

IN THE CIRCUIT COURT OF THE SEVENTH JUDICIAL CIRCUIT
IN AND FOR VOLUSIA COUNTY, FLORIDA
CIVIL DIVISION

CLERK OF THE CIRCUIT
& COUNTY OF VOLUSIA
MAR 22 2011
CC 66

MAR 22 2011

FILED

AMERICAN DETECTION TECHNOLOGIES, LLC,
A Delaware company,
Plaintiff,

CASE NO.: 2010 20890 CNS

vs.

JUDGE: Robert K. Rouse, Jr. Div. 02

WILLIAM HEISER,

Defendant.

AMENDED COMPLAINT

Plaintiff, AMERICAN DETECTION TECHNOLOGIES, LLC, (hereinafter "AMDETECH"), sues Defendant, WILLIAM HEISER (hereinafter "DEFENDANT"), for compensatory damages and injunctive relief, and as grounds would show that at all times material:

1. This is a claim for injunctive relief and for damages in excess of this Court's minimum jurisdictional amount exclusive of attorneys' fees and costs.

The Parties

2. AMDETECH is a for-profit limited liability company created pursuant to the laws of the state of Delaware, and doing business in the State of Florida. AMDETECH'S principal place of business is at 225 West 34th Street, Suite 710, New York, New York. On or about December 31, 2010, the Secretary of State of the State of Delaware filed a certificate of conversion, whereby American Detection Technologies, Inc., a for-profit Delaware corporation, converted to American Detection Technologies, LLC, (AMDETECH) a Delaware Limited Liability Company, pursuant to the laws of the state of Delaware. Under Delaware law,

66

AMDETECH is deemed to be the same legal entity as the corporate entity from which it was converted, and is deemed to have existed since the corporate entity was incorporated.

3. AMDETECH is a full service provider of canine detection teams in the United States. AMDETECH is engaged in the training and sale of dogs specializing in narcotic and bomb detection and security work services.

4. Defendant is an individual residing in the State of Florida, with an address of 690 Meta Lane, New Smyrna Beach, Volusia County, Florida.

General Allegations

5. On or about September 29, 2005, Defendant entered into a Purchase Agreement, an Employment Agreement ("Agreement") and a Noncompetition Agreement ("Noncompete") with AMDETECH, by which Defendant was employed as the Director of Training of AMDETECH and engaged in the training and sales of dogs for narcotic and bomb detection and security work services. A copy of the Agreement is attached hereto as Exhibit "A." A copy of the Noncompete is attached hereto as Exhibit "B".

6. AMDETECH paid Defendant \$900,000 for his business name (Southern Hills Kennels), the derivatives of the business name, its assets, and good will. The particulars of that purchase are set forth herein.

7. In addition to buying Defendant's business assets and good will, and pursuant to the Agreement, AMDETECH paid Defendant a base compensation of \$90,000.00 per year, payable in equal monthly installments of \$7,500.00. Defendant was eligible to be considered for an annual bonus for each year during the term of the Agreement pursuant to a performance based criteria.

8. On or about September 29, 2005, AMDETECH entered into an Asset Purchase Agreement ("Purchase Agreement") with SOUTHERN HILLS KENNELS, INC., a Florida corporation and Defendant, as SOUTHERN HILLS' sole shareholder, wherein AMDETECH purchased from SOUTHERN HILLS KENNELS, INC. all right, title, and interest in and to the properties and assets of SOUTHERN HILLS KENNELS, INC., including but not limited to (a) inventory (including all dogs not under contract for sale by seller at closing), equipment (including trucks and vans), and all other tangible personal property; (b) the right to use the name and logo related to "Southern Hills Kennels" and any derivative thereof; (c) telephone numbers (including toll free numbers) and website addresses (including www.drugdogs.net and www.southernhillskennels.com used in the Business; (d) the right to service all customers of the Business; (e) all other intangible assets used in the Business; (f) books, records, ledgers, files, documents, correspondence, lists including without limitation, customer lists, advertising and promotional materials, reports, and other printed or written materials, and (g) all goodwill associated with the Business. A copy of the Purchase Agreement is attached hereto as Exhibit "C" and incorporated herein by reference.

9. Pursuant to said Purchase Agreement, within one (1) year of the Closing, the Defendant was to have changed the name of record of SOUTHERN HILLS KENNELS with the Florida Secretary of State to a name other than Southern Hills Kennels or any derivative thereof.

10. In conjunction with the Employment Agreement, Noncompetition Agreement and Asset Purchase Agreement, AMDETECH entered into a five (5) year lease agreement with Defendant on September 29, 2005, to utilize the land and buildings located at 690B Meta Lane, New Smyrna Beach, Florida 32168 to train and sell dogs for narcotic and bomb detection.

11. Pursuant to the Noncompete signed by Defendant, Defendant agreed that beginning September 29, 2005 and continuing for the period of his employment and for one (1) year following the expiration of or termination of his employment, he would not directly or indirectly, individually or as an owner, partner, shareholder, joint venture, corporate officer, director, employee, consultant, principal, agent, trustee or licensor, or in any other similar capacity whatsoever of or for any person, firm, partnership, company, or corporation (other than AMDETECH), (i) own, manage, operate control or participate in the ownership, management, operation or control of, be employed by, contract with, be an agent of, consult with, advise, assist, aid, associate with or be connected in any manner with any proprietorship, firm, corporation, limited liability company, partnership, joint venture or other person or entity, with the exception of passive investment not to exceed one percent (1%) of the issued and outstanding shares of any one business entity in securities that are publicly traded on a national securities exchange or through the NASDAQ, that engages in the Business in any of the United States, or (ii) directly or indirectly (by in-person visits, marketing, promotion, mail, e-mail, internet or telephone solicitation and/or advertising) induce any customer, supplier or vendor of AMDETECH to cease to transact its business with AMDETECH or cause any other person to cease to transact business with AMDETECH.

