COVE PARTNERS LLC

INVESTMENT BANKING

Cove Partners LLC

M&A Services Overview Presentation

July 2010

Table of Contents

Section 1

Introduction to Cove Partners LLC

Corporate Profile: A Progressive Approach

Cove Partners Highlights:

- Strictly client-driven emphasizing long-term relationships
- Success is the result of the commitment we make to our clients
- Entrepreneurial teamwork enables us to partner with your management team and develop unique, customized strategies to successfully execute each assignment
- Strong relationships with private equity, institutional investors and lenders lead to quick response time and high valuations

Cove Partners LLC, founded in January 1996, is a boutique strategic financial advisory firm based in San Diego

We provide ongoing financial advisory and corporate development services to clients relating to:

- Corporate Finance Advisory
- Mergers & Acquisitions
- Corporate Restructuring
- Debt and Equity Capital Markets
- Strategic Shareholder Advisory
- Valuations

Middle Market Focus:

- We have provided services to over 100 client companies, both public and private, ranging from start-up to mature companies with annual revenues in excess of $500 million
- We are primarily focused on private companies with annual revenues between $25 million and $150 million, and public companies with market capitalizations of up to $250 million across a wide variety of industries
- We maintain active relationships with private equity groups, banks, and institutional investors and lenders throughout North America, Europe, and Asia

Our professionals provide a full spectrum of financial advisory, restructuring, investment banking and capital markets services offering:

- “Bulge Bracket” analytical and execution skills priced cost-effectively for the middle market
- Senior level attention to all engagements without personnel “bait and switch”

Operating Principles

Our commitment is to a successful outcome designed to build or realize increased shareholder value

Mission Statement:

Cove Partners LLC will strive at all times to provide our clients with high quality, insightful and objective strategic advisory services in an effort to create long-term mutually beneficial relationships. In all instances Cove will be committed to demonstrating the highest level of professionalism, integrity and responsiveness in order to meet our clients' objectives

Integrity

- We will at all times and in all of our dealings be committed to the highest degrees of integrity and honesty

Commitment

- We will commit ourselves to giving 100% effort in everything that we do
- We subscribe to the notion that anything worth doing is worth doing well

Communication

- We will strive at all times to communicate regularly and openly with one another in an effort to keep both team members and clients apprised of our progress

Teamwork

- We will at all times endeavor to work cooperatively with one another and to incorporate one another's strengths in our work product

Respect

- We will at all times treat people and their ideas with respect and dignity

Philosophy

Cove always strives in all we do to exceed our clients' expectations

Cove Partners LLC couples extensive corporate finance and operational experience and expertise with an intense commitment to building meaningful long-term client relationships based on exceeding our clients' expectations

Our Professionals

Cove's team of professionals has decades of collective corporate finance, restructuring and valuation experience, with expertise in a variety of transaction types and industry sectors. Each of our professionals upholds the highest standards of professionalism, creativity, and integrity. Furthermore, our team members provide clients with close personal attention and counsel, throughout and beyond the advisory process in support of the development of long-term relationships.

Our Understanding

We take the time to understand the complex operational, strategic, and financial issues facing our clients. We realize that running a business is more than just a "numbers game." Through our custom-tailored approach to each client's individual needs, we are able to conceive and execute creative solutions that create shareholder value while bringing challenging transactions to completion.

Client Focus

Cove Partners LLC believes that the middle-market represents an exceptionally attractive, yet vastly under-serviced, segment of the economy. As such, we are singularly focused on providing strategic and capital solutions to this important market sector.

Relationship Approach

Each of our professionals shares the belief that "*what is good for the client is good for Cove*." The client always comes first. We are interested in long-term relationships with our clients, not short-term transactions. This focus has resulted in close working relationships with a distinguished array of clients from a broad industry base, including middle-market companies, major private equity funds, and sophisticated institutions.

