MERCURY
CAPITAL GROUP

a technology buyout fund transforming "small cap" companies into global companies

INVESTOR PRESENTATION

Mercury Fund I, L.P.

Small Cap Technology Buyout
Cross Border Arbitrage

Mercury Fund I Highlights

- $100mm fund focused **exclusively** on investing in small cap buyouts of established technology businesses
- Addressing highly inefficient sector - **favorable supply vs. demand** (opportunities vs. capital)
- Attractive risk reward - **capital preservation** with visible upside
- Value creation through **migration** of acquired companies to Asia
- Proven team with **track-record** in tech buyouts and private equity
- Experience managing **tech companies** and **Asian operations**
- **Best way (risk vs. reward) to monetize small cap technology buyout market and best way (risk vs. reward) to monetize opportunities in Asia**

Investment Strategy

Acquire North American small cap companies

- Acquire at an attractive valuation - below replacement cost and invested capital
- Proven industry and market – visible market risk
- Proven products and services with referenceable customer base
- Spin-outs of orphaned divisions and subsidiaries
- Consolidation – vertical and international
- Take private of public companies
- Recapitalizations and acquisitions of privately held companies

BASELINE – SUPERIOR RISK ADJUSTED RETURNS

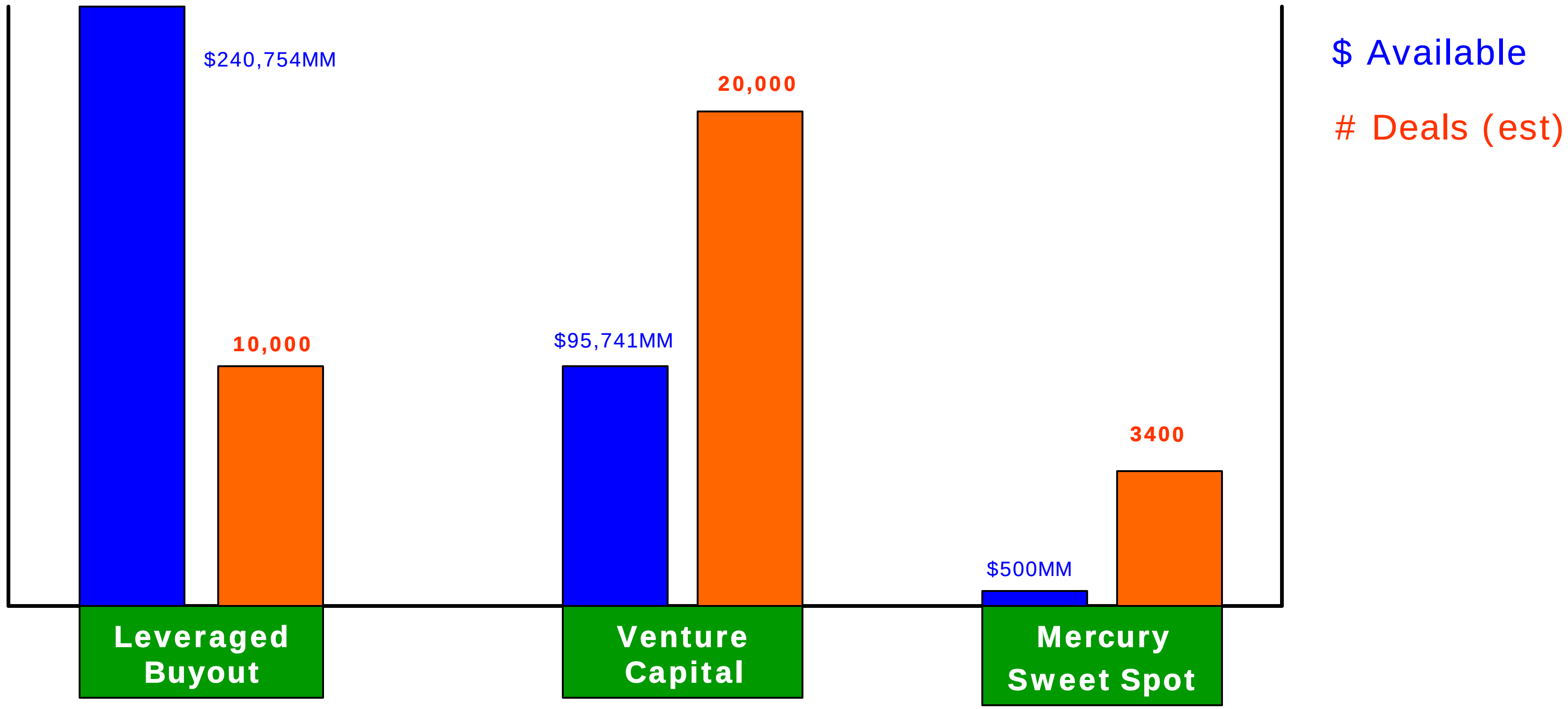
Transform into global companies

- Localize products for Asia
- Migrate development and support to lower cost countries
- Migrate manufacturing

