

COVE PARTNERS LLC

INVESTMENT BANKING

Cove Partners LLC

Restructuring Services Overview Presentation

July 2010

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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
- Corporate Restructuring
- Mergers & Acquisitions
- 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 underserved, 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:

- Financial, corporate restructuring and strategic advisory services;
- Mergers and acquisitions;
- 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

Restructuring Case Studies

Case Study #1

Dealing with an over-leveraged Balance Sheet and collapsing revenues

<p>Situation</p>	<ul style="list-style-type: none"> • Middle market third generation commercial printer that aggressively added equipment in anticipation of continued growth in advance of the onset of the global recession • Took on significant debt levels in environment of easy credit • Absentee owners were lax in response to deteriorating operating and working capital trends • Company experiencing severe liquidity crunch and deteriorating relationship with lenders • Less than two weeks of available working capital and looming inability to meet payroll
<p>Action Plan</p>	<ul style="list-style-type: none"> • Cove negotiated, structured and closed a forbearance agreement with lenders <ul style="list-style-type: none"> ✓ Principal and interest payments suspended until turnaround plan developed, cash used to stabilize and operate business • Assumed lead responsibilities with senior creditors – re-established credibility • Completed comprehensive operational and financial review – implemented the following: <ul style="list-style-type: none"> ✓ Cost takeouts ✓ Strategic divestitures ✓ Refocusing of the business ✓ Strategic mid-term vision designed to create value for all stakeholders
<p>Outcome</p>	<ul style="list-style-type: none"> • Reduced annual debt service by \$528,000 through restructuring of senior debt obligations • Reduced annual operating expenses by \$840,000 through identified specific cost reductions • Convinced ownership to pursue equity recapitalization

Case Study #2

Dealing with the effects of an overly aggressive expansion plan

Situation	<ul style="list-style-type: none"> • Third largest independent waste hauler in Phoenix, Arizona • Aggressive growth and new capital expenditures financed with easy senior credit • Management unable to respond to sudden and prolonged economic downturn <ul style="list-style-type: none"> ✓ Depression in southwest construction industry contributed to substantial revenue declines ✓ Equipment utilization down to 33% from high of ~90% in prior year ✓ Substantial deterioration in working capital performance led to severe liquidity crunch
Action Plan	<ul style="list-style-type: none"> • Cove negotiated, structured and closed a forbearance agreement with lenders <ul style="list-style-type: none"> ✓ Principal and interest payments suspended until turnaround plan developed, cash used to stabilize business • Assumed lead responsibilities with the senior creditors – re-established credibility • Completed comprehensive operational and financial identifying number of operational and financial improvements • Negotiated settlements with major trade payables and account debtors to accelerate cash flow • Implemented 12% price increase • Reduced headcount nearly 25%, remaining employee compensation cut 10% • Eliminated unprofitable customers, redeployed equipment at higher unit prices
Outcome	<ul style="list-style-type: none"> • Reduced annual debt service by \$2.6 million through restructuring of senior debt obligations • EBITDA for the 5 month period ending in May 2010 up 150% from prior year period • Working capital performance improved through more aggressive risk monitoring

Case Study #3

Dealing with a founder who could not walk away

<p>Situation</p>	<ul style="list-style-type: none"> • Maturing software company that invested heavily in enterprise solutions to compete with Microsoft Sharepoint • Lack of leadership at the CTO level extended deliverables by nearly one year • Global softening in IT spending significantly impacted existing revenue streams • CEO did not remit payroll taxes for three quarters prompting IRS investigation
<p>Action Plan</p>	<ul style="list-style-type: none"> • Cove conducted interviews with revenue agents, appealed findings, and conducted a three year audit <ul style="list-style-type: none"> ✓ Negotiated a single payment to the IRS equaling 6% of the outstanding tax balance • Recapitalized the company through stock repurchase and aggressive “cram down” techniques • Negotiated, structured, and closed a note modification reducing the interest rate from 24% to 10% • Eliminated 90% of vendor payables through negotiation of discounted settlements • Eliminated all staff related to business and product development • Focused remaining staff on renewal of high value contracts and customer support
<p>Outcome</p>	<ul style="list-style-type: none"> • Generated positive cash flow in the first month • Produced 14 straight months of profitability • Retained 80% of existing revenue with significantly less staff • Produced the first profitable year in the company’s ten year operating history