12. In August of 2010, AMDETECH discovered that Defendant breached the Asset Purchase Agreement, Employment Agreement, and Noncompetition Agreement between September of 2005 and August of 2010 in one or more of the following particulars including, but not limited to:

- a. Using AMEDETCH staff and resources to assist American K-9 Detection, a competitor of AMEDETCH, to train dogs owned by American K-9 and to be sold at a profit for American K-9;

b. Using AMDETECH staff and resources to train dogs for sale to law enforcement agencies and, upon sale of said dogs, convert the sale proceeds to the personal use of Defendant;

c. Selling dogs to law enforcement agencies without the knowledge or consent of AMDETECH and illegally using AMDETECH's FID (EIN) number as well as its General Services (GSA) vendor number and thereafter converting the sale proceeds of the dogs to Defendant's personal use;

d. Competing with AMDETECH during Defendant's employment by AMDETECH by using AMDETECH staff and resources to train dogs to be sold for Defendant's personal benefit and upon facility grounds leased by AMDETECH intended for the sole use of AMDETECH;

e. Marketing and doing business as Southern Hills Kennels when Defendant knew that AMDETECH had purchased all rights to the name "Southern Hills Kennels", its derivatives, and all websites related to Southern Hills Kennels.

13. As a direct and proximate result of Defendant's breaches, illegal acts, and violations of the documents referenced herein, AMDETECH has suffered damages, costs, and attorneys' fees.

COUNT I
BREACH OF CONTRACT (EMPLOYMENT AGREEMENT)

Plaintiff realleges paragraphs 1 through 13 and further alleges that at all times material:

14. Between September 29, 2005 and July 31, 2010, HEISER was employed by AMDETECH as the Director of Training for AMDETECH.

15. During his term of employment, Defendant breached his employment agreement with AMDETECH in one or more of the following particulars including, but not limited to:

- a. Working for competitors of AMDETECH;
- b. Working with competitors directly against the interests of AMDETECH;
- c. Training and selling dogs without AMDETECH's knowledge and converting the sale proceeds to Defendant's personal use;

- d. Allowing employees of competitors on the grounds of AMDETECH for the purpose of advancing the business interests of those competitors in a manner contrary to the business interests of AMDETECH;
- e. Interfering with the business relationships of AMDETECH;
- f. Misappropriating trade secrets belonging to AMDETECH for Defendant's own use or the use of AMDETECH's competitors;
- g. Competing directly with AMDETECH for his own personal gain;
- h. Failing to devote his full working time, attention, and best efforts to his duties with and for AMDETECH and to the best interests of AMDETECH and failing to perform his duties ably, faithfully, and diligently.

16. As a direct and proximate result of Defendant's numerous breaches of the Employment Agreement as set forth herein, AMDETECH suffered compensatory damages, costs, loss of revenue, loss of profits, loss of good will, loss of the exclusive use and benefit of trade secrets, loss of employee time, and loss of employee benefits.

WHEREFORE, AMDETECH prays that this Honorable Court enter judgment for AMDETECH for compensatory damages and costs, and demands a trial by jury of all issues so triable.

COUNT II
BREACH OF CONTRACT (NONCOMPETITION AGREEMENT)

Plaintiff realleges paragraphs 1 through 13 and alleges that at all times material:

17. AMDETECH is engaged in the training and sales of dogs specializing in narcotic and bomb detection to law enforcement agencies and for deployment in the Middle East to protect American troops who would otherwise be exposed to hidden IEDs (improvised explosive devices).

18. In September 2005, AMDETECH entered into the above-referenced agreements with Defendant and his wholly owned business entity, Southern Hills Kennels, Inc., to establish a source of its search team dogs.

19. The success of AMDETECH's business is dependent on its interest in training and selling such dogs. This business interest is not shared or readily acquired by competitors and represents a substantial investment of time, money, and effort by the Plaintiff.

20. On or about September 29, 2005, AMDETECH and Defendant entered into a written employment contract, including an ancillary noncompetition agreement which reasonably serves to protect AMDETECH's business interest described in paragraph 18 above. The employment agreement and noncompetition agreement, which are attached hereto and incorporated herein by reference include in pertinent part:

a. Beginning September 29, 2005 and continuing for the term of Defendant's employment with AMDETECH and for one (1) year following the expiration of or termination of his employment, Defendant would not directly or indirectly, individually or as an owner, partner, shareholder, joint venture, corporate officer, director, employee, consultant, principal, agent, trustee or licensor, or in any other similar capacity whatsoever of or for any person, firm, partnership, company, or corporation (other than AMDETECH) within the United States of America, (i) own, manage, operate control or participate in the ownership, management, operation or control of, be employed by, contract with, be an agent of, consult with, advise, assist, aid, associate with or be connected in any manner with any proprietorship, firm, corporation, limited liability company, partnership, joint venture or other person or entity, with the exception of passive investment not to exceed one percent (1%) of the issued and outstanding shares

of any one business entity in securities that are publicly traded on a national securities exchange or through the NASDAQ, that engages in the business in any of the United States, or (ii) directly or indirectly (by in-person visits, marketing, promotion, mail, e-mail, internet or telephone solicitation and/or advertising) induce any customer, supplier or vendor of AMDETECH to cease to transact its business with AMDETECH or cause any other person to cease to transact business with AMDETECH.

