholder, enforceable against it in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar Laws of general application affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity, whether considered in a proceeding at law or in equity (the "*Bankruptcy and Equity Exception*").

2.3 No Breach; Consents. The execution, delivery and performance of this Agreement by Shareholder will not (a) to Shareholder's Knowledge, contravene any provision of the articles of incorporation or bylaws of the Company; (b) violate or conflict with any Law, judgment, writ or injunction of any Governmental Authority applicable to Shareholder or require any authorization, consent, approval, filing, waiver, exemption or other action or notice to any Person (a "*Consent*"), except for any approval that may be required under the HSR Act and any other Antitrust Law; (c) conflict with, result in any breach of any of the provisions of, constitute a default (or any event which would, with the passage of time or the giving of notice or both, constitute a default) under, result in a violation of, increase the burdens under, result in the termination, amendment, suspension, modification, abandonment or acceleration of payment (or any right to terminate) or require a Consent under any contract to which Shareholder is a party; or (d) result in the creation of any Lien upon the Shares held by Shareholder.

2.4 Brokerage. Neither the Buyer nor the Company will be obligated to pay any brokerage commission, finder's fee, fee for financial advisory services or similar compensation in connection with the transactions contemplated by this Agreement based on any contract made by or on behalf of Shareholder.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Shareholder that as of the date of this Agreement:

3.1 Incorporation; Power and Authority. Parent is a corporation duly organized and validly existing under the Laws of the State of Florida and Merger Sub is a corporation duly organized and validly existing under the Laws of the State of Texas, and each has all necessary power and authority to execute, deliver and perform this Agreement.

3.2 Valid and Binding Agreement. The execution, delivery and performance of this Agreement by Buyer have been duly and validly authorized by all necessary corporate action. This Agreement has been duly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer, enforceable against it in accordance with its terms, subject to the Bankruptcy and Equity Exception.

3.3 No Breach; Consents. The execution, delivery and performance of this Agreement by Buyer will not (a) contravene any provision of the certificate of incorporation or bylaws of Buyer; (b) violate or conflict with any Law, judgment, writ or injunction of any Governmental Authority applicable to Buyer or require any authorization, consent, approval, filing, waiver, exemption or other action or notice to any Person (a "*Consent*"), except for any approval that may be required under the HSR Act and any other Antitrust Law; (c) conflict with, result in any breach of any of the provisions of, constitute a default (or any event which would, with the passage of time or the giving of notice or both, constitute a default) under, result in a violation of, increase the burdens under, result in the termination, amendment, suspension, modification, abandonment or acceleration of payment (or any right to terminate) or require a Consent under any contract to which Buyer is a party; or (d) result in the creation of any Lien upon the Shares held by Shareholder.

3.4 Brokerage. No Person will be entitled to receive any brokerage commission, finder's fee, fee for financial advisory services or similar compensation in connection with the transactions contemplated by this Agreement based on any contract made by or on behalf of Buyer for which Shareholder is or could become liable or obligated.

3.5 Investment Intent. Buyer (a) understands that the Shares have not been, and will not be, registered under the Securities Act or under any state securities laws, are being offered and sold in reliance upon federal and state exemptions for transactions not involving any public offering and will contain a legend restricting transfer; (b) is acquiring the Shares solely for Buyer's own account for investment purposes, and not with a view to the distribution thereof; (c) is a sophisticated investor with knowledge and experience in business and financial matters; (d) has received certain information concerning the Company and has had the opportunity to obtain additional information as desired in order to evaluate the merits and the risks inherent in holding the Shares; (e) is able to bear the economic risk and lack of liquidity inherent in holding the Shares; and (f) is an "*Accredited Investor*" as that term is defined under Rule 501 of the Securities Act.

ARTICLE IV

COVENANTS OF SHAREHOLDER

Shareholder hereby covenants and agrees that:

4.1 Voting Of Subject Shares. At every meeting of the shareholders of the Company called for such purpose, and at every adjournment or postponement thereof, Shareholder shall, or shall cause the holder of record on any applicable record date to, vote his, her or its Subject Shares (i) in favor of the adoption of the Merger Agreement and the transactions contemplated thereby, (ii) against (A) any agreement or arrangement related to any Alternative Proposal, or (B) any liquidation, dissolution, recapitalization, extraordinary dividend or other significant corporate reorganization of the Company or any of its Subsidiaries, and (iii) in favor of any other

matter necessary for consummation of the transactions contemplated by the Merger Agreement which is considered at any such meeting of shareholders, and in connection therewith to execute any documents which are necessary or appropriate in order to effectuate the foregoing. In the event that any meeting of the shareholders of the Company is held, Shareholder shall, or shall cause the holder of record on any applicable record date to, appear at such meeting or otherwise cause his, her or its Subject Shares to be counted as present thereat for purposes of establishing a quorum.