Case Study #4

Dealing with industry maturation and faulty financial statements

Situation	<ul style="list-style-type: none"> • \$50 million annual revenue e-commerce B2B technology reseller with commercial and government customer base ✓ Formerly an Inc. 500 fastest growing company • Dramatically increasing competitive pressures within industry leading to smaller margins and flattening of revenue • Faulty financials understating equity deficit and tax liability while overstating gross margins • Senior lender rescinded operating line of credit stopping order flow • California State Board of Equalization aggressively establishing liens and levying bank accounts • Company not retaining key management team members
Action Plan	<ul style="list-style-type: none"> • Cove completed comprehensive financial and operational review re-establishing accurate financials and identifying key performance indicators to manage business profitably • Assumed lead responsibilities with senior creditors – re-established credibility • Negotiated, structured and closed a forbearance agreement with senior lender re-establishing line of credit and order flow • Principal payments reduced and interest payments suspended until turnaround plan developed, cash used to stabilize business • Negotiated postponement of payments with major trade payables to accelerate cash flow • Implemented targeted price increases to improve gross margins 20+% • Reorganized operations to allow reduction of headcount by 25% while maintaining service level and improving A/R DSO from 60+ to under 45
Outcome	<ul style="list-style-type: none"> • Company resumed normal order flow and had credit line increased by senior lender • Established positive operating cash flow for the business within 6 months • Allowed owner to maintain control of the business and avoid bankruptcy • Reduced annual operating expenses by \$1.2M

Restructuring Services

Restructuring Services

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

Restructuring Services (continued)

Restructuring Services Designed to Focus on Building Value for all Stakeholders

Cove's restructuring services include, but are not limited to, the following:

- Financial Restructuring either in or out of court
- Renegotiation of both secured and unsecured debt obligations
- Operational Restructuring and Due Diligence
- Liquidity and Cash Management
- Renegotiating and/or raising new debt including DIP or exit financing
- Raising new equity capital in conjunction with realignment of equity cap table
- Interim Management providing day to day leadership to restore stability and credibility
- Strategic Planning
- Chapter 11 pre-planning
- Resolution of tax issues and disputes
- Structuring, negotiation and confirmation of Chapter 11 plans of reorganization
- Prepackaged and pre-negotiated plans of reorganization
- Litigation support and expert testimony
- Representing buyers and sellers of distressed companies, divisions and assets
- Bulk sales of assets
- Sales (or purchases) of both performing and nonperforming loans
- Business and securities valuation

Vertical Markets and Asset Classes Serviced

Restructuring Services Designed to Focus on Building Value for all Stakeholders

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

- Industrial Services
- Security Alarms
- B2B e-commerce
- Distribution
- Construction
- Aerospace
- Bio-manufacturing
- Telecom
- Printing and Packaging
- Publishing
- Semiconductors
- Restaurants
- Oilfield services
- Temporary Staffing
- Technology
- Clean Tech/Energy
- Factoring
- Insurance Services
- Software
- Travel Services
- Waste Management
- Specialty Finance
- Retail
- Trucking

Cove's asset class experience includes, but is not limited to, the following:

- Lease Receivables
- Intellectual property
- Printing equipment
- Marine vessels
- Aircraft
- Transportation equipment
- Construction equipment
- Fertilizers

Restructuring Team

Decades of senior level expertise

Why Cove Partners LLC— Points of Differentiation:

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Senior transaction team with decades of experience
- **Senior Attention:**
No Bulge Bracket “bait and switch”
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Exclusive focus on middle market companies

Cove Partners’ restructuring team is comprised of the following individuals supported, as appropriate, by the balance of the Cove Partners’ team

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.

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.