UPSIDE - CROSS BORDER ARBITRAGE

Highly Inefficient - Favorable Supply Demand

- $240 billion raised for traditional buyout funds over past 5 years
- Less than $10 billion raised for tech buyout funds over the past 5 years.
- Less than $500 million of that pool focused on small cap tech buyouts



Large Market Opportunity

13,000 Tech Buyout Opportunities

- Sector is highly inefficient, favorable supply demand equation (# of companies vs. capital)
- Limited institutional capital focused exclusively on small cap technology buyout

349 Public

3907 Illiquid Private

9322 Corporate Spinouts

Sourcing

3,406 Mercury Opportunities

87 Public

1289 Illiquid Private

2030 Corporate Spinouts

Selecting / Buying Right

10-15 Investments

$2-$10mm equity check/investment

Creating Value and Exit

Sources: Factset
Goldman Sachs
Silicon Valley Bank/Alliant
Thomson SDC
Venture One

Rationale – the Macro Drivers

- Asian economies will seek Western-like technology and products as their economy grows/matures and becomes global
  - Software, hardware and network infrastructure

- More cost effective to buy 2nd tier western products/technology than build de novo
  - Small investment to localize products and technology to meet standards and customs

- Asian Customers
  - Are not brand loyal
  - Are value buyers
    - i.e., would rather buy software with 70% of the functionality for 20% of the cost (example, for relationship database technology, they would rather buy the no.3 or 4 product for $100k than the market leader for $1.0 mm)

- It is very difficult for companies to address U.S. market
  - "vendor qualification" with U.S. companies is very challenging
  - Leverage acquired companies' customers, channels, distributors for cross sell and up sell opportunities

- Long term, professional services oriented companies will need to own "product" to continue growth

Asian Strategy is Advantageous

COST ADVANTAGES

Cost of 1 engineer in United States is equal to

- 8 – 10 engineers in China
- 3 – 5 engineers in India

➔ Opportunity to reduce cost or improve productivity (24x7 as well as more)

GROWTH ADVANTAGES

GDP growth of United States is projected to be 3 - 4 % p. a.

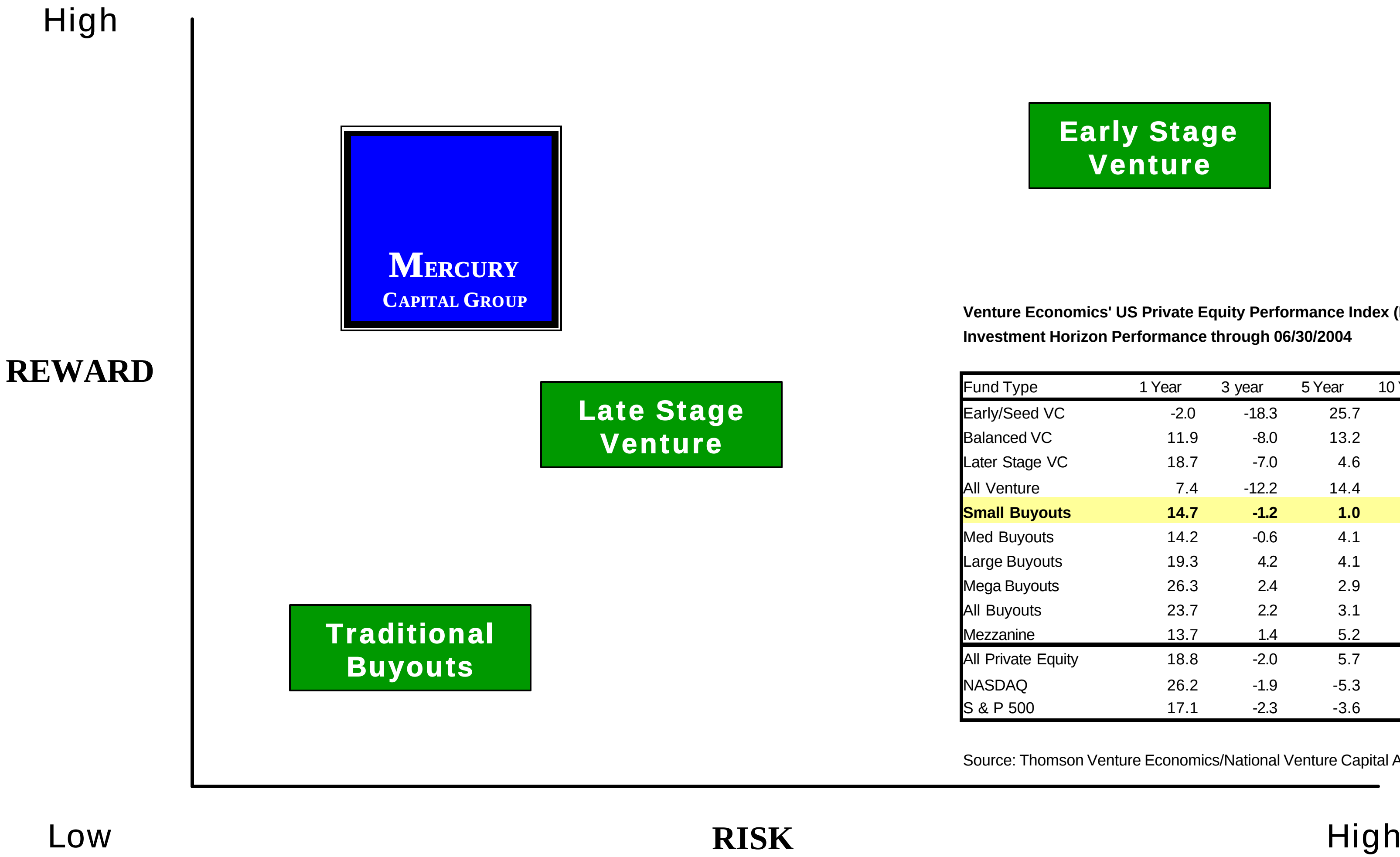
- GDP growth of China is projected to be 8 – 10% p. a.
- GDP growth of India is projected to be 7 – 9% p. a.