b. Defendant would not directly or indirectly solicit, influence, entice or encourage any person who at such time is, or who at any time in the six (6) month period prior to such time had been, an employee of or consult to AMDETECH to cease or curtail his or her relationship with AMDETECH.

c. Defendant would not directly or indirectly hire or attempt to hire, whether as an employee, consultant or otherwise, any person who at such time is, or who at any time in the six (6) month period prior to such time has been employed by AMDETECH; and that he would not directly or indirectly interfere with, disrupt or attempt to disrupt any past, present or prospective relationship, contractual or otherwise, between AMDETECH, on the one hand, and any of its respective customers, suppliers, or employees on the other hand.

d. Remedies at law for violation of any of the covenants or provisions of the Noncompetition would be inadequate, that such violations will cause irreparable injury within a short period of time, and AMDETECH shall be entitled to preliminary injunctive relief and other injunctive relief against such violation.

21. The above-described noncompetition agreement is supported by adequate consideration in the form of Plaintiff's agreement to employ Defendant and pay him a salary.

22. Defendant was employed by AMDETECH between September 29, 2005 and July 31, 2010.

23. During the course of employment, Defendant had access to and acquired knowledge of agencies, employees, customers and suppliers of AMDETECH, which is essential to AMDETECH'S rightfully protected business interest described in paragraph 20 above.

24. During the course of employment, Defendant solely by virtue of being employed by AMDETECH, personally acquired substantial customer and client loyalty and good will which constitutes a protectable business interest properly belonging to AMDETECH.

25. On or between September 29, 2005 and July 31, 2010 Defendant began competing with AMDETECH and breached the non competition agreement in one or more of the following particulars including, but not limited to:

- a. Working with competitors directly against the interests of AMDETECH;
- b. Selling dogs trained by Defendant for AMDETECH and while Defendant was employed by AMDETECH and converting those funds to his personal use;
- c. Unauthorized use of AMDETECH personnel and equipment;
- d. Allowing employees of competitors on the grounds of AMDETECH's lease property for the purpose of advancing the business interests of those competitors and directly acting in a manner contrary to the business interests of AMDETECH;
- e. Interfering with the business relationships of AMDETECH; and
- f. Utilizing the name of "Southern Hills Kennels" or any derivative thereof for his own benefit and not for the benefit of AMDETECH.

26. Defendant's actions are in breach of the above-described noncompetition agreement.

27. As a direct and proximate result of Defendant's numerous breaches of the Noncompete Agreement as set forth herein, AMDETECH suffered compensatory damages, costs, loss of revenue, loss of profits, loss of employee time, and loss of employee benefits.

WHEREFORE, AMDETECH prays that this Honorable Court enter judgment for AMDETECH for compensatory damages, costs, and demands a trial by jury of all issues so triable.

COUNT III
DEMAND FOR INJUNCTIVE RELIEF

Plaintiff realleges paragraphs 1 through 27 and further alleges that at all times material:

28. Defendant works daily in the business of training and placing narcotics dogs even though terminated by AMDETECH on July 31, 2010.

29. Defendant's breach of the noncompete, unless restrained by this honorable Court, will continue to cause irreparable injury to AMDETECH'S business, for which there is no adequate remedy at law.

30. AMDETECH's legitimate business interests irreparably harmed by Defendant include, but are not limited to;

- a. Trade secrets;
- b. Valuable confidential business or professional information that otherwise does not qualify as trade secrets;
- c. Substantial relationships with specific prospective or existing customers, or clients;
- d. Customer or client goodwill associated with:
 - i. An ongoing business or professional practice, by way of trade name, trademark, service mark, or "trade dress";
 - ii. A specific geographic location; or

iii. A specific marketing or trade area.

e. Extraordinary or specialized training.

31. AMDETECH seeks an injunction prohibiting HEISER from doing any of the acts set forth in Paragraph 1 of the Noncompetition Agreement, through and until one (1) year after this matter is decided as set forth in Paragraph 2 of the noncompete.

32. AMDETECH's legitimate business interests have suffered, and will continue to suffer, irreparable harm if this Honorable Court does not enjoin the Defendant from his acts that are in violation of the noncompete.

WHEREFORE, AMDETECH prays that this Honorable Court enter an Order enjoining the Defendant from engaging in any acts that are prohibited by any Agreement attached hereto.

COUNT IV
CIVIL THEFT

Plaintiff realleges paragraphs 1 through 32 and further alleges that at all times material:

33. HEISER was an employee of AMDETECH between September 29, 2005 and July 31, 2010.

34. During that time, HEISER knowingly obtained and used \$13,000.00 which belonged to AMDETECH with the felonious intent to, either temporarily or permanently, deprive AMDETECH of the right to the money and to appropriate the money to defendant's own use in violation of Section 772.11, Florida Statutes.