Restructuring Team (continued)

Decades of senior level expertise

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Douglas Paulin CPA, Senior Vice President

Mr. Paulin has in excess of twelve years of corporate restructuring and related financial and operational experience, and is licensed as a certified public accountant in the state of California. Prior to joining Cove in 2010, Mr. Paulin held numerous positions, most recently as Principal Consultant with Integris Consulting, a boutique corporate restructuring firm based in San Diego, during which time he led the restructuring of both a \$50 million annual revenue e-commerce distribution company as well as a significant international franchise company. Prior to his involvement with Integris, and between 1998 and 2009, Mr. Paulin held increasingly responsible financial positions with several companies in various non-related industries and with annual revenues of between \$60 and \$450 million. Mr. Paulin received a B.S. degree in finance from Babson College, and is the co-chair of the MIT Enterprise Forum and the Production Chair of the Corporate Finance Council of San Diego.

Ronald DiNocco, Senior Vice President

Mr. DiNocco has in excess of twelve years of corporate restructuring and related financial and operational experience. Prior to joining Cove in 2010, Mr. DiNocco held numerous positions, most recently as Principal Consultant with Integris Consulting, a boutique corporate restructuring firm based in San Diego, during which time he led the restructuring of a manufacturer of high end temperature control laboratory products based in San Francisco. Prior to his involvement with Integris, Mr. DiNocco served as both CEO and CFO of Akiva Corporation, a developer of chat, bulletin board, and instant messaging software, as well as in the finance departments of both an e-commerce start-up and a global publicly-held telecommunications company. Mr. DiNocco received his degree from Babson College.

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

Merger & Acquisition Services

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

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

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

Contact Information

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Representative Restructuring Engagements

Representative Restructuring Engagements



Bulk Sale
of
Assets

COVE PARTNERS LLC
INVESTMENT BANKING



Financial
Restructuring

COVE PARTNERS LLC
INVESTMENT BANKING



Financial
Restructuring
and Refinancing

COVE PARTNERS LLC
INVESTMENT BANKING



Financial
Advisory
in connection with
Chapter 11
Plan of Reorganization

COVE PARTNERS LLC
INVESTMENT BANKING



Financial
Advisory
in connection with
Chapter 11
Plan of Reorganization

COVE PARTNERS LLC
INVESTMENT BANKING

Lexis Label

Financial
Advisory
in connection with
Chapter 11
Plan of Reorganization

COVE PARTNERS LLC
INVESTMENT BANKING

Representative Restructuring Engagements



Financial
Restructuring
and
Bridge Loan

COVE PARTNERS LLC
INVESTMENT BANKING



Financial
Advisory
in connection with
Chapter 11
Plan of Reorganization

COVE PARTNERS LLC
INVESTMENT BANKING



Financial
Restructuring
and
Refinancing

COVE PARTNERS LLC
INVESTMENT BANKING



Financial
Restructuring
and
Refinancing

COVE PARTNERS LLC
INVESTMENT BANKING



Financial
Restructuring

COVE PARTNERS LLC
INVESTMENT BANKING

**Apple
Investment
Group**

Financial
Advisory
In connection with
Chapter 11
Plan of Reorganization

COVE PARTNERS LLC
INVESTMENT BANKING

Representative Restructuring Engagements



NATURAL ALTERNATIVES
INTERNATIONAL

Financial
Restructuring

COVE PARTNERS LLC
INVESTMENT BANKING



Financial
Advisory
in connection with
Chapter 11
Plan of Reorganization


COVE PARTNERS LLC
INVESTMENT BANKING



Berryman
& Henigar

Financial
Restructuring
and
Refinancing

COVE PARTNERS LLC
INVESTMENT BANKING



SMI Precision Sheet Metal Fabrication
Stamping - Machining - Welding - Assembly

Financial
Restructuring
and
Refinancing

COVE PARTNERS LLC
INVESTMENT BANKING



REAL HEALTH
LABORATORIES, INC.

Bulk Sale
of
Assets

COVE PARTNERS LLC
INVESTMENT BANKING



ECP E-Commerce Processing

Financial
Restructuring

COVE PARTNERS LLC
INVESTMENT BANKING