➔ Add Asian growth to existing U.S. revenue base

Asia VC vs. Mercury – a better way

	Pure Play Asia VC	Mercury Capital
Technology and Product		Done
North American Market		Ahead
Asian Market	To be developed	To be developed
Vendor Qualifications	In development	Done
Product	Advantage	Cost reduction mode
Clean Start	Greater	
Capital Requirements		Less
Control	Minority Interest	Majority (control)

Risk vs. Reward

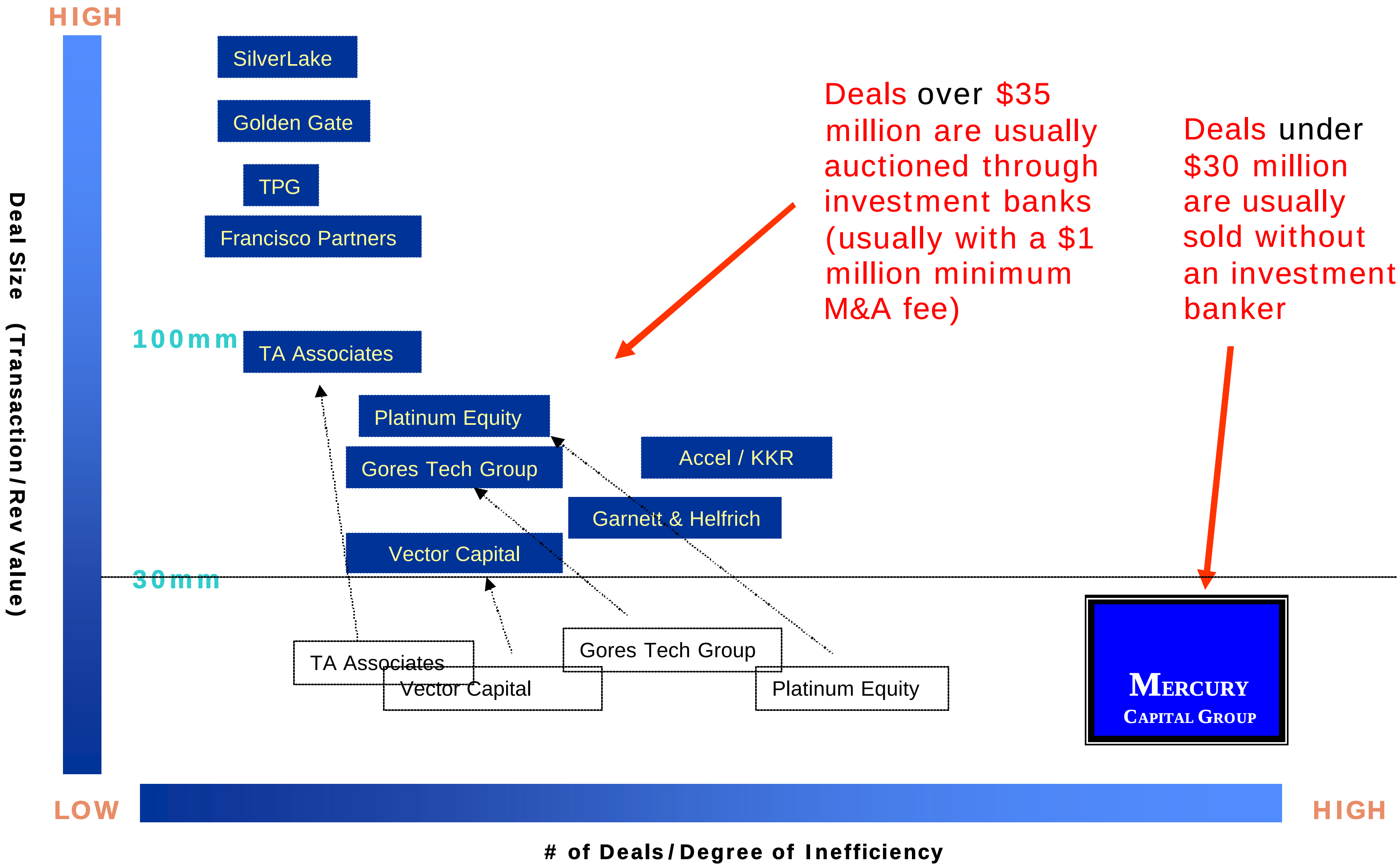


Venture Economics' US Private Equity Performance Index (PEPI)
Investment Horizon Performance through 06/30/2004