35. On or about June 29, 2010, HEISER received from the Richmond Hill Police Department the total sum of \$13,000 for two (2) dogs trained in explosive detection. The two (2) dogs were trained with AMDETECH resources and AMDETECH was entitled to receive the proceeds generated from the sale of the dogs.

36. As a result, AMDETECH has been injured because of the violation of § 772.11, Fla. Stat. and has lost the above sum plus interest from the date of the theft.

37. AMDETECH has retained the Law Office of Avera & Smith, LLP and is obligated to pay a reasonable fee for its services. Pursuant to § 772.11, Fla. Stat., AMDETECH is entitled to an award of attorney's fees.

38. Before filing this suit, AMDETECH on September 1, 2010 served on HEISER a written demand for payment of three times the amount of money taken by HEISER. The amount demanded was \$39,000.00, which amount represents three times the amount of the dollar amount of the theft. A copy of this written demand is attached to this complaint as Exhibit "D" and is incorporated herein by reference.

39. HEISER has failed and refused to pay the amount demanded or any other amount.

WHEREFORE, AMDETECH demands judgment for three times the amount due as damages, prejudgment interest, attorney's fees and costs, and any other or further relief this Court deems just and proper, and demands trial by jury on all issues so triable.

COUNT V
CIVIL THEFT

Plaintiff realleges paragraphs 1 through 39 and further alleges that at all times material:

40. HEISER was an employee of AMDETECH between September 29, 2005 and July 31, 2010.

41. During that time, HEISER knowingly obtained and used trade secrets and proprietary information belonging to AMDETECH with the felonious intent to, either temporarily or permanently, appropriate the trade secrets to defendant's own use or the use of another not entitled thereto in violation of Section 772.11, Florida Statutes.

42. During that time, HEISER knowingly obtained and used \$56,500.00 which belonged to AMDETECH with the felonious intent to, either temporarily or permanently, deprive AMDETECH of the right to the money and to appropriate the money to defendant's own use in violation of § 772.11, Fla. Stat.

43. On or between May 20, 2010 and June 29, 2010, HEISER obtained from the office of Homeland Security/GEMA in Atlanta, Georgia, the total sum of \$56,500 for five (5) dogs trained in explosive detection. All five (5) of those dogs were trained with AMDETECH resources and the revenues generated from the dogs were the property of AMDETECH.

44. As a result, AMDETECH has been injured because of HEISER's violations of § 772.11, Fla. Stat., which resulted in AMDETECH's loss of property, revenue, income, good will, competitive advantage, trade secrets, and the above sum plus interest from the date of the theft.

45. AMDETECH has retained the Law Office of Avera & Smith, LLP and is obligated to pay a reasonable fee for its services. Pursuant to § 772.11, Fla. Stat., AMDETECH is entitled to an award of attorney's fees.

46. Before filing this suit, AMDETECH on September 1, 2010 served on HEISER a written demand for payment of three times the amount of money taken by HEISER. The amount demanded was \$169,500.00, which amount represents three times the amount of the dollar amount of the theft and conversion of the five (5) dogs and the revenue there from. A copy of this written demand is attached to this complaint as Exhibit "E" and is incorporated herein by reference.

47. HEISER has failed and refused to pay the amount demanded or any other amount.

WHEREFORE, AMDETECH demands judgment for three times the amount due as damages, prejudgment interest, attorney's fees and costs, and any other or further relief this Court deems just and proper, and demands trial by jury on all issues so triable.

COUNT VI
CONVERSION

Plaintiff realleges paragraphs 1 through 47 above and further alleges that at all times material:

48. HEISER was an employee of AMDETECH between September 29, 2005 and July 31, 2010.

49. During that time, HEISER knowingly obtained and used money or property which rightfully belonged to AMDETECH and converted such money or property to defendant's own use.

50. In particular, HEISER converted to his own use revenues rightfully belonging to AMDETECH which were generated from business activities including but not limited to the training and sale of dogs that were purchased, trained, housed, raised, or fed with AMDETECH's personnel and resources, including but not limited to the following incidents:

- a. On or about June 29, 2010, HEISER converted to his own use monies received from the Richmond Hill Police Department in the amount of \$13,000 for two (2) dogs trained in explosive detection. The two (2) dogs were trained with AMDETECH resources and the revenues generated from the dogs were the property of AMDETECH.
- b. On or between May 20, 2010 and June 29, 2010, HEISER obtained from the office of Homeland Security/GEMA in Atlanta, Georgia, the total sum of \$56,500 for five (5) dogs trained in explosive detection. All five (5) of those

dogs were trained with AMDETECH resources and the revenues generated from the dogs were the property of AMDETECH, and

- c. Between September 29, 2005 and July 31, 2010, HEISER converted to his own use, or the use of another not entitled thereto, \$650,447.52 in revenues or income rightfully belonging to AMDETECH, which amount HEISER received from various customers and transactions as listed in the spreadsheet attached hereto as Exhibit "F" and incorporated by reference herein.