4.2 No Transfers; No Inconsistent Arrangements. (a) Except as provided hereunder, Shareholder shall not, directly or indirectly, (i) transfer (which term shall include any sale, assignment, gift, pledge, hypothecation or other disposition), or consent to or permit any such transfer of, any or all of his or her Subject Shares or any interest therein, or create or permit to exist any Lien, other than any restrictions imposed by Applicable Law or pursuant to this Agreement, on any his, her or its Subject Shares, (ii) enter into any Contract with respect to any transfer of his, her or its Subject Shares or any interest therein, (iii) grant or permit the grant of any proxy, power of attorney or other authorization in or with respect to his, her or its Subject Shares relating to the subject matter hereof, (iv) deposit or permit the deposit of his, her or its Subject Shares into a voting trust or enter into a voting agreement or arrangement with respect to such Subject Shares, or (v) take or permit any other action that would in any way restrict, limit or interfere with the performance of its obligations hereunder or the transactions contemplated hereby or otherwise make any representation or warranty of Shareholder herein untrue or incorrect.

(b) Any attempted transfer of any of the Subject Shares or any interest therein, including the tendering of any of the Subject Shares in the Offer, in violation of this Section 4.2 shall be null and void. In furtherance of this Agreement, Shareholder shall and hereby does authorize the Company and Merger Sub's counsel to notify the Company's transfer agent that there is a stop transfer restriction with respect to all of his, her or its Subject Shares (and that this Agreement places limits on the voting and transfer of his, her or its Subject Shares); *provided* that any such stop transfer restriction shall terminate on the later to occur of (i) the termination of this Agreement in accordance with its terms or (ii) immediately following the purchase of the Shares by Parent pursuant to Section 1.2 and, upon termination of such stop transfer restriction, Parent shall notify the Company's transfer agent of such termination.

4.3 Dissenter's Rights. Shareholder agrees not to exercise any dissenter's rights in respect of his, her or its Subject Shares which may arise with respect to the Merger.

4.4 Documentation and Information. Shareholder (i) consents to and authorizes the publication and disclosure by Parent of his, her or its identity and holding of Subject Shares, and the nature of his, her or its commitments, arrangements and understandings under this Agreement, and any other information that Parent reasonably determines to be necessary or desirable in any press release, the Offer Documents, or any other disclosure document in connection with the Offer, the Merger and any transactions contemplated by the Merger Agreement, and (ii) agrees as promptly as practicable to give to Parent any information it may reasonably require for the preparation of any such disclosure documents. Shareholder agrees as promptly as practicable to notify Parent of any required corrections with respect to any written information supplied by it specifically for use in any such disclosure document, if and to the extent Shareholder becomes aware that any shall have become false or misleading in any material respect.

ARTICLE 5

COVENANTS OF THE PARTIES

[Consulting/Employment/Non-Competition Agreements]. Each of the parties hereto agrees to cooperate with the other parties and the Company to cause the Company to enter into a **[Consulting/Employment/Non-Competition Agreement]** on terms mutually acceptable to the parties hereto. Shareholder acknowledges that such agreement shall be entered into prior, and is a condition, to the acceptance for payment of, or the payment for, by Parent or Merger Sub, any shares of Company Common Stock tendered in the Offer.

ARTICLE 6

MISCELLANEOUS

6.1 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission) and shall be given,

If to Parent and Merger Sub, to:

Watsco, Inc.
2665 South Bayshore Drive, Suite 109
Coconut Grove, FL 33133
Attention: Barry S. Logan, Senior Vice President
Facsimile: (305) 858-4492

with a copy (which shall not constitute notice) to:

Moore & Van Allen PLLC
100 N. Tryon Street, Suite 4700
Charlotte, NC 28202-4003
Attention: Stephen D. Hope
Facsimile: (704) 331-1159

If to Shareholder, to:

ACR Group, Inc.
3200 Wilcrest Drive, Suite 440
Houston, TX 77042
Attention: General Counsel
Facsimile: (713) 780-4067

with a copy (which shall not constitute notice) to:

Fulbright & Jaworski L.L.P.
Fulbright Tower
1301 McKinney, Suite 5100
Houston, TX 77010-3095
Attention: David Peterman
Facsimile: (713) 651-5246

or such other address or facsimile number as such party may hereafter specify by like notice to the other party hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 P.M. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

6.2 Further Assurances. Shareholder will, from time to time, execute and deliver, or cause to be executed and delivered, such additional or further transfers, assignments, endorsements, consents and other instruments as Parent or Merger Sub may reasonably request for the purpose of effectively carrying out the transactions contemplated by this Agreement and to vest the power to vote his, her or its Subject Shares as contemplated by Section 4.1.