Fund Type	1 Year	3 year	5 Year	10 Year	20 Year
Early/Seed VC	-2.0	-18.3	25.7	39.8	19.1
Balanced VC	11.9	-8.0	13.2	21.4	13.6
Later Stage VC	18.7	-7.0	4.6	16.8	13.8
All Venture	7.4	-12.2	14.4	26.7	15.6
Small Buyouts	**14.7**	**-1.2**	**1.0**	**8.7**	**27.2**
Med Buyouts	14.2	-0.6	4.1	10.2	17.8
Large Buyouts	19.3	4.2	4.1	10.5	14.2
Mega Buyouts	26.3	2.4	2.9	7.3	9.1
All Buyouts	23.7	2.2	3.1	8.5	12.7
Mezzanine	13.7	1.4	5.2	7.4	9.5
All Private Equity	18.8	-2.0	5.7	12.9	13.7
NASDAQ	26.2	-1.9	-5.3	11.2	13.2
S & P 500	17.1	-2.3	-3.6	9.9	13.5

Source: Thomson Venture Economics/National Venture Capital Association

Competitive Landscape



Target Company Criteria

Relevant products and technology

- Businesses with revenue between $2 and $30 million
- Acquire at a discount to invested capital and/or cost to replicate
- Established U.S. distribution channels
- Good brand-name, market presence in U.S.
- Existing/Potential Asian demand for product
- Control (voting and board) interest for Mercury

- **Acquire controlling stakes in established businesses for valuations less than start-up companies**
- **Limit technology and development risk**
- **Focus on strategy, sales growth and profitability**

Sweet Spot

U.S. Company
(customers / technology / products)

\+

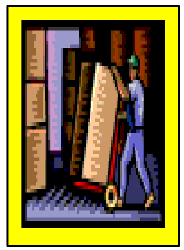
Asia Impact
(market / manufacturing / support)

=

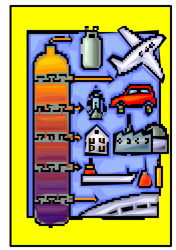
Dominant Global Company

U.S. Small Cap Company

Asian development



Asian MFG



Asian Distribution Network

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- **Strong Management**
- **Unique Market Position**
- **Strong Sales Growth**
- **Growth Market**
- **Unique Distribution**
- **Superior profit-loss**

U.S. Value

Asia Value

Global Market IPO/Acquisition

Value Add – Cross border arbitrage

Longer Term - (Phase III)	**REVENUE**	Expansion into Asia will enhance ENTERPRISE VALUE – Revenue and Distribution Channel
		Opportunity to sell Asia developed products into existing North American Customer Base
Medium Term – (Phase II)	**COST OF GOODS**	Opportunity to manufacture and source lower cost materials in Asia
	GROSS MARGIN	Improved Gross Margins
Short Term / Immediate – (Phase I)	**EXPENSES**	Substantially reduced expenses through outsourced and/or off-shored support, development, manufacturing, etc.
	EBITDA/Cash Flow	Significant improvement in EBITDA and ENTERPRISE VALUE

Improved Outcomes for Investors

- **Valuation metrics improved through "multiple" expansion**
  - Market positioning in Asia
  - Revenue, EBITDA, and net income growth

- **Rapid growth to beyond critical mass and profitability**

- **Improve operational efficiency of businesses with diversified market access & utilizing basic economic principles**

- **Broader exit strategies (options)**
  - Public Offerings on Multiple International Exchanges
  - Acquisition target for larger base of buyers looking for strategic, market or operational access

- **Minimized investment downside**
  - Real businesses
  - Validated technology
  - Profitable (or soon to be profitable) operations

Highly Experienced, Unique Team

Investments & Transactions (37+ years)

- Investment
  - Buyout
  - Venture Capital
  - Private Equity
  - Cross-border investments

- M & A, Investment Banking
  - Mergers & acquisition
  - Corporate finance
  - Merchant banking

Operating/Executing (26+ Years)

- Created and Managed Asian operations for North American Companies
  - Research & Development
  - Out-Sourcing
  - Joint Ventures
  - Distribution
  - Local operations

