

# WYNNEFIELD CAPITAL

WYNNEFIELD PARTNERS SMALL CAP VALUE, L.P. (WPSCV LP)

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Individual investor returns compared to the Fund's overall return may vary due to date of initial investment, high water mark, and status of investor under new issue rules. Please refer to your monthly statement for your actual results.

Under no circumstances do the contents of this presentation represent a recommendation to buy or sell a security. The Investment Manager buys and sells securities on behalf of the Fund's investors and may do so, before and after any particular security is mentioned herein, with respect to the securities discussed in this presentation. The Investment Manager's appraisal of a company's prospects is only one factor that affects the Investment Manager's decision to buy or sell shares in that company. Other factors might include, but are not limited to, the presence of limits on individual positions, decisions regarding portfolio exposures, and general market conditions and liquidity needs. There may not always be consistency between the views expressed in this presentation and the Investment Manager's trading on behalf of the Fund's investors.

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## About Wynnefield Capital

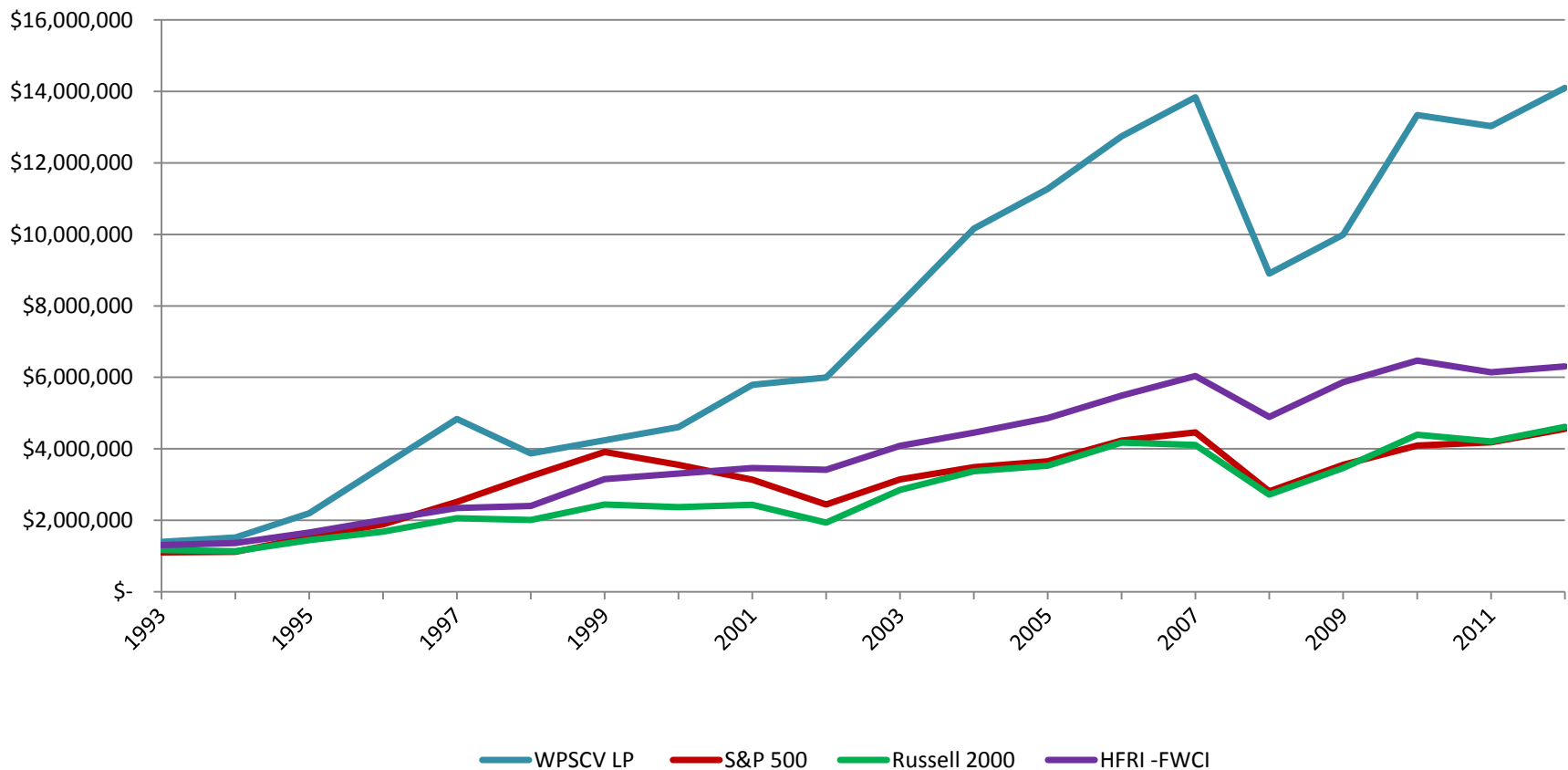
