CORRPRO COMPANIES INC /OH/
Form PRE 14A
December 22, 2003

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

þ Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

Corrpro Companies, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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January , 2004

To Our Shareholders:

On behalf of the Board of Directors and management, I cordially invite you to attend the Special Shareholders Meeting to be held on January , 2004, beginning at 10:00 a.m., Eastern Time. It will be held at the **[To be determined]**.

At the meeting, you will be asked to consider a number of very important proposals primarily relating to approval of a $13.0 million capital investment in the Company by CorrPro Investments, LLC, an entity controlled by Wingate Partners III, L.P. The details of the transaction and the specific business to be acted upon at the meeting are described in the accompanying notice of meeting and proxy statement.

As you can see from the enclosed information, you are being asked to vote in favor of proposals that would result in a new capital structure for the Company, including a long-term financing arrangement that we believe is necessary for the Company. As we have publicly announced, our existing loan agreements call for the repayment of all of our bank debt and certain amounts due under the Company s senior notes by January 31, 2004. In addition, the entire amount of our obligations due under our senior notes could also become due on January 31, 2004. If the proposed transactions described in the accompanying proxy materials are not approved by the required majority of the Company s shareholders, the Company may have no alternative but to consider filing for protection under applicable bankruptcy laws.

The Company has conducted a rigorous refinancing process and strongly believes that the transactions proposed are fair and in the best interests of the Company and its shareholders. By voting FOR the proposals, the Company will be able to implement the refinancing and recapitalization described in the accompanying proxy material.

It is important that your shares be represented at the meeting. Whether or not you plan to attend in person, you are requested to vote, sign, date and promptly return the enclosed proxy in the envelope provided.

Sincerely yours,

Joseph W. Rog
Chairman of the Board,
Chief Executive Officer,
and President

CORRPRO COMPANIES, INC.

1090 Enterprise Drive
Medina, Ohio 44256

NOTICE OF SPECIAL SHAREHOLDERS MEETING

TO BE HELD JANUARY , 2004

To the Shareholders of CORRPRO COMPANIES, INC.:

Notice is hereby given that the Special Shareholders Meeting (the Meeting) of CORRPRO COMPANIES, INC. (the Company or Corrpro) will be held on , January , 2004, at 10:00 a.m., Eastern Time at **[To Be Determined]**, to consider and vote on the following proposals:

Proposal One

Approval of (i) the proposal to enter into the transactions contemplated by the Securities Purchase Agreement, dated as of December 15, 2003 (the Securities Purchase Agreement) between the Company and CorrPro Investments, LLC (Purchaser), pursuant to which the Company will issue and sell to Purchaser, a Delaware limited liability company controlled by Wingate Partners III, L.P. (Wingate), 13,000 shares of Series B Cumulative Redeemable Voting Preferred Stock, without par value (the Series B Preferred Stock), and a warrant (the Purchaser Warrant) to purchase that number of shares of the Company s common shares, no par value (the Common Stock), equal to 40% of the Post Transaction Fully Diluted Shares (as defined below under Proposal One: Approval of the Transactions Dilution), for an aggregate consideration of $13.0 million (together with the issuance of the American Capital Warrant described below, collectively, the Transactions) and (ii) the issuance of the shares of Common Stock issuable pursuant to the Purchaser Warrant.

Adoption of (i) an amendment to the Company s Amended and Restated Articles of Incorporation, as in effect on the date hereof (the Existing Articles), to authorize and create the Series B Preferred Stock and (ii) conforming amendments to the Existing Articles required to implement the terms of the Series B Preferred Stock.

Approval of (i) the issuance to American Capital Strategies, Ltd. (American Capital) of a warrant to purchase that number of shares of Common Stock equal to 13% of the Post Transaction Fully Diluted Shares (the American Capital Warrant, and together with the Purchaser Warrant, the Warrants) and (ii) the issuance of the shares of Common Stock issuable pursuant to the American Capital Warrant.

Proposal Two

Adoption of an amendment to the Existing Articles providing that the Ohio Control Share Acquisition Act shall not apply to acquisitions of the Company s equity securities.

Proposal Three

Adoption of an amendment to the Existing Articles to entitle holders of Series B Preferred Stock to preemptive rights with respect to certain future issuances of the Company s equity and debt securities.

Proposal Four

Adoption of certain amendments to the Company s Amended and Restated Code of Regulations, as in effect on the date hereof (the Existing Regulations), required to implement the transactions.

Proposal Five

Adoption of an amendment to the Existing Regulations to increase the minimum time required for provision of notice to shareholders of shareholder meetings from seven to ten days.