Creative Solutions = Value Building Results

Why Cove Partners LLC—Points of Differentiation:

- **Seasoned Team:** Senior transaction team with decades of experience
- **Senior Attention:** No Bulge Bracket "bait and switch"
- **Discipline and Focus:** Exclusive focus on middle market companies

Cove Partners LLC provides "bulge bracket" quality analytical and execution skills to the middle market in connection with:

- Mergers and acquisitions
- Financial, corporate restructuring and strategic advisory services;
- Institutional private placements; and
- Valuations

Our expertise lays the groundwork for building or monetizing sustainable long-term shareholder value by designing and implementing a customized value-added process and strategy for every client

We cater to the individual needs of our clients

We accept only those engagements where we have the ability to add significant value and where our expertise can help assure a successful transaction

Our concentration is on middle market companies and transactional needs valued between $20 million and $200 million

Section 2

M&A Case Studies

Case Study #1

Convincing a Fortune 100 company to think outside the box

Situation	• Approximately $100 million annual revenue niche value added distribution company • Company shareholders wanted to sell their shares in the company and phase out of day to day operational roles • Shareholders did not want company exposed to broad auction process for fear of scaring customer base
Action Plan	• Cove identified two highly logical publicly-held potential acquirers and recommended to company shareholders a sale process at least initially limited to these two potential purchasers ✓ The potential purchasers were direct competitors battling each other for market share ✓ Neither potential acquirer had business operations in Cove's client's primary market • Customized accretion analysis presented to both potential acquirers under cover of Confidentiality Agreements • Cove worked with both potential acquirers' strategic planning groups to rationalize the market expansion such an acquisition would require • Cove forced an auction bidding process between the two potential acquirers
Outcome	• Sale concluded on all cash basis with earn-out • Entire management team and shareholders retained under employment contracts post closing • Goals and objectives of shareholders met • Successful purchaser used acquisition as platform to enter high growth vertical market

Case Study #2

Dealing with a coercive going-private bid

Situation	• Approximate $650 million annual revenue NYSE company in receipt of inadequate private equity backed going-private bid • Company in technical default of its debt due to bankruptcy of one customer • Board of Directors had rubber-stamped going-private bid, and Proxy materials sent to shareholders staked out position with shareholders that company could not refinance its technically defaulted debt and faced bankruptcy proceedings if going-private transaction was not promptly approved • Company's investment bankers rendered an inadequate Fairness Opinion in support of proposed transaction
Action Plan	• Cove represented the institutional minority shareholders who objected to the transaction ✓ Arranged both a new debt financing package of $175 million as well as commitments for $30 million of new equity capital as alternative to proposed sale • Assumed lead responsibilities in threatening Proxy fight to defeat transaction ✓ Recruited proposed new Board of Directors ✓ Recruited proposed new Chief Executive Officer ✓ Responsible for "fight letters" written to Board and strategy
Outcome	• Defeated scheduled shareholder vote on transaction on four occasions • Forced proposed purchase price to be raised numerous times by private equity sponsor • Transaction finally approved by shareholders after six week fight • Final purchase price paid by private equity sponsor was approximately 15% higher than that approved and recommended to shareholders by Board of Directors

Case Study #3

Dealing with getting no respect in the stock market

Situation	• Approximately $100 million revenue company trading at discount to book value on Nasdaq • Company had significant free cash flow, low debt to equity ratio, and trading at discount to peer group metrics • Limited institutional shareholders and no analyst coverage • Average daily trading volume of less than 5,000 shares
Action Plan	• Cove approached company's Board of Directors on an unsolicited basis and proposed a going-private transaction as principal ✓ Proposed going-private transaction would allow shareholders the ability to monetize their investments at a significant premium to historical stock trading range • Entered into exclusivity agreement with company that was not subject to disclosure requirements under 8-K • Completed comprehensive operational and financial due diligence • Arranged all required debt and equity financing and private equity sponsorship
Outcome	• Going-private transaction completed smoothly approximately twelve months after Cove first approached company Board of Directors • Shareholders received significant premium to historical trading range for their shares • Entire management team retained post-closing with significant equity participation

Case Study #4

Dealing with a target with defaulted debt

Situation	• Cove client was an approximately $400 million revenue overseas based public company looking to acquire platform company within the United States • Target identified by Cove was an American Stock Exchange company with outstanding bonds that were on the verge of going into default • Target company bondholders had noticed default and intent to force company into bankruptcy • Significant time pressure to analyze, negotiate, and consummate transaction
Action Plan	• Cove approached target company's Board of Directors on an unsolicited basis and proposed a significant bridge loan to ease target company cash flow pressures ✓ Portion of bridge loan proceeds were utilized to bring bonds current on interest payments, thus avoiding immediate default • Entered into negotiations with various bondholders to acquire portions of the outstanding bonds at a discount, allowing bondholders recovery in excess of that which they would have received in bankruptcy court • Acquisition of outstanding bond indebtedness to be predicate to debt for equity swap with target company • Working with target company board and senior management to assure mutuality of interests and shared strategic vision for company on going forward basis
Outcome	• Cove's client acquired a significant majority interest in an American Stock Exchange company without being required to pay a control premium • Target company shareholders were able to retain a minority equity interest in the company and avoided the risks of a bankruptcy proceeding