- Wynnefield Capital, Inc. (“WCI”) was established in 1992, by Mr. Nelson Obus and Mr. Joshua Landes. Prior to forming WCI, Mr. Obus served as Director of Research and Mr. Landes held a senior sales position in Institutional Sales at Lazard Frères & Co. Both have over 25 years of investing experience.
- WCI (the “Investment Manager”) employs an equity small-cap value, special situations strategy with the objective of generating meaningful above-average returns, over time, as measured against the S&P 500, Russell 2000 and HFRI Fund Weighted Composite Index.
- Wynnefield Partners Small Cap Value, L.P. (WPSCV LP) has returned on an annualized basis 14.6%, net of fees<sup>(a)</sup> since its inception (January 1993) and has only experienced three down years. Over the same 19+ year period, the S&P 500, Russell 2000 and HFRI Fund Weighted Composite Index have an annualized return of 8.3%, 8.3% & 10.1% respectively.
- The Principals and employees are the largest investors, comprising approx. 20% of the Fund’s AUM.
- The core investment team, with one new addition in 2004, has been in place since 1999 and there has been zero employee turnover during this time.
- The investment team seeks out under-followed, misunderstood, and undervalued companies that fit its strict parameters which include minimal balance sheet risk and potential for company specific or industry change.
- The Investment Manager generally maintains holdings of its core portfolio positions for a number of years, turning the portfolio approximately 30% per year, providing its investors with the additional benefit of tax efficient returns.