Proposal Six

Transaction of such other business as may properly come before the meeting, or any adjournment or postponement thereof. The Board is soliciting discretionary authority from shareholders to adjourn or postpone the meeting to permit further solicitation with respect to the Proposals.

Transaction of such other business as properly may be brought before the meeting.

The Board of Directors has fixed the close of business on December 19, 2003 as the record date for the determination of the shareholders entitled to notice of and to vote at the Meeting, and only shareholders of record at the close of business on that date will be entitled to vote at the Meeting.

All shareholders are cordially invited to attend the Meeting in person. WHETHER OR NOT YOU EXPECT TO BE PRESENT, YOU ARE REQUESTED TO VOTE BY TELEPHONE OR SIGN, DATE, AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE PREPAID ENVELOPE PROVIDED. If you are present at the Meeting and desire to vote in person, your proxy will not be used if you revoke your appointment of proxy so that you may vote your shares personally.

NOTICE

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING SO THAT THE PRESENCE OF A QUORUM FOR THE MEETING MAY BE ASSURED. EACH SHAREHOLDER IS REQUESTED TO EXECUTE AND PROMPTLY RETURN THE ENCLOSED PROXY.

By Order of the Board of Directors

John D. Moran

Secretary

January , 2004

CORRPRO COMPANIES, INC.

1090 ENTERPRISE DRIVE
MEDINA, OHIO 44256

PROXY STATEMENT

SPECIAL SHAREHOLDERS MEETING

TO BE HELD JANUARY , 2004

The enclosed Proxy is solicited on behalf of the Board of Directors of CORRPRO COMPANIES, INC. for use at the Special Shareholders Meeting of the Company to be held , January , 2004, at 10:00 a.m. Eastern Time, including any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Special Shareholders Meeting. The Meeting will be held at **[To Be Determined]**.

Record Date

Holders of record of shares of the Company s Common Stock, as of the close of business on December 19, 2003 (the Record Date) are entitled to notice of and to vote at the Meeting. Each share of Common Stock is entitled to one vote. On the Record Date, the Company had 8,462,847 shares of Common Stock outstanding.

Voting of Proxies

The persons named as proxies on the proxy card will follow your voting instructions on the proxy card that you return. If no instructions are given, the persons named as proxies will vote signed proxies FOR each of the proposals described in this proxy statement. The persons named as proxies will vote the shares represented by proxy in their discretion on any matters not set forth herein that are voted on at the Meeting.

Solicitation of Proxies

The Company is soliciting the enclosed proxy on behalf of its Board of Directors (described throughout this proxy statement as the Board of Directors or the Board). In addition to the use of the mails, proxies may be solicited by personal interview, telephone and email. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of Common Stock held of record by such persons and the Company will reimburse them for reasonable out-of-pocket expenses incurred in connection therewith. The Company has engaged DF King & Co., Inc. to aid in the solicitation of proxies in order to assure a sufficient return of votes on the proposals to be presented at the Meeting. The cost of such services is estimated to be $7,500, plus reasonable distribution and mailing costs. Proxies also may be solicited by certain Company directors, officers, and employees, without additional compensation. All expenses incurred in connection with this solicitation will be borne by the Company.

First Mailing Date

This proxy statement is being mailed to shareholders on or about January , 2004.

Revoking Your Proxy

You may revoke your proxy before it is voted at the Meeting. To revoke, follow the procedures listed under the section entitled Voting Procedures/ Revoking Your Proxy at the end of this proxy statement.

Votes Required to Approve Proposals

Abstentions and broker non-votes shall be excluded from the determination of the votes cast with respect to any proposal for which authorization to vote was withheld. The presence of the holders of a majority of the total issued and outstanding shares of Common Stock in person or represented by duly executed proxies (including broker non-votes and abstentions) at the Meeting shall constitute a quorum for the transaction of business. The vote required for the adoption of each proposal is set forth in the discussion of the separate proposals. The adoption of each of Proposals One, Two, Three and Four is a prerequisite to the consummation of the Transactions set forth in Proposal One. In addition, the amendments contained in Proposals Three and Four, if approved, will only be effectuated if Proposals One and Two are approved.

The Board does not know of any business to be presented for consideration at the Meeting other than that set forth herein. If any other business properly comes before the Meeting or any adjournments or postponements thereof, the proxies will be voted on such matters in the discretion of the persons named as proxies on the proxy card.

Fiscal Year

Our fiscal year is the 12-month period beginning April 1 and ending March 31. Fiscal 2001 means our fiscal year that ended March 31, 2001. Fiscal 2002 means our fiscal year that ended March 31, 2002. Fiscal 2003 means our fiscal year that ended March 31, 2003. Fiscal 2004 means our fiscal year that ends March 31, 2004.