51. On or between September 29, 2005 and July 31, 2010, and continuing, HEISER converted to his own use or the use of another not entitled thereto property, money, trade secrets, or proprietary information belonging to AMDETECH in one or more of the following particulars including, but not limited to:

- a. Utilizing AMDETECH's trade secrets or proprietary information to work with competitors directly against the interests of AMDETECH;
- b. Selling dogs trained by Defendant for AMDETECH and while Defendant was employed by AMDETECH and converting those funds to his personal use;
- c. Unauthorized use of AMDETECH personnel and equipment;
- d. Allowing employees of competitors on the grounds of AMDETECH's lease property for the purpose of advancing the business interests of those competitors and directly acting in a manner contrary to the business interests of AMDETECH; and
- e. Utilizing the name of "Southern Hills Kennels" or any derivative thereof for his own benefit and not for the benefit of AMDETECH.

52. HEISER's conversion to his own use or the use of another not entitled thereto the property, money, revenue, trade secrets, and propriety information belonging to AMDETECH caused AMDETECH to suffer damages including, but not limited to, loss of property, revenue,

income, good will, competitive advantage, trade secrets, proprietary information, and competitive advantage.

WHEREFORE, AMDETECH demands judgment for compensatory damages, prejudgment interest, costs, and any other or further relief this Court deems just and proper, and requests a trial by jury on all issues so triable.

COUNT VII
FRAUD

Plaintiff realleges paragraphs 1 through 52 above and further alleges that at all times material:

53. During the term of his employment with AMDETECH between September 29, 2005 and July 31, 2010, HEISER knowingly defrauded AMDETECH by misrepresenting and actively concealing the amount of revenues generated from business activities including but not limited to the sale of dogs trained, purchased, raised, housed, fed, or prepared through the use of AMDETECH's personnel and resources.

54. HEISER knowingly misrepresented or concealed the revenues or income associated with the transactions listed in the spreadsheet attached hereto as Exhibit "F" and incorporated by reference herein.

55. By his statements and conduct, HEISER persuaded AMDETECH that he intended to honor his agreements with AMDETECH and perform in accordance therewith. During his period of employment, HEISER knowingly misrepresented and actively concealed his activities that were in direct competition with AMDETECH or were otherwise in violation of the terms of the agreements referenced above.

56. AMDETECH detrimentally relied on the false representations and incomplete information provided by HEISER and in reliance thereon AMDETECH continued to employ and pay HEISER a regular salary, wages, bonuses, and other compensation, continued to entrust

HEISER with AMDETECH's trade secrets and proprietary information, and provided HEISER with access to and use of AMDETECH resources, personnel, leased property, and other assets which were intended solely for the advancement of AMDETECH's legitimate business interests.

57. As a direct and proximate result of HEISER's misrepresentations and fraudulent concealment, AMDETECH suffered losses including but not limited to loss of customers, business, revenue, profits, good will, trade secrets, propriety information, and competitive advantage.

WHEREFORE, AMDETECH demands judgment for compensatory damages, prejudgment interest, costs, and any other or further relief this Court deems just and proper, and demands a trial by jury on all issues so triable.

COUNT VIII
BREACH OF FIDUCIARY DUTY

Plaintiff realleges paragraphs 1 through 57 above and further alleges that at all times material:

58. HEISER was an employee of AMDETECH between September 29, 2005 and July 31, 2010.

59. During that time, HEISER was in a position of trust and owed a contractual and common law fiduciary duty to AMDETECH to act in loyalty and good faith and to utilize his best efforts to promote the business endeavors and interests of AMDETECH.

60. During that time, HEISER breached the duty owed to AMDETECH in one or more of the following particulars, including but not limited to:

- a. Utilizing AMDETECH's trade secrets or proprietary information to work with competitors directly against the interests of AMDETECH;
- b. Selling dogs trained by Defendant for AMDETECH and while Defendant was employed by AMDETECH and converting those funds to his personal use;

- c. Unauthorized use of AMDETECH personnel and equipment;
- d. Allowing employees of competitors on the grounds of AMDETECH's lease property for the purpose of advancing the business interests of those competitors and directly acting in a manner contrary to the business interests of AMDETECH;
- e. Interfering with the business relationships of AMDETECH;
- f. Utilizing the name of "Southern Hills Kennels" or any derivative thereof for his own benefit and not for the benefit of AMDETECH; and
- g. Concealing and converting to his own use revenues generated from the transactions listed on the spreadsheet attached hereto as Exhibit "F" and incorporated by reference herein.

61. As a direct and proximate result, AMDETECH has suffered damages including but not limited to loss of customers, business, revenue, profits, good will, trade secrets, propriety information, and competitive advantage.

WHEREFORE, AMDETECH demands judgment for compensatory damages, prejudgment interest, costs, and any other or further relief this Court deems just and proper, and demands a trial by jury on all issues so triable.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished on this 17th day of MARCH, 2011 by U.S. Mail to Eric A. Latinsky, Esquire, 1206 South Ridgewood Avenue, Daytona Beach, FL 32114.

AVERA & SMITH, LLP



Mark A. Avera, Esq.
Florida Bar No. 812935
2814 SW 13th Street
Gainesville, FL 32608
(352) 372-9999/FAX 375-2526
Attorneys for Plaintiff

ASSET PURCHASE AGREEMENT

Agreement made as of September 29, 2005 by and among AMERICAN DETECTION TECHNOLOGIES, INC., a Delaware corporation ("Buyer"), SOUTHERN HILLS KENNELS, INC., a Florida corporation ("Seller"), and WILLIAM W. HEISER ("Stockholder"). Buyer, Seller, and Stockholder are referred to individually as a "Party," and collectively as the "Parties."