<sup>(a)</sup> Net return is net of 1.0% to 1.5% (depending on share class) management fee and 20% performance fee, if applicable. Investor performance could differ based on the timing of subscriptions and their high water marks. Past performance is no indication of future results.

## Historical Facts

- Wynnefield Partners Small Cap Value, L.P. (WPSCV LP) has a Annualized Rate of Return of 14.6%, net of fees.
- \$1,000,000 invested in Wynnefield Partners Small Cap Value, L.P. in 1993 would have resulted in an absolute total value of approximately \$14,400,000\* or a 14.4 times return, net of fees and expenses.

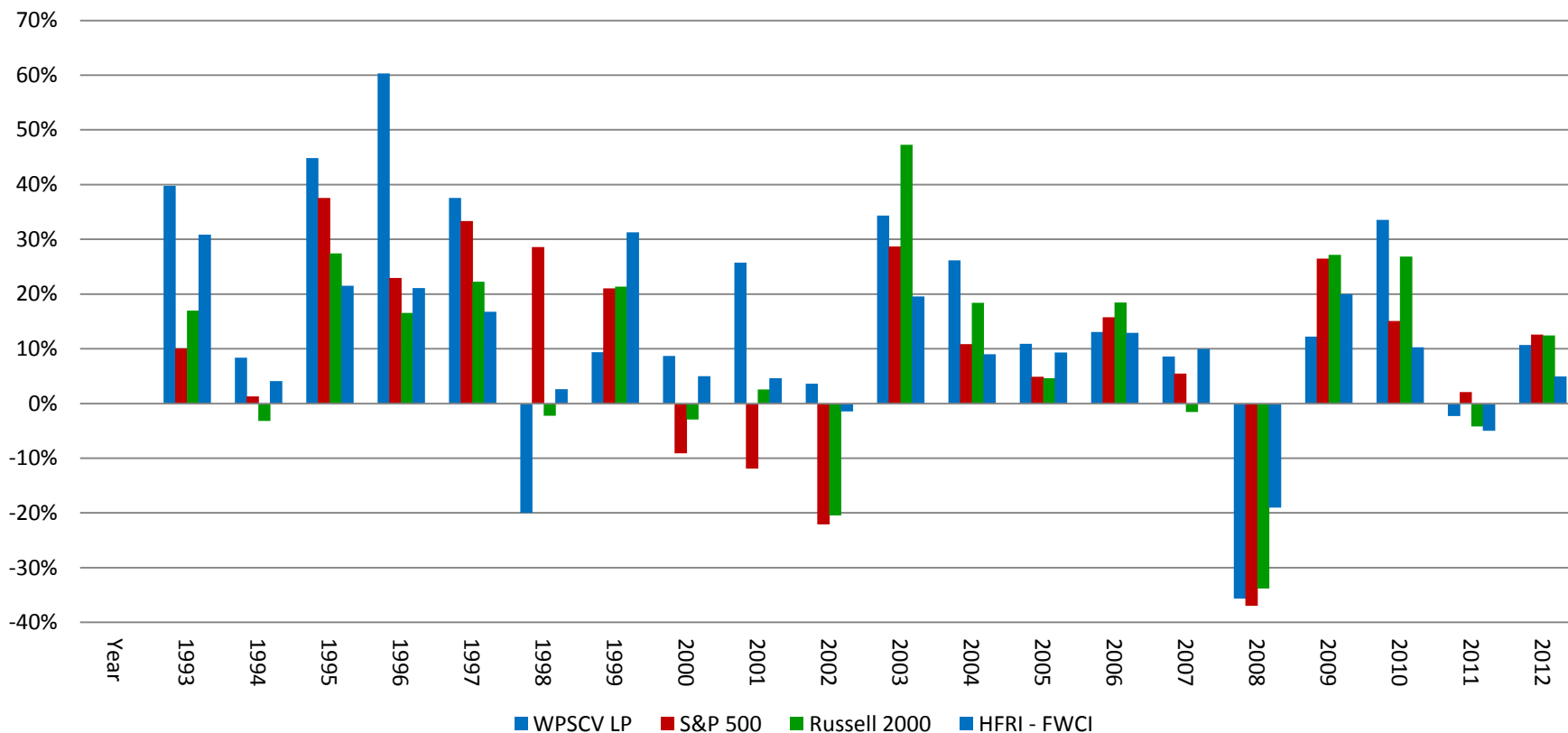
**Growth of a \$1,000,000 investment since inception  
(January 1, 1993 to April 30, 2012)**



\* Pre-tax

# Annual Performance

WPSCV LP annual net performance vs. S&P 500, Russell 2000 & HFRI - FWCI



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 YTD	Annualized Return
WPSCV LP	39.78	8.38	44.84	60.30	37.57	-19.98	9.38	8.70	25.73	3.63	34.33	26.14	10.91	13.06	8.56	-35.66	12.21	33.54	-2.31	10.79	14.6%
S&P 500	10.04	1.32	37.54	22.94	33.35	28.58	21.04	-9.10	-11.88	-22.09	28.67	10.87	4.91	15.78	5.49	-36.99	26.47	15.08	2.09	11.87	8.3%
Russell 2000	17.00	-3.18	27.43	16.54	22.23	-2.24	21.36	-2.92	2.59	-20.46	47.27	18.42	4.62	18.43	-1.56	-33.80	27.16	26.87	-4.19	10.70	8.3%
HFRI - FWCI	30.88	4.10	21.50	21.10	16.79	2.62	31.29	4.98	4.62	-1.45	19.54	9.03	9.30	12.89	9.96	-19.03	19.98	10.25	-5.01	4.41	10.1%

All results have been fully audited by McGladrey & Pullen, LLP and are net of fees.