6.3 Termination; Termination Fee. (a) Subject to subparagraph (b) below, this Agreement shall terminate upon the earlier to occur of (i) the Effective Time, (ii) upon the withdrawal of the Offer by Parent in accordance with the terms of the Merger Agreement or (iii) termination of the Merger Agreement in accordance with its terms.

(b) In the event the Company's Board of Directors approves a Superior Proposal or a transaction contemplated by an Alternative Proposal is consummated, Shareholder shall pay to Parent, within five (5) business days following the receipt of proceeds in connection with such Superior Proposal or Alternative Proposal, as the case may be, an amount in cash, in a manner directed by Parent, equal to 100% of the proceeds received by Shareholder in excess of $6.75 per Share, net of any applicable taxes owed by Shareholder. To the extent the consideration Shareholder receives pursuant to the transactions contemplated by a Superior Proposal or Alternative Proposal, as the case may be, is securities, the value of such securities shall be calculated as follows:

(i) in the case of securities for which there is a public trading market, the value shall be the average of the last sales price for such securities on the five (5) trading days immediately preceding the date the applicable Superior Proposal or Alternative Transaction is consummated; or

(ii) in the case of securities for which there is no public trading market, the value shall equal that amount which is mutually agreed to by Shareholder and Parent.

6.4 Amendments and Waivers. (a) Any provision of this Agreement may be amended or waived if such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement or, in the case of a waiver, by each party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Applicable Law.

6.5 Expenses. Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

6.6 Binding Effect; Benefit; Assignment. (a) The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. No provision of this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any Person other than the parties hereto and their respective successors and assigns.

(b) No party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto, except that each of Parent and Merger Sub may transfer or assign its rights and obligations under this Agreement, in whole or from time to time in part, to one or more of its Affiliates at any time; *provided* that such transfer or assignment shall not relieve Parent or Merger Sub of any of its obligations hereunder.

6.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law rules of such State.

6.8 Jurisdiction. The parties hereto agree that any Proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in any the courts of Miami-Dade County in the State of Florida, and each of the parties hereby irrevocably consents to the exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such Proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 6.1 shall be deemed effective service of process on such party.

6.9 Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

6.10 Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by each other party hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication).

6.11 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, between the parties with respect to its subject matter.

6.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

6.13 Specific Performance. The parties hereto agree that each of Parent and Merger Sub would be irreparably damaged if for any reason Shareholder fails to perform any of his, her or its obligations under this Agreement, and that each of Parent and Merger Sub would not have an adequate remedy at law for money damages in such event. Accordingly, each of Parent and Merger Sub shall be entitled to specific performance and injunctive and other equitable relief to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in any court located in Miami-Dade County in the State of Florida, in addition to any other remedy to which they are entitled at law or in equity.

6.14 Shareholder Capacity. Notwithstanding any provision of this Agreement to the contrary, if Shareholder is a director or officer of the Company, nothing in this Agreement shall (or shall require Shareholder to attempt to) limit or restrict Shareholder from acting in such capacity (it being understood that this Agreement shall apply to Shareholder solely in his, her or its capacity as a shareholder of the Company).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

WATSCO, INC.

By: _____
Name:
Title:

COCONUT GROVE HOLDINGS, INC.

By: _____
Name:
Title:

[Shareholder]

_____

ANNEX I

Shareholder	Shares Beneficially Owned as of , 2007	Shares as of , 2007	Company Restricted Shares as of , 2007

Exhibit (d)(3)

ACR Group, Inc.

3200 WILCREST DRIVE, SUITE 440
HOUSTON, TEXAS 77042

TELEPHONE: (713) 780-8532
TELECOPIER: (713) 780-4067

June 1, 2005

Mr. Barry S. Logan
Watsco, Inc.
2665 South Bayshore Drive, Suite 901
Coconut Grove, Florida 33133

Re: Confidentiality Agreement

Dear Barry:

This letter agreement ("Agreement") is made in connection with our providing to you of certain financial information in connection with the exploration of a possible transaction (the "Possible Transaction") between Watsco, Inc. ("Watsco") and ACR Group, Inc. ("ACR"). In connection with the Possible Transaction, ACR will disclose information not otherwise known by the public. For purposes of this Agreement, the term Watsco includes its shareholders, directors, officers, and employees and managers.