Experienced Management Team

- **Madan Avadhani**
  - **Co-founder and senior executive with VxTel (acquired by Intel for $550 Mil)**
  - **Director of Program Management at Intel**
  - **Fujitsu PC Corporation**
  - **Connexant**
  - **Bachelor of Technology, Indian Institute of Technology, Bombay**
  - **MBA, Case Western Reserve University**

- **Rick Cho**
  - **Founder PacifiCap Holdings**
  - **Morgan Stanley (Special Situations Group)**
  - **Crown Capital Group**
  - **Jones Lang LaSalle**
  - **BA - Business Administration, University of Washington**

- **David Fann**
  - **Managing Director of U.S. Trust**
  - **Private Equity Division Head, CEO private equity funds for US Trust**
  - **VP of Citicorp Venture Capital Ltd**
  - **BAS – Industrial Engineering and Economics, Stanford University**

- **Subra Narayan**
  - **Head of Portfolio Development for Crescendo Ventures**
  - **interWave Communications**
  - **Nortel Networks**
  - **BSc – Applied Math, MSc – Electrical Engineering, Queen's University**
  - **MBA, Harvard**

Skills to Execute

Years of Experience

	Madan Avadhani	Rick Cho	David Fann	Subra Narayan	**Total**
Tech Investing Sourcing, Diligence, etc. Buyouts/Spinouts/Recaps Mergers & Acquisitions / IPOs		13	20	4	37
Operating Operating role in India Operating role in China Small cap in US with International Ops Large cap in US with International Ops	15			11	26
Years Doing Business in/with Asia	15	11		5	31

Madan will establish Mercury's Indian Operations by relocating to India

Ability to Execute

Acquisitions

- David Fann – identified and executed multiple buyout investments on behalf of Citicorp Venture Capital and U.S. Trust

- Rick Cho has executed on multiple acquisitions as a principal investor and advisor

JVs and Partnerships

- Rick Cho has established Asian relationships for PacifiCap's portfolio companies (e.g., for IRIS Wireless, established relationships with over a dozen Asian carriers including Korea Telecom, China Mobile, AIS, Cellcom)

- Subra Narayan has established joint ventures and development relationships primarily with the government of China for Nortel. Cultivated relationships with NEC, Fujitsu, and others in Asia on behalf of Crescendo Ventures

Off-shore/out-source development and manufacturing

- Madan Avadhani has successfully created multiple development organizations and out-sourcing programs in India for VxTel and other start-ups

- Several past investments of the Team created development organizations or out-sourced to China, India, Brazil, North Africa, Eastern Europe and Latin America

Our Approach

Do

- Acquire controlling stakes in businesses delivering mission critical technology (high switching cost) to established customers
- Seek cash flow (EBITDA positive or near positive)
- Use leverage as appropriate
- Repurpose technology, expand markets and reduce costs/increase productivity through offshore or outsource development and administration
- Limit down-side in each investment

Do Not

- Make Venture Capital (minority) investments
- Invest in businesses that require major restructuring or turnarounds
- Enter bidding wars or auctions (overpay for deals)
- Take technology or development risk

Representative Technology Transactions

Data as of Dec. 31, 2005
$'s in Millions

Realized/Public Investments	Dates In/Out	$'s Invested	$'s Realized	Fair Mkt Value	Total Value	Multiple	Gross IRR	Transaction Origin	Status
Small Cap Technology Buyouts:									
Corsair Communications	'96/'00	3.0	5.1	0.0	5.1	1.7	30%	Spinout of TRW/ESL	IPO
NeoVista Software/Accrue	'97/'99	0.9	1.1	0.0	1.1	1.2	7%	Recap of Maspar	Sold to Accrue
Powersmart/Microchip	'99/'01	9.9	17.2	0.0	17.2	1.7	22%	Buyout from Duracell	Sold to Microchip
WNP/Nextlink	'99/'01	5.9	19.2	0.0	19.2	3.3	110%	Buyout from U.S. Gov't	Sold to Nextlink
Sub-total		19.7	42.6	0.0	42.6	2.2	**39%**		
Unrealized Investments:									
Small Cap Technology Buyouts:									
Pilot Software	'02	4.0	0.0	4.0	4.0	1.0	0%	Spinout	Developing
Cydelity	'03	4.0	0.0	4.0	4.0	1.0	0%	Take Private of Accrue	Developing
Sub-total		8.0	0.0	8.0	8.0	1.0	0%		
Total		**27.7**	**42.6**	**8.0**	**50.6**	**1.8**	**36%**		

- 6 investments made by David Fann at U.S. Trust
  - 36% gross IRR on tech buyout investments (**without the benefit of Asia outsourcing/off-shoring and knowledge/expertise of the Mercury team**)
- 4 exits
  - 39% gross IRR on realizations on tech buyout investments (without benefit of Asia)
- No write-offs to date

Why Invest?