## Tax Efficient Investing‡

- Minimize partner's taxes through a focus on long-term capital gains.
  - Focus on long-term investing and not short-term trading.
  - Attempt to structure exits to avoid short-term capital gains.
  - Generate average portfolio turnover of approximately 30% per year.
- 
- After over 19+ years with WPSCV LP, a \$1,000,000 investment would be worth approx. \$12,300,000 (net of fees) after federal long-term capital gains tax rates versus approx. \$9,600,000 (net of fees) after federal short-term capital gains tax rates.\*

‡ This presentation includes references on tax efficiencies. Wynnefield does not render legal or tax advice, and the information contained in this communication should not be regarded as such. You should consult with your own legal and tax adviser.

\* For purposes of the above illustration, at the federal level, 35% was used for the short-term capital gains tax rate and 15% was used for the long-term capital gains tax rate, although these rates have historical variation.

# Investment Philosophy

## General Overview

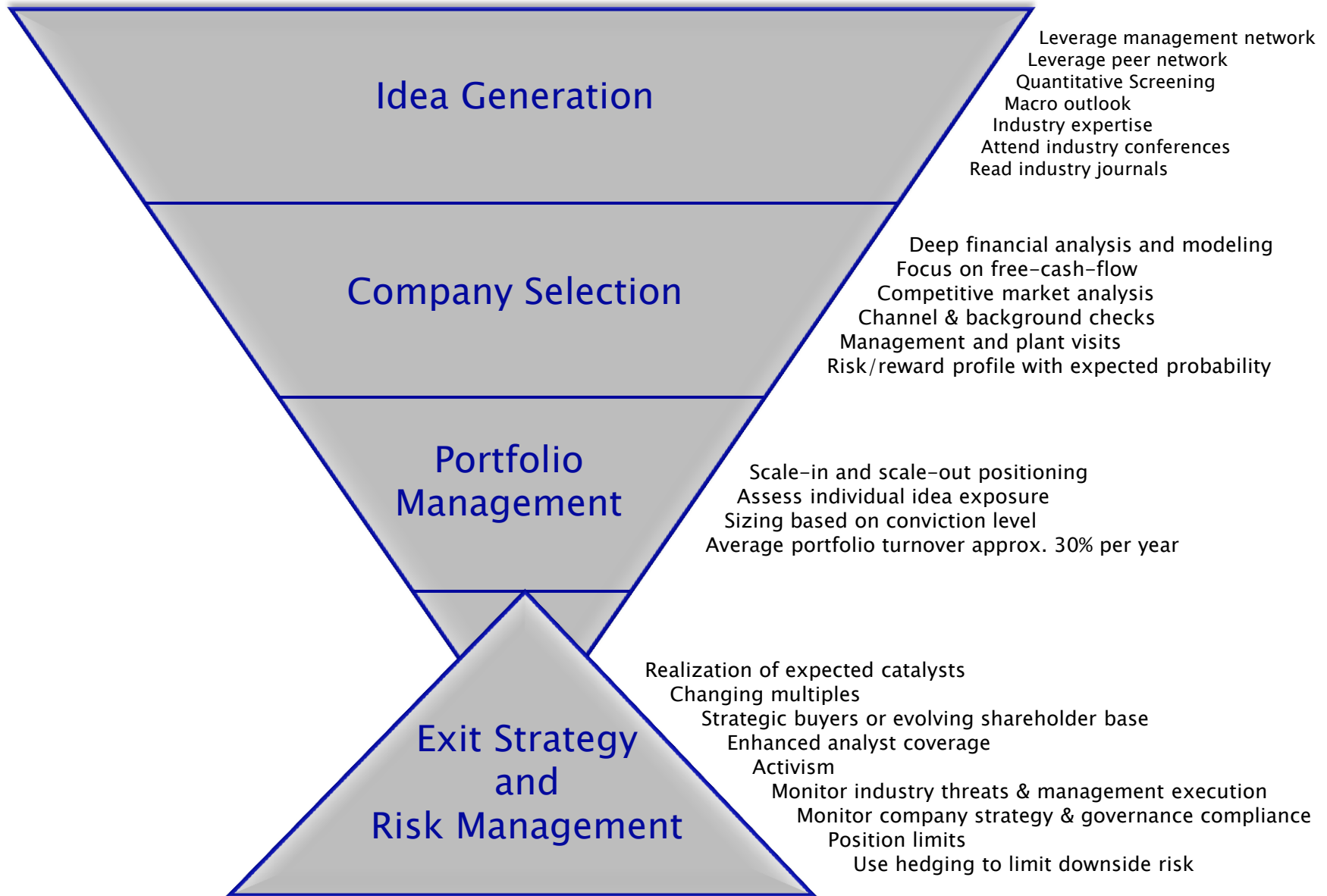
- Within the universe of US domiciled small capitalization value stocks, focus on companies with market capitalizations typically ranging from \$50mm to \$500mm.
- Uncover investment opportunities ahead of the investment community by focusing on the least researched and most inefficient segment of the market where there is little or no analyst coverage.
  - This enables WCI to take advantage of deep value entry points with significant appreciation potential.
  - As the investment thesis gains traction in the wider investment community, sell-side coverage often follows which can create multiple expansion and additional liquidity.
- Willing to actively work with management and the Board of Directors, if necessary, to unlock shareholder value.
- Be sector agnostic ... go where the value is.
- Research, research and more in-depth fundamental bottoms-up research.