Protection of Confidential Information

Definition of Confidential Information. The term Confidential Information means all proprietary, financial and other information and data (irrespective of its form or the manner in which it is communicated) disclosed by ACR or any of its officers or employees pertaining to ACR's business, including information relating to practices, procedures, sales, purchasing, pricing, customers and employees. The term Confidential Information also includes all notes, analyses, compilations, studies, interpretations or other documents prepared by or for Watsco that contain, reflect or are based on any Confidential Information.

Confidential Information does not include information which (i) is or becomes known publicly other than as a result of a disclosure by Watsco, or (ii) was within the possession of Watsco prior to its being furnished by ACR. Confidential Information shall not be deemed to be in the public domain merely because any part of it is embodied in general disclosures or because individual features, components or a combination thereof, are now or become known by the public.

Non-disclosure requirements. Watsco hereby agrees not to (i) disclose any of the Confidential Information in any manner whatsoever, (ii) use the Confidential Information in any manner other than to assist in connection with its evaluation of the Possible Transaction, and (iii) use the Confidential Information in any manner detrimental to ACR, as reasonably determined by ACR.

Watsco agrees to disclose the Confidential Information only to Watsco individuals who have a need to know such Confidential Information. Watsco shall be responsible for any breach of this Agreement and shall take all reasonable measures to prevent unauthorized disclosure or use of the Confidential Information. Furthermore, Watsco shall promptly notify ACR of any known breach of this Agreement.

Standard of care. Watsco agrees to use the same care and discretion to avoid disclosure of the Confidential Information as it uses with its own information that it does not wish to disclose. Notwithstanding the foregoing, Watsco may make any disclosure of such information to which ACR gives its prior written consent.

Legal proceeding requiring disclosure. In the event Watsco is required by law to disclose any of the Confidential Information, Watsco shall provide ACR with prompt written notice of any such requirement, and may then disclose only that portion of the Confidential Information which counsel for Watsco advises is legally required to be disclosed, while exercising its best efforts to preserve the confidentiality of the Confidential Information.

Return and destruction of Confidential Information. At the request of ACR at any time, Watsco will promptly deliver to ACR, or destroy, all compilations of Confidential Information, and all copies thereof, in the possession of Watsco. The return or destruction of the Confidential Information shall not affect the enforceability of any provision of this Agreement.

Party's discretion. Each party understands and agrees that the other party reserves the right, in its sole and absolute discretion and at any time, to reject any or all proposals, to decline to furnish further Confidential Information and to terminate discussions with the other party. The exercise by a party of these rights shall not affect the enforceability of any provision of this Agreement.

Material, Non-Public Information

Watsco acknowledges that as a result of this Agreement, it will gain access to material, non-public information regarding ACR.

Publicity

Neither party shall disclose the existence of this Agreement or the Possible Transaction, except as required by law or regulation, and only after the disclosing party provides the other party with prior written notice of any such requirement.

Non-Waiver

It is understood and agreed that no failure or delay by any party hereto in the exercise of any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right, power or privilege hereunder.

No Further Obligation.

Neither party shall have any obligation to enter into any further agreement with the other, it being agreed and understood that discussions regarding the Possible Transaction are merely preliminary in nature. It is further agreed and understood that this Agreement conveys or imposes no rights or obligations, other than those expressly set forth herein.

Equitable/Injunctive Relief is Non-Exclusive Remedy

It is understood and agreed that money damages would not be a sufficient remedy for any

breach of this Agreement by Watsco and that ACR shall be entitled to equitable relief, including injunction and specific performance, as a remedy for any such breach. Such remedies shall not be deemed to be the exclusive remedies for a breach of this Agreement, but shall be in addition to all other remedies available at law or equity to ACR.

General Provisions

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective Representatives. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas without regard to applicable conflicts of laws principles.

Neither party may assign, or otherwise transfer, its rights or delegate its duties or obligations under this Agreement without the prior written consent of the other party.

This Agreement contains the entire agreement between the parties concerning the subject matter hereof and no modification or amendment of this Agreement or of the terms and conditions hereof will be binding upon either of the parties unless signed by both parties.

If this letter accurately sets forth your understanding of our agreement, please sign it as indicated and return it to me.

Very truly yours,

/s/ A. Stephen Trevino

AGREED AND ACCEPTED
this 1 day of June, 2005.

Watsco, Inc.

By: /s/ Barry S. Logan
Name: Barry S. Logan
Title: Senior Vice President