- Unique, differentiated strategy
- Experienced team with skills and relationships necessary to execute all facets of strategy
- Opportunity to create a strategic relationship
- Ability to generate out-sized investment returns with minimized downside risk
- Double Play – Best way, on a risk adjusted basis to:
  - monetize opportunity in small cap tech buyouts and
  - monetize opportunities in Asia

Summary of Terms and Conditions

Mercury Fund I, LP

- US$100 million limited partnership
- 2.5% annual management fee
- 20% carried interest to the General Partner after 6% hurdle rate
- General Partners will invest at least 3% of the fund

Current Opportunities

“M” Embedded Software

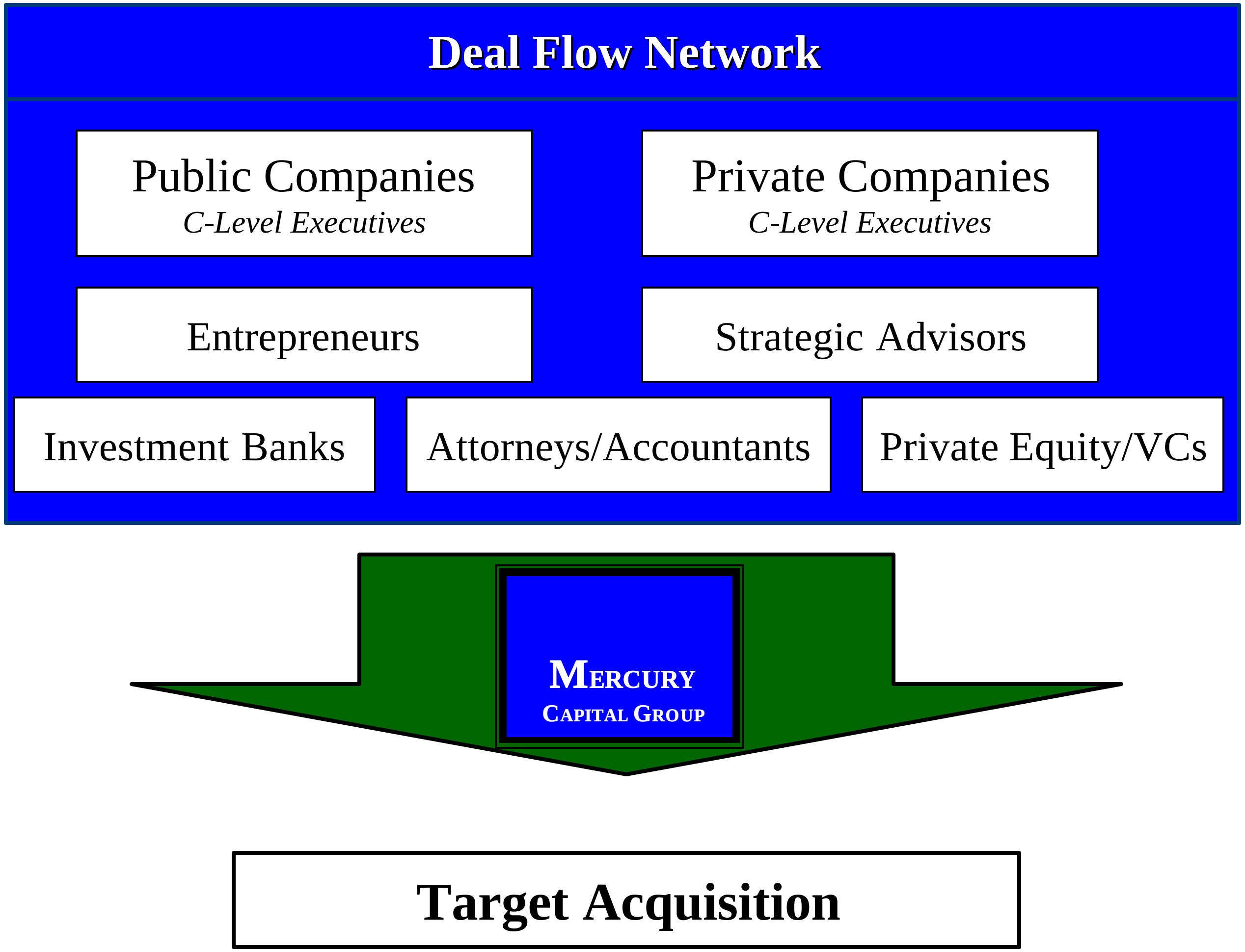
- Real Time Operating Systems and Test Software for Multi-Core, System on Chip semiconductor development
- Acquire >80% for $8 million

“A” Systems

- Transmitters and Systems for Broadcast TV, Broadband Wireless Access and Mobile Video
- Acquire >70% for $5 million