## Investment Opportunities

- Companies that trade at low multiples of cash flow and hard assets.
  - Deeply discounted valuations can be caused by an overreaction to what we perceive to be “one-time” negative announcements.
- Companies that have low levels of debt and high or growing levels of free cash flow generation.
- Companies that possess a company-specific or industry-group catalyst – because just being “cheap” is not enough.
- Companies situated for improved earnings and multiple expansion due to regulatory changes.
- Companies that possess clearly identifiable and sustainable competitive advantages.
- Insider investing patterns that show a change from selling or limited buying to that of increased buying in frequency or scale.
- Change in family or generational ownership.
- Change in corporate governance or management.
- Industry consolidation, spinoffs, turnarounds, restructuring...



## Investment Process



## Investment Process (Portfolio)

### Long Positions

- Utilizing thorough balance sheet analysis to measure and identify companies with:
  - Positive short and long-term solvency profile
  - Undervalued assets.
  - Positive or improving free cash flow generation.
- Positive assessment of the quality of management that understands value creating capital allocation such as:
  - Using free cash flow to deleverage the balance sheet
  - Buy back stock
  - Pay dividends or expand business in a disciplined, immediately accretive fashion.
- Company in an industry favorably disposed to M&A trends, changing regulatory environment/government policy, and top-down economic trends.
- Increasing insider buying.
- Company has a sustainable competitive advantage and high barriers to entry.