WHEREAS, subject to the terms and conditions hereof, Seller desires to sell, transfer and assign to Buyer, and Buyer desires to purchase from Seller, substantially all of Seller's properties, rights and assets used in connection with Seller's business in the training of narcotic and bomb detection dogs (the "Business").

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Parties hereto agree as follows:

SECTION 1. PURCHASE AND SALE OF ASSETS.

1.1 Sale of Assets. Upon the terms and subject to the conditions set forth in this Agreement and the performance by the Parties hereto of their respective obligations hereunder, Seller agrees to sell, assign, transfer and deliver to Buyer, and Buyer agrees to purchase from Seller, Seller's right, title and interest in and to the properties and assets of Seller, including but not limited to (a) inventory (including all dogs not under contract for sale by Seller at Closing), equipment (including trucks and vans), and all other tangible personal property, (b) ~~the right to use the name and logo related to "Southern Hills Kennels" and any derivative thereof,~~ (c) telephone numbers (including toll free numbers) and website addresses (including www.drugdogs.net and www.southernhillskennels.com), used in the Business, (d) the right to service all customers of the Business, (e) all other intangible assets used in the Business, (f) books, records, ledgers, files, documents, correspondence, lists including, without limitation, customer lists, advertising and promotional materials, reports, and other printed or written materials, and (g) all goodwill associated with the Business. A list of the tangible personal property included in the assets to be purchased is set forth on Schedule 1.1 hereto, and that list includes, without limitation, all equipment and inventory used by Seller in the Business (collectively the "Purchased Assets").

1.2 Excluded Assets. Notwithstanding anything to the contrary in Section 1.1 hereof, there will be excluded from the Purchased Assets and retained by Seller the properties and assets of Seller used in the Business that are set forth on Schedule 1.2 (the "Excluded Assets").

1.3 All Assets. The Purchased Assets and the Excluded Assets (collectively the "Assets") listed on Schedule 1.1 and Schedule 1.2, respectively, constitute all of the assets and properties of Seller used in the conduct of the Business as presently conducted.

1.4 Assumed Liabilities. Buyer will not assume any liabilities or obligations of Seller and/or the Business, or any obligations or liabilities relating to the Purchased Assets.

Except for the foregoing, it is expressly understood that Buyer will not assume, pay or be liable for any liability or obligation of Seller or Stockholder of any kind or nature at any time existing or asserted, whether known, unknown, fixed, contingent or otherwise.

1.5 Purchase Price. The amount of the total purchase price (the "Purchase Price") payable by the Buyer to Seller for the Purchased Assets shall be \$900,000.00, payable as follows:

- (a) \$600,000 in cash at Closing; and
- (b) \$300,000 by delivery by Buyer of a convertible promissory note in that principal amount, such note payable in equal annual installments over a period of three (3) years from the date of Closing, subject to certain convertible rights, and without any prepayment penalty or premium, with interest fixed at 6% per annum, in the form attached hereto as Exhibit 1.5 (the "Note").

1.6 Purchase Price Allocation. The Parties agree to allocate the Purchase Price (and all other capitalized costs) among the Purchased Assets for tax purposes in accordance with the allocation schedule to be agreed upon by the Parties at or prior to the Closing and attached in substantial form hereto as Exhibit 1.6.

1.7 The Closing. The closing of the transactions contemplated by this Agreement will take place at the offices of Bowditch & Dewey, LLP, 311 Main Street, Worcester, MA 01608 at noon on September 29, 2005 or at such other earlier time or other time and place as Buyer and Seller mutually agree (which time and place are designated as the "Closing"). The Parties may close by mail and/or by facsimile upon mutual agreement. Time is of the essence.

1.8 Deliveries by Seller and Stockholder at Closing. At the Closing, Seller and Stockholder, as applicable, shall deliver or cause to be delivered to Buyer the following:

- (a) The Purchased Assets;
- (b) Certificates of Title to the trucks and all other related equipment in which ownership is represented by a certificate of title;
- (c) A Bill of Sale in the form attached hereto as Exhibit 1.8(c);
- (d) Intentionally deleted.
- (e) A lease of the property at 690B Meta Lane, New Smyrna Beach, Florida (the "Property") in the form attached hereto as Exhibit 1.8(e) (the "Lease");
- (f) A certificate, dated as of the Closing, from the Seller to the effect that the conditions set forth in Sections 3.1 and 3.2 have been satisfied;
- (g) A certificate, dated as of the Closing, from the President of Seller as to the

Articles of Incorporation and Bylaws, both of which shall be attached thereto, authority and the incumbency of all officers executing Seller documents on behalf of Seller and resolutions adopted by Seller's Sole Stockholder, in such form reasonably acceptable to Buyer;

- (h) Intentionally deleted.
- (i) Intentionally deleted.
- (j) Certified resolutions of Seller duly and legally authorizing the execution and performance of this Agreement, the transactions contemplated hereby, and the agreements, instruments, documents and transactions contemplated by this Agreement;
- (k) Written consent to use of the name "Southern Hills Kennels";
- (l) An executed Employment Agreement between the Buyer and the Stockholder in the form attached as Exhibit 1.8(l);
- (m) An executed Noncompetition Agreement in the form attached as Exhibit 1.8(m);
- (n) All other documents, assignments and other instruments which, in the opinion of Buyer, are necessary or appropriate to vest in Buyer title to the Purchased Assets to be transferred by Seller pursuant to this Agreement; and
- (o) All other documents, schedules, endorsements, assignments, instruments, writings and other items required to be delivered by Seller at or prior to the Closing pursuant to this Agreement or otherwise required or reasonably requested in connection herewith.