Section 3

M&A Services

M&A Services

Merger & Acquisition Services Designed to Build Lasting Shareholder Value

Our goal in every sell-side M&A engagement is to allow our client's shareholders to achieve the highest potential value for their equity by way of controlled auction process

Our goal in every buy-side M&A engagement is to allow our client to acquire a strategically valuable asset at the lowest possible valuation by focusing on originating proprietary transactions on their behalf

Merger & Acquisition Assignments

- Cove provides advisory services to a wide variety of companies seeking liquidity by sale to a strategic or financial buyer. A senior professional with significant experience leads every engagement.
- Our merger and acquisition advisory services include:
  - Sell Side
  - Buy Side
  - Divestitures
  - Equity and Leveraged Recapitalizations
  - Management Buyouts
- Whether selling a company, merging with another company, acquiring or divesting a business, Cove has the expertise to conceive and execute the most appropriate transaction for each situation
- Utilizing our extensive market knowledge we prepare a well researched list of potential buyers that includes strategic buyers and private equity groups (both domestic and foreign)
- Throughout the process our goals are to:
  - Maintain confidentiality
  - Contact only qualified buyers who have the means and desire to consummate a transaction
  - Shield management from marketing minutiae, allowing them to focus on ongoing operations
  - Manage an efficient and realistic transactional timeline
  - Create a controlled auction environment with several buyers bidding against each other to acquire the company so as to realize the highest valuation
  - Select the winning bidder and negotiate the agreements that will lead to a successful closing

M&A Services

Cove's Role in Sell-Side M&A Engagements

Our goal in every sell-side M&A engagement is to allow our client's shareholders to achieve the highest potential value for their equity by way of controlled auction process

Our goal in every buy-side M&A engagement is to allow our client to acquire a strategically valuable asset at the lowest possible valuation by focusing on originating proprietary transactions on their behalf

- Establish transaction process and timetable
- Construct financial models for dissemination to potential buyers including customized accretion/dilution models
- Provide guidance to the shareholders in connection with realistic value expectations for the Company
- Prepare marketing materials clearly demonstrating the value proposition of the Company and the reason potential buyers "must" pay-up for the Company
- Identify, rationalize, and assess interest of potential buyers
- Manage controlled auction process
- Manage due diligence process and data room
- Evaluate bids and make recommendations to Company's shareholders concerning same
- Negotiate definitive transactional terms
- Assist in closing of transaction

M&A Services

Cove's Role in Buy-Side M&A Engagements

Our goal in every sell-side M&A engagement is to allow our client's shareholders to achieve the highest potential value for their equity by way of controlled auction process

Our goal in every buy-side M&A engagement is to allow our client to acquire a strategically valuable asset at the lowest possible valuation by focusing on originating proprietary transactions on their behalf

- Understand strategic goals and objectives of client
- Identify universe of potential acquisition candidates that meet client's strategic goals and objectives
- Contact approved potential acquisition targets on client's behalf
- Negotiate appropriate Confidentiality Agreements
- Construct appropriate financial models including as required customized accretion/dilution models
- Provide guidance to client in connection with bid strategy, transactional structure, financing options, and valuation of target acquisition
- As required arrange financing (both debt and/or equity) for client to allow for consummation of transaction
- Prepare presentations, if required, for client's Board of Directors relative to proposed acquisition
- Negotiate letter of intent
- Manage due diligence process
- Negotiate definitive transactional terms and documentation
- Assist in closing of transaction

Vertical Markets Serviced

Merger & Acquisition Services Designed to Build Lasting Shareholder Value

Cove's vertical market M&A experience includes, but is not limited to, the following:

- Printing
- Packaging
- Distribution
- Consumer Electronics
- Healthy Lifestyle Products
- Nutraceuticals
- Logistics
- Aerospace
- Defense
- Clean Tech/Energy
- Temporary Staffing
- Consulting
- Travel Services
- Computers/Data Storage