### Short Positions

- Short positions are primarily used as a hedging tool due to the difficulty of shorting less liquid micro-cap equities.
- Index Futures & Options are the main instruments used to employ these hedges.
- When an individual security is identified with ample liquidity, we look for:
  - Deteriorating Business/Industry fundamentals
  - Leveraged balance sheet and poor earnings quality
  - Manipulation of working capital to mask future cash flow deterioration
  - Increasing insider selling
  - Management and Board of Directors Turnover

## Investment Process (Exit Strategy & Risk Management)

### Typical exit and value creation strategies

- Strategic Buyers
  - Who can increase the operating business' value by eliminating the company's corporate overhead and public listing expenses, and explore revenue synergies and product line expansion.
  - Who can improve their own earnings by taking advantage of the disconnect between our portfolio company's current public valuation and its true private market value.
- Evolving Shareholder Base
  - Who have taken notice as multiple expansion occurs when the investment catalyst takes hold.
- Financial Buyers
  - Who are attracted to the unleveraged or delevering balance sheets and high levels of free-cash-flow that are typical of a WCI portfolio company.
  - Who are looking for or to expand their existing platform.
- Activist Participation
  - In cases where management teams are not unlocking value on their own, WCI has taken an activist role in order to improve company operations, direct the company to allocate its capital towards higher return investments and release value for all investors.

### Risk Management

- We continually monitor the value of our portfolio companies relative to their earnings power and cash flow generation.
  - When share prices fall and due to a systemic decline in the competitive position and earnings power of our companies, we seek to mitigate losses by becoming scale sellers.
- Use ETFs and Futures & Options on indexes as the primary hedging tool.

### Prime Broker

Jefferies & Company  
520 Madison Avenue, 12<sup>th</sup> Floor  
New York, NY 10022

### Fund Administrator

SS&C, Inc.  
80 Lamberton Road  
Windsor, Connecticut 06095

### Independent Auditors

McGladrey & Pullen, LLP  
1185 Avenue of the Americas  
New York, NY 10036

### Legal Advisors

Seward & Kissel LLP  
One Battery Park Plaza  
New York, NY 10004

Hutner Klarish LLP  
1359 Broadway  
New York, NY 10018

### Fund Terms:

- Management Fee: 1.5%
- Performance Fee: 20%
- Minimum Subscription: \$250,000
- Redemptions: Semi-Annual
- Lock Up: 2 year

### Fund:

Wynnefield Partners Small Cap Value LP  
(a US limited partnership, 3c-1 fund)

## Contact Information

We communicate with our investors via monthly statements from the administrators, factsheets and quarterly and annual letters that details the performance of the Fund, our investing rationale, our net exposure, and our general opinions about the current market. All letters since inception are available upon request.

WCI's corporate website is <http://www.wynnefieldcapital.com>

Chief Operating Officer:

Mr. Joshua Landes, General Partner  
Wynnefield Capital, Inc.  
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## Team Biographies

### **Nelson Obus, *Co-founder, President and CIO***

Nelson Obus has co-managed with Mr. Landes, Wynnefield Partners Small Cap Value L.P. since its inception in November 1992, Wynnefield Partners Small Cap Value L.P. I since its inception in July 1997 and the Wynnefield Small Cap Value Offshore Fund, Limited since its inception in January 1997. His principal responsibilities are as chief investment officer. From February 1990 until September 1992 he was Research Director of Schafer Capital Management, Inc. and Schafer Cullen Management, Inc. Prior thereto, Mr. Obus worked at Lazard Freres & Co., for eight years as an analyst, account executive and research director in its institutional sales department. He received a B.A. from New York University and a M.A. and A.B.D. from Brandeis University in Politics. Before coming to Wall Street, Mr. Obus worked as an educator and land manager in the environmental field. He is married and has a daughter and a son. Mr. Obus serves on the Board of Directors, the Audit Committee, and the Compensation Committee of Layne Christensen Co. (NASDAQ: LAYN), the Board of Directors and the Executive Committee of the Appalachian Mountain Club, the Board of Directors of the Stonybrook – Millstone Watershed Association, as well as the Board of Directors of the Princeton Historical Society. Mr. Obus also serves on the Board of Directors, the Audit Committee, the Strategic Committee and the Nominating and Governance Committee of Breeze–Eastern Corporation (NYSE: BZC).