Such certificates, assignments, documents and instruments (i) will be in form and substance reasonably satisfactory to Buyer, and (ii) will effectively vest in Buyer good and marketable title to all of the Purchased Assets free and clear of all claims, mortgages, pledges, security interests, charges, liens, restrictions and encumbrances of any kind (collectively, "Liens").

1.9 Deliveries by Buyer at Closing. At the Closing, Buyer shall deliver or cause to be delivered to Seller the following:

- (a) Payment of the Purchase Price payable by certified check, wire transfer or delivery of other immediately available funds;
- (b) An executed Employment Agreement between the Buyer and the Stockholder in the form attached as Exhibit 1.8(l);
- (c) An executed Noncompetition Agreement in the form attached as Exhibit 1.8(m); and

(d) All other documents, schedules, endorsements, assignments, instruments, writings and other items required to be delivered by Buyer at or prior to the Closing pursuant to this Agreement or otherwise required or reasonably requested in connection herewith.

1.10 Further Assurance. Seller, from time to time after the Closing at the request of Buyer and without further consideration, will execute and deliver further instruments of transfer and assignment and take such other action as Buyer may reasonably require to effectively transfer and assign to, and vest in, Buyer the Purchased Assets free and clear of any Liens.

1.11 Sales and Transfer Taxes. All sales, transfer, use, recordation, documentary, stamp and excise taxes (including any real estate transfer taxes), if any, under applicable law incurred in connection with this Agreement or the transactions contemplated hereby will be borne and paid by Seller. All other fees, taxes and expenses will be borne in accordance with Section 6.7 below.

1.12 Other Taxes. Seller will reimburse Buyer for taxes imposed upon the Purchased Assets on a periodic basis which are payable for a taxable period that includes (but does not end on) the date of the Closing, in an amount equal to the amount of such tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the date of the Closing and the denominator of which is the number of days in the entire taxable period.

1.13 Approval of Stockholder. Stockholder consents to the execution and delivery by Seller of this Agreement and the Seller Documents (as that term is defined in Section 2.2, below) and the consummation by Seller of the transactions contemplated hereby and thereby. Stockholder believes he has received all the information he considers necessary or appropriate for deciding whether to approve the transaction contemplated under this Agreement. Stockholder represents that he has had an opportunity to ask questions and receive answers from Buyer regarding the terms and conditions of the transaction contemplated under this Agreement and the business, properties, prospects and financial condition of Buyer.

1.14 Change of Name. Within one (1) year of the Closing, Seller shall change its name of record with the Florida Secretary of State to a name other than "Southern Hills Kennels" or any derivative thereof; provided, however, that Buyer, or any of its successors or assigns, shall convey the name "Southern Hills Kennels" to Seller upon an event of default under the Note of even date herewith. Buyer grants Seller the right to use of the name Southern Hills Kennels solely for purposes of collecting any accounts receivables owed to Seller.

1.15 Inspection of Seller's Records by Buyer after Closing. Seller hereby grants Buyer the right, after Closing, to inspect and copy Seller's books and records purchased by Buyer at Closing, solely upon reasonable request and notice by Seller or Stockholder given to Buyer from time to time, provided that the purpose of such inspection shall be solely for

the purpose of preparation of any tax return by Seller or Stockholder, or with respect to any tax audit regarding Seller or Stockholder.

SECTION 2. REPRESENTATIONS AND WARRANTIES OF SELLER AND STOCKHOLDER

As a material inducement to Buyer to enter into this Agreement, each of Seller and Stockholder represents and warrants to Buyer as follows:

2.1 Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with full power and authority to own or lease its properties.

2.2 Required Action. Seller and Stockholder have full right, authority, power and capacity to execute and deliver this Agreement and each agreement, document and instrument to be executed and delivered by or on behalf of it or them pursuant to, or as contemplated by this Agreement (collectively, the "Seller Documents") and to carry out the transactions contemplated hereby and thereby.

2.3 No Conflict. The execution, delivery and performance by Seller and Stockholder of this Agreement and each of the other Seller Documents does not and will not (a) violate any provision of the Articles of Incorporation or Bylaws of Seller, in each case as amended to date, (b) constitute a violation of, or conflict with or result in any breach of, acceleration of any obligation under, right of termination under, or default under, any agreement or instrument to which Seller or Stockholder is a party or by which any of Seller, Stockholder or the Purchased Assets are bound except as disclosed herein and which will have been waived in writing on or prior to the Closing, (c) violate any judgment, decree, order, statute, rule or regulation applicable to Seller or Stockholder; (d) require Seller or Stockholder to give notice to, obtain any approval, consent or waiver of, or to make any filing with, any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization, or any other business entity, or any governmental entity (or any department, agency, or political subdivision thereof) (each a "Person") that has not been obtained or made or will be obtained or made prior to the Closing; or (e) result in the creation or imposition of any Lien on any of the Purchased Assets.