Appendix

Extensive Deal Flow Network



“M” Embedded Software

Overview:	Testing and operating system software for multi-core System on Chip development. Non-strategic to parent company.
The Deal:	Spin-out division of public parent. Parent does not want cash, wants ~ 20% of Newco. Management will own ~ 20%. Mercury will invest $6-8 million into Newco for ~ 60% stake
Valuation:	~ $4 mm, fully diluted
Investment Rationale:	System on a Chip (SoC) architecture is growing at 30-50% CAGR. Upon spin-out, “M” is well-positioned to lead the SoC tool space. Spin-out increases potential customer base by at least 2x (as they can now sell to parent’s competitors).
Investment to date:	over $45 mm
Revenue:	$6 million in 2005.
EBITDA:	(-1.5) mm ➔ current break-even at $8.0 million of revenue…could be less with outsourcing.
Opportunities:	cost reduction by shifting the part of development organization off-shore. Reduces break-even threshold.
Strengths:	customer base includes – ST Micro, IBM, Broadcom; experienced “CEO”
Weaknesses:	Small sales organization, limited marketing budget, lack of “independence”
Current Headcount:	29 people in US; plan of 57 people in US, 33 in R&D upon spinout; plan to outsource to India and/or Canada shortly after spinout.
Issues/Concerns:	Create new, stand-alone identity. Selling into the “right” SoC projects. Customer support requirements. Scalability.
Expected IRR:	in excess of 40%
Exit Strategy:	Upon achievement of critical mass ($20 mm+), strategic sale to EDA company (Cadence, Synopsis) or IPO

“M” Embedded Software Plan*

90 Days	180 Days
• Management – Establish objectives, metrics, incentives and re-evaluate teams in North America and India – Rationalize organizations • Market – Identify Lead customers and sell into Parent’s competitors – Develop new markets (previously closed due to affiliation with parent) • Technology / Product – Rationalize offerings – Expand into other silicon solutions • Financing – Clean up balance sheet – Reconsider Lease obligations, etc.	• Management – Assess and make changes as necessary – Evaluate further outsourcing and “offshoring” opportunities • Market – Convert Pipeline customers – Dual Core developers – Leverage Asian relationships • Technology / Product – Expand product offering • Financing – Expansion capital

* As drawn up by Mercury

“M” Embedded - Financial Plan

AS IS PLAN	2006	2007	2008	2009	2010
Total Revenue	8.8	13.7	25.6	44.0	63.2
Direct Cost of Goods	0.9	1.3	2.4	4.1	5.9
Gross Profit	7.9	12.4	23.2	39.9	57.3
Expenses					
Customer Support	0.5	0.8	1.5	2.2	3.9
R&D	5.2	5.9	7.9	11.1	14.5
Sales & Marketing	3.8	4.8	7.9	14.2	19.6
G&A	1.0	1.2	2.1	4.3	5.6
Total Expenses	10.5	12.7	19.4	31.8	43.6
EBITDA	-2.6	-0.3	3.8	8.1	13.7
Headcount					
Customer Support	4	7	12	19	32
R&D	33	39	54	84	112
Sales & Marketing	17	20	29	55	90
G&A	3	4	8	17	19
Total Headcount	57	70	103	175	253
Average Cost per headcount					
Customer Support	0.13	0.11	0.13	0.12	0.12
R&D	0.16	0.15	0.15	0.13	0.13
Sales & Marketing	0.22	0.24	0.27	0.26	0.22
G&A	0.33	0.30	0.26	0.25	0.29

Pro Forma Plan - Post Spinout	2006	2007	2008	2009	2010
Total Revenue	8.8	13.7	25.6	44.0	63.2
Direct Cost of Goods	0.9	1.3	2.4	4.1	5.9
Gross Profit	7.9	12.4	23.2	39.9	57.3
Expenses					
Customer	0.3	0.5	0.9	1.4	2.4
R&D	3.3	3.9	5.4	8.4	11.2
Sales & M	3.8	4.8	7.9	14.2	19.6
G&A	1.0	1.2	2.1	4.3	5.6
Total Expenses	8.4	10.4	16.3	28.3	38.8
EBITDA	-0.5	2.0	6.9	11.5	18.5
Headcount					
Customer	4	7	12	19	32
R&D	33	39	54	84	112
Sales & M	17	20	29	55	90
G&A	3	4	8	17	19
Total Headcount	57	70	103	175	253
Average Cost per headcount					
Customer	0.08	0.08	0.08	0.08	0.08
R&D	0.10	0.10	0.10	0.10	0.10
Sales & M	0.22	0.24	0.27	0.26	0.22
G&A	0.33	0.30	0.26	0.25	0.29

Assumptions

– Offshore ½ Customer Support (reduce cost)

– Offshore ½ R&D (reduce cost)

Mercury Value-Add – "M" Embedded

EBITDA ($MMs)	2006	2007
M Embedded EBITDA Plan	$ - 2.6	$ - 0.3
Mercury EBITDA Plan *	$ - 0.5	$ 2.0
EBITDA Benefit of Mercury Strategy	**$ 2.1**	**$ 2.3**

SHAREHOLDER VALUE CREATON		
EXIT VALUE – M Embedded Plan @ 1 x sales	$10MM	$13 MM ➔2.0x
EXIT VALUE – Mercury Plan @ 10 x EBITDA		$20 MM ➔3.5x
SHAREHOLDER VALUE IMPROVEMENT:		**$10 MM**