### **Joshua Landes, *Co-founder and COO***

Joshua Landes has co-managed with Mr. Obus, Wynnefield Partners Small Cap Value L.P. since its inception in November 1992, Wynnefield Partners Small Cap Value L.P. I since its inception in July 1997 and the Wynnefield Small Cap Value Offshore Fund, Limited since its inception in January 1997. His principal responsibilities are administration and marketing related. Prior thereto, he was employed at Lazard Freres & Co. from 1984 to 1991. During this period, he served as a trading assistant, analyst and institutional equity salesman in the capital markets group and was an associate at Lazard Realty. Mr. Landes received a B.A. in Economics from Rutgers University. He is married and has one daughter and two sons. Mr. Landes is a member of the Board of Directors of S.A.R. Academy in Riverdale, NY, and Ken's Kids in Philadelphia, PA. He is active in numerous other charitable causes in the United States and abroad. He enjoys an interest in architecture which included helping to finance the 2003 Academy Award nominated documentary "My Architect."

## Team Biographies

### **Max Batzer, *Co-PM and Head of Activism***

Since 1999, Mr. Batzer has been with Wynnefield Capital, Inc., where he currently serves as a co-portfolio manager and head of activism. From 1991 to January 1999, he was Chairman of the Board and CEO of Diagnostic Health Services. From 1981 until 1988, he was director and executive committee member of Simmons Airlines Inc., a publicly traded regional airline. From 1981 through 1991, Mr. Batzer was President of General Hide and Skin Corporation, a worldwide commodity trading organization. Mr. Batzer received his BSE from the Wharton School at the University of Pennsylvania and his MBA from the University of Arizona. Mr. Batzer serves on the Board of Directors and Nomination and Governance Committee of API Group Plc., and the Board of Directors of Integral Wealth Management, Inc.

### **Peter Black, *Co-PM and Head of Research***

Peter Black joined Wynnefield Capital as a research analyst in March, 1999 and is currently a co-portfolio manager and head of research. Prior to joining the firm, Peter was an associate in the Mergers & Acquisition Departments of UBS Securities and SG Cowen, where he worked as a generalist on numerous transactions in the telecommunications, healthcare services, biotechnology, and media industries. Peter received a MBA with High Distinction from the Fordham Graduate School of Business and received a Bachelor of Arts degree in English from Boston College. Mr. Black serves on the Board of Directors of two of Wynnefield's portfolio companies; TeamStaff Inc. and Underground Solutions, Inc.

## Team Biographies

### **Stephen Zelkowicz, *Analyst and Trader***

From February 1999 to the present, Stephen has served as a research analyst and trader at Wynnefield Capital, Inc., where he is responsible for all trading operations as well as providing maintenance research on current positions within the portfolio. Prior to joining Wynnefield, he worked in sports marketing for the Philadelphia Flyers of the National Hockey League. Stephen received his Bachelor of Arts degree from the University of Pennsylvania in 1995, majoring in History and International Relations.

### **Dwight Mamanteo, *Co-PM***

Dwight Mamanteo joined Wynnefield Capital in November, 2004 and is currently a co-portfolio manager. Prior to joining the firm, Dwight worked in the technology field for over 10 years. Dwight has worked in various positions for Carr Securities, BEA Systems, VISA International, Ericsson, UNISYS, and as an independent consultant. Dwight received an MBA from the Columbia University Graduate School of Business and received a Bachelor of Engineering degree from Concordia University, Montreal, Canada. Mr. Mamanteo serves on the Board of Directors of MAM Software Group (OTCBB: MAMS) and CDC Software (OTCBB: CDCSY).

### **Alex Liu, *Operations & Administration Analyst***

Alex Liu joined Wynnefield Capital in July 2003. Alex received a Bachelor of Arts degree in both International Politics and History from New York University.