M&A Team

Decades of senior level expertise

Why Cove Partners LLC—Points of Differentiation:

- **Seasoned Team:** Senior transaction team with decades of experience
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Cove Partners’ M&A team is comprised of the following individuals supported, as appropriate, by the balance of the Cove Partners’ team

Richard Mager, Managing Director

Mr. Mager has in excess of twenty-five years of transactional experience in general corporate finance, restructuring, banking, operations and leveraged acquisition transactions. Prior to co-founding Cove Partners in 1996, Mr. Mager previously served as Senior Vice President of University Group, Inc., a publicly-held diversified financial services company, and as President and Chief Executive Officer of First Equity Group. In addition, Mr. Mager has served as a board member of privately-held companies, as well as both public and privately-held financial institutions with combined assets in excess of two billion dollars.

Patrick Walsh, Managing Director

Mr. Walsh has in excess of twenty-five years of corporate restructuring, investment banking and related financial experience. For approximately twenty years, Mr. Walsh was with GE Capital serving in numerous capacities over that period of time, including Vice President, Underwriting for both GE Capital, Commercial Finance and GE Capital, Capital Funding as well as Senior Vice President of GE Capital, Capital Funding's Restructuring Group and as Senior Vice President, Portfolio. Subsequent to his tenure with GE Capital, and prior to joining Cove Partners as a Managing Director, Mr. Walsh was a Managing Director at Cerberus Capital Management and a Senior Vice President at CapitalSource. Mr. Walsh received a B.S. degree in finance from Fairfield University. Mr. Walsh resides in Connecticut.

M&A Team (continued)

Decades of senior level expertise

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Stuart Davidson, Vice President

Mr. Davidson has eight years of investment banking and related financial experience. As an Associate with Cove Partners LLC he worked on numerous engagements for clients in the technology and transportation sectors. Prior to rejoining Cove Partners as a Vice President, Mr. Davidson was a Senior Associate with River Capital, Inc., the oldest private equity firm in the Southeast, where he was involved in sourcing and evaluating new investment opportunities and managing existing portfolio companies. Prior to his initial tenure with Cove Partners, Mr. Davidson was an Associate with Mercer Management Consulting, where he covered clients in the aerospace, aviation, technology and oil & gas sectors. Before joining Mercer and while still in business school, Mr. Davidson worked in S.G. Cowen's technology investment banking group in San Francisco. Prior to business school, Mr. Davidson was an Analyst for The Transportation Group, a boutique advisory firm focused on aviation and rail leasing, where he worked on several transactions in the firm's London and New York offices and earned his Series 7 and 63 licenses. Prior to The Transportation Group, Mr. Davidson was an Analyst in Salomon Smith Barney's investment banking division in New York. Mr. Davidson received a bachelor's degree from Dartmouth College, and earned his MBA at the UCLA Anderson School of Management, where he was elected president of the Anderson Student Association. Born and raised in Southern California, Mr. Davidson now resides with his wife in Atlanta.

M&A Team (continued)

Decades of senior level expertise

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Courtney Jerzyk, Associate

Ms. Jerzyk is a graduate from the University of San Diego where she majored in Business Administration with an emphasis in finance, and received First Honors. Prior to originally joining Cove Partners LLC as an Analyst, Ms. Jerzyk worked on the New York Mercantile Exchange as a broker's assistant in the COMEX division, as well as having worked in the marketing department of a book distribution company.

Section 4

Other Cove Services

Capabilities

Private Market Financing Services

Private Placement Assignments

- **Debt Capital Markets**
  - Cove can arrange debt structured across the entire credit spectrum from simple senior secured bank financings to complex Term B and mezzanine financing solutions
  - Significant and diverse experience and expertise enables Cove to conceptualize and execute creative financing solutions for clients across a wide range of industries, and to clearly and effectively present their value proposition to the broadest spectrum of potential lenders available. Extensive lender contacts and strong research and analytical skills enables Cove to deliver highly structured and complex financing solutions for our clients

- **Equity Capital Markets**
  - To further corporate growth, value development and the creation of shareholder equity, Cove investment bankers provide shareholders and management teams insights to:
  - Why companies with exceptional growth strategies may need to raise equity
  - The capital raising environment
  - What makes private investments attractive
  - Where investors are focusing their attention
  - What it takes to raise capital, and on what terms