2.4 Taxes. Seller and Stockholder have paid or caused to be paid all federal, state, local, foreign and other taxes, including, without limitation, income taxes, estimated taxes, alternative minimum taxes, excise taxes, sales taxes, use taxes, value-added taxes, gross receipts taxes, franchise taxes, capital stock taxes, employment, payroll and payroll-related taxes, withholding taxes, stamp taxes, transfer taxes, environmental taxes and property taxes, whether or not measured in whole or in part by net income, and all deficiencies, or other additions to tax, interest, fines and penalties owed by it (collectively, "Taxes"), related to the Business. Neither the Internal Revenue Service nor any other governmental authority is now asserting or threatening to assert against Seller any deficiency or claim for additional Taxes.

2.5 Compliance with Laws. Seller's operation of the Business is in compliance in all material respects with all applicable statutes, ordinances, orders, permits, rules and regulations promulgated by any federal, state, municipal or other governmental authority, and Seller has not received notice of a violation or alleged violation of any such statute, ordinance, order, permit, rule or regulation.

2.6 Insurance. Seller has maintained adequate insurance coverage with respect to the Assets through the Closing.

2.7 Title. Seller has good and marketable title to all of the tangible Purchased Assets free and clear of all Liens. Upon the sale, assignment, transfer and delivery of the Purchased Assets to Buyer hereunder and under the Seller Documents, there will be vested in Buyer good and marketable title to the Purchased Assets, free and clear of all Liens.

2.8 Condition of Assets. To Seller's knowledge, all of the tangible Purchased Assets (other than inventory or as disclosed in writing) are in good repair, have been well maintained and are in good operating condition and suitable for the purposes for which they are presently used and presently proposed to be used.

2.9 Inventory. Seller has no inventory other than nineteen (19) dogs in training and related kennel supplies.

2.10 No Litigation. Seller is not now involved in, nor, to the knowledge of Seller or Stockholder, is Seller or Stockholder threatened to be involved in, any litigation or legal or other proceedings related to or affecting the Business or any of the Purchased Assets.

2.11 Licenses. As of the date of this Agreement, Seller is the holder of all licenses, permits and authorizations from all Persons necessary for the conduct of the Business currently conducted thereon and as currently proposed to be conducted thereon and/or which are required or appropriate to use or occupy the Property (collectively, the "Authorizations"). All of the Authorizations are in full force and effect and are transferable to Buyer without the consent or approval of the issuing governmental authority or entity.

2.12 Consents. Except as obtained at Closing or disclosed in Schedule 2.12, no approval or consent of any Person or entity not a party to this Agreement is required to be obtained by Seller in connection with the execution and delivery of this Agreement and the Seller Documents and the consummation of the transactions contemplated hereby and thereby.

2.13 Brokers. Seller has not retained any broker or finder or other Person who would have any claim against any of the parties to this Agreement for a commission or brokerage fee in connection with this Agreement or the transactions contemplated hereby.

2.14 Disclosure. The representations, warranties and statements contained in this Agreement and in the certificates, exhibits and schedules delivered by Seller and/or Stockholder to Buyer pursuant to this Agreement do not contain any untrue statement of a

material fact, and, when taken together, do not omit to state a material fact required to be stated therein or necessary in order to make such representations, warranties or statements not misleading in light of the circumstances under which they were made.

2.15 Certain Business Relationships With Seller. None of the Seller's directors, officers, or employees, or stockholders, and no Affiliate of Seller or Stockholder, owns any asset, tangible or intangible, which is used in the Business, other than as set forth in Schedule 2.15, or has an ownership interest in any customer or supplier of the Business.

2.16 Customers.

(a) Schedule 2.16 lists all of the customers of Seller and sets forth opposite the name of each such customer the relevant contact information. Buyer shall present the information needed to complete Schedule 2.16 within thirty (30) days of the Closing.

(b) No customer listed on Schedule 2.16 has indicated that it shall stop, or materially decrease the rate of, buying products or services from Seller.

★ 2.17 Employees. Attached on Schedule 2.17 is a true and accurate list of the names of all paid officers, employees, agents and representatives of Seller with respect to the Business and their respective rates of compensation (including annual bonuses) of each of the foregoing together with the anticipated date of salary review and all accrued vacation, sick leave, bonuses and other compensations due such persons. Seller does not have any written employment contracts or consulting arrangements currently in effect that are not terminable at will.

★ 2.18 Disclosure. The representations, warranties and statements contained in this Agreement and in the certificates, exhibits and schedules delivered by Buyer to Seller pursuant to this Agreement do not contain any untrue statement of a material fact, and, when taken together, do not omit to state a material fact required to be stated therein or necessary in order to make such representations, warranties or statements not misleading in light of the circumstances under which they were made.

SECTION 3. CONDITIONS PRECEDENT TO OBLIGATION OF BUYER.

Buyer's obligation to consummate the transaction contemplated by this Agreement is subject to the satisfaction, on or prior to the Closing, of each of the following conditions, unless waived by Buyer in writing:

3.1 Accuracy of Representations and Warranties. The representations and warranties of Seller and Stockholder contained in this Agreement will be true and correct in all material respects as of the Closing with same effect as though made at such time.

3.2 Performance of Agreements and Deliveries. Seller and Stockholder will have performed in all material respects all of their covenants, agreements and obligations under this Agreement which are to be performed or complied with by Seller or Stockholder prior to or upon the Closing, and Seller and Stockholder will have delivered all documents and items required to be delivered at or prior to the Closing, including the deliveries