ASSUMPTIONS:

NO INCREMENTAL ASIAN REVENUE OR EBITDA CONTRIBUTION

COST PER ENGINEER IS REDUCED FROM $160K/YR TO $100K/YR

TRANSFER OF 23 FTE OVER 2 YEARS TO ASIA

“A” Systems

Overview:	Provider of Equipment for Broadband Wireless Access Systems and Digital Video Broadcast.
The Deal:	Invest $5-7 million at $3-5 million pre-money.
Opportunity:	Buyout
Investment Rational:	Capitalize on video to handset market for wireless.
Investment to date:	over $30 million
Investors:	individuals
Revenue:	$25 million in 2005
EBITDA:	$2 million
Headcount:	100 people
Issues/Concerns:	Ability to capitalize on the mobile TV market. Concentrated Revenue Source in Mobile TV Market.
90 Day Plan:	Focus on new product development, address working capital issues.
Exit Strategy:	Sale to strategic buyer seeking to capitalize or expand in wireless infrastructure equipment for mobile video.

A Systems – 90, 180 day plan*

90 Days

- Management
  - Refocus and redefine corporate strategic direction
  - Define new operating and financial objectives
  - Develop off-shoring plan
- Market
  - Establish international plan/product mgmt/channel team
  - Increase focus/marketing on DVB-H
- Technology / Product
  - Rationalize offerings and projects
  - Evaluate need for BWA product line
  - Develop/approve plan for new investments in eng/product/cap equip
- Financing
  - Clean up balance sheet
  - Put capability in place for bonding

180 Days

- Management
  - Assess and make changes as necessary
  - Approve outsourcing MFG plan outsourcing
- Market
  - Convert Pipeline customers
  - Focus S&M on other leading players in DVB-H build out
  - Leverage Asian relationships
- Technology / Product
  - Finalize international certifications/product modifications
  - Strengthen patent portfolio
- Financing
  - Consider additional funding from strategic partner
  - Expansion capital

"A" Systems - Financial Plan

Current Plan	2005E	2006P
New Mobile TV	0.0	31.5
Existing	25.0	24.7
Total Sales	**25.0**	**56.2**
COST OF SALES	17.0	40.3
GROSS PROFIT	**8.0**	**15.9**
Gross Margin	**32.2%**	**28.3%**
OPERATING EXPENSES		
ENGINEERING	2.5	3.9
MARKETING	0.7	1.1
SALES	1.1	1.5
CUSTOMER SERVICE	0.8	1.0
ADMINISTRATION	1.7	1.7
OPERATING EXPENSES	6.8	9.2
EBITDA	**1.3**	**6.7**
% of Sales	**5.0%**	**11.9%**
organization - FTE	**2005E**	**2006P**
manufacturing	65	120
engineering	10	10
sales	10	10
marketing	5	5
customer service	5	5
admin	5	5
total FTE	100	155
avg cost per mfg FTE	0.08	0.10

Pro-Forma	2005R	2006R
New Mobile TV	0.0	31.5
Existing	25.0	24.7
Total Sales	**25.0**	**56.2**
COST OF SALES	14.4	34.3
GROSS PROFIT	**10.6**	**21.9**
Gross Margin	**42.6%**	**39.0%**
OPERATING EXPENSES		
ENGINEERING	2.5	3.9
MARKETING	0.7	1.1
SALES	1.1	1.5
CUSTOMER SERVICE	0.8	1.0
ADMINISTRATION	1.7	1.7
OPERATING EXPENSES	6.8	9.2
EBITDA	**3.9**	**12.7**
% of Sales	**15.4%**	**22.6%**
organization - FTE	**2005R**	**2006R**
manufacturing	65	120
engineering	10	10
sales	10	10
marketing	5	5
customer service	5	5
admin	5	5
total FTE	100	155
avg cost per mfg FTE	0.04	0.05

Off-shoring a part of manufacturing

- would have reduced COGS by $2.6 million in 2005,
- and will reduce COGS by $6.0 million in 2006

MERCURY Value-Add – A Systems

EBITDA	2005	2006
A Systems EBITDA Plan	$ 1.3	$ 6.7
Mercury EBITDA Plan *	$ 3.9	$12.7
Cash Burn Reduction	$ 2.6	$ 6.0

SHAREHOLDER VALUE CREATON

EXIT VALUE – A Plan @ 6 x EBITDA	$7.8 MM	$ 40.2 MM ➔ 5.0x
EXIT VALUE – Mercury Plan @ 6 x EBITDA		$ 76.2 MM ➔ 9.0xx
SHAREHOLDER VALUE IMPROVEMENT:		$36.0 MM

ASSUMPTIONS

NO INCREMENTAL ASIAN REVENUE OR EBITDA CONTRIBUTION

COST PER MFG EMPLOYEE IS REDUCED FROM $80K/YR TO $40K/YR

TRANSFER OF 50 FTE IN YEAR 1 TO ASIA