Capabilities

Restructuring Services Designed to Focus on Building Value for all Stakeholders

Cove Partners' restructuring team is extremely experienced in working with diverse groups of stakeholders involved with companies experiencing mild to extreme financial distress either outside or within the bankruptcy process

Cove Partners' restructuring services are undertaken on behalf of debtors, creditors, and shareholders both from an operational and financial restructuring perspective. In this regard Cove has a time tested and demonstrable ability to forge consensus amongst diverse (and often contentious) factions with potentially diverging interests both in and out of a court setting either by way of a consensual process or pursuant to supervision of the U.S. Bankruptcy Court. In these situations Cove can and has represented

- Private and publicly-held companies both in and out of bankruptcy
- Boards of Directors or special committees thereof
- Lenders (secured and unsecured)
- Creditors committees
- Shareholder committees
- Individual creditors
- Individual shareholders

Capabilities

Valuations and Fairness Opinions

Decision Making Resources

- Valuations
- Fairness Opinions
- Goodwill Impairment Testing
- Intangible Valuation
- Shareholder Advisory Services
- Strategic Analysis

Cove Partners' valuation and strategic advisory services include sound financial, economic and market driven approaches to accurately establishing realistic value expectations

- Our valuation and strategic advisory services provide a forward looking and decision making tool to help business executives explore strategic and financial alternatives and map out a strategy to achieve their goals
- Our valuation services for financial reporting purposes under U.S. GAAP and IFRS standards have been accepted by numerous multi-national accounting firms ***without revision***
- Our Fairness Opinions provide comfort to Boards of Directors and to shareholders that contemplated transactions are fair from a financial point of view

Our Strategic Analysis is a meticulous and comprehensive evaluation report custom prepared for private and public companies alike to assist in evaluating strategic growth initiatives, transactions and other financial opportunities

- This report identifies company specific value enhancing factors, industry wide benchmarks and trends, and financial and economic perspectives on market valuation and risk considerations
- This mission-critical analysis is purpose built to identify available and achievable strategic and financial opportunities in order to help management ascertain an optimal capital structure designed to fuel growth and build shareholder value

Section 5

Contact Information

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Patrick Walsh
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Appendix A

Representative M&A Engagements

Representative M&A Engagements

outlook group corp. — Acquired by Vista Group Holdings, LLC — COVE PARTNERS LLC INVESTMENT BANKING	WorkflowOne™ — Going Private Transaction Minority Shareholder Representation — COVE PARTNERS LLC INVESTMENT BANKING	EMD storage EXCEL MERIDIAN DATA, INC. Est. 1992 — Sold to Shackleton Equity Partners — COVE PARTNERS LLC INVESTMENT BANKING
Living Earth Crafts® The Choice of World Class Spas — Acquired by EarthLite — COVE PARTNERS LLC INVESTMENT BANKING	Reprints — Sold to Golden State Graphics — COVE PARTNERS LLC INVESTMENT BANKING	**Lexis Label** — Sold to TeleCard, Inc. — COVE PARTNERS LLC INVESTMENT BANKING

Representative M&A Engagements

Nimax BARCODING • POS SOLUTIONS Sold to Ingram Micro COVE PARTNERS LLC INVESTMENT BANKING	THE SINGING MACHINE Majority Interest Acquired by Starlight Group COVE PARTNERS LLC INVESTMENT BANKING	REAL HEALTH LABORATORIES, INC. Acquired by Natural Alternatives International, Inc. COVE PARTNERS LLC INVESTMENT BANKING
REAL HEALTH LABORATORIES, INC. Sold to PharmaCare US Inc. COVE PARTNERS LLC INVESTMENT BANKING	SUNLIGHT DIRECT Acquired by Sunlight Direct LLC COVE PARTNERS LLC INVESTMENT BANKING	ICS Acquired by Orbit International Corp. COVE PARTNERS LLC INVESTMENT BANKING

Representative M&A Engagements

Casa Noble	AIR NET	RIVIERA Tool Company
Majority Interest Acquired by Tequila Ventures LLC	Going Private Transaction Minority Shareholder Representation	Bulk Sale of Assets
COVE PARTNERS LLC INVESTMENT BANKING	COVE PARTNERS LLC INVESTMENT BANKING	COVE PARTNERS LLC INVESTMENT BANKING