PROPOSAL ONE: APPROVAL OF THE TRANSACTIONS

The Board is currently seeking your approval of a recapitalization and refinancing plan we believe to be essential to the Company s future. In order to effect the recapitalization and refinancing plan, the Board is asking you to approve the following:

the Transactions pursuant to which the Company will issue and sell to Purchaser 13,000 shares of Series B Preferred Stock and the Purchaser Warrant (and the shares of Common Stock issuable thereunder) for an aggregate consideration of $13.0 million;

the adoption of amendments to the Existing Articles to authorize and create the Series B Preferred Stock and certain conforming amendments required to implement the terms of the Series B Preferred Stock; and

approval of the issuance of the American Capital Warrant to American Capital (and the shares of Common Stock issuable thereunder).

Background

This Background section sets forth a discussion of the events and circumstances affecting the Company and its Senior Lenders since fiscal 2001, and the efforts of the Company and the Senior Lenders to address them, that have resulted in the recommendation that you approve the Transactions.

Defaults under Senior Debt in Fiscal 2001 and 2002. Due to industry trends, general economic conditions, losses on asset dispositions, expenses incurred in consolidation of offices and cost reduction programs, and pending legal proceedings, the Company experienced disappointing financial results from late fiscal 2001 to early 2003. Despite investments in sales and marketing initiatives, the Company s revenues and financial performance began to deteriorate in fiscal 2001 and, by the end of fiscal 2001, the Company had violated certain covenants contained in the documents evidencing its senior debt, which then consisted of a $50.0 million revolving credit facility (the Senior Credit Facility) and Senior Notes due in 2008, in the principal amount of $30.0 million (the Senior Notes and, together with the Senior Credit Facility, the Senior Debt). Furthermore, in the last quarter of fiscal 2001, Company management discovered accounting irregularities relating to the Company s Australian subsidiary. These accounting irregularities led to a number of administrative investigations and civil legal proceedings involving the Company and others, each adding expense to the Company s already burdened income

statement and balance sheet. Thus, it was necessary for the Company to enter into forbearance arrangements with the holders of the Senior Debt (the Senior Lenders), which by their terms, among other things, obligated the Company to pay significant fees, modified the terms of the Senior Debt, deferred the expiration date of the Senior Credit Facility and certain principal payments due under the Senior Notes, and required the Company to develop and implement a potential financial restructuring plan and strategy that would address the repayment of the Senior Debt.

The first of these forbearance agreements was entered into by the Company and each of the Senior Lenders on June 29, 2001. Further amendments, which extended the forebearance agreements under the Senior Debt, were negotiated and entered into in August 2001, November 2001 and February 2002. Failure to secure any of these amendments would have resulted in the Company having to repay indebtedness under its Senior Debt far in excess of its ability to make such payments and thus likely causing it to have to significantly restructure its Senior Debt or file for protection under federal bankruptcy laws. Given the potential damaging effect such a filing would have had upon the Company, its business, its employees and its shareholders, the Company determined that it was preferable to continue to pursue its restructuring plans and otherwise accept the terms and conditions imposed by the Senior Lenders in connection with the forbearance arrangements.

Defaults Under Senior Debt during Fiscal 2003. During fiscal 2003, management investigated the scope of the accounting irregularities related to its Australian subsidiary. In addition, in July 2002, a class action lawsuit seeking significant damages was commenced in Michigan against the Company relating to environmental compliance matters. The combination of the Company s declining financial performance, the cloud of litigation damage claims on several fronts and the costs associated with litigation and accounting issues gave the Senior Lenders cause for concern about the future viability of the Company and caused them to increase their insistence that the Company develop a viable financial restructuring plan that protected their interests.

In the first quarter of fiscal 2003, the Company began the implementation of the formal comprehensive business restructuring plan it had developed with the assistance of outside consultants as required by the Senior Lenders. The restructuring plan included specified asset sales, with the primary goal of reducing the Company s debt burden, and plans for further streamlining its operations. Notwithstanding these efforts, however, the Company s financial position did not improve rapidly enough, and the Company was forced to seek additional forbearance agreements with its Senior Lenders in September 2002. Pursuant to those agreements, the Company agreed to the engagement of an acceptable investment banking firm for the purpose of exploring various strategic alternatives, including refinancing and/or the sale of certain assets or divisions. In addition, the Senior Lenders received warrants to purchase an aggregate of 934,252 shares of the Company s Common Stock, subject to reduction for repayment of the indebtedness to the Senior Lenders by certain target dates (the Existing Warrants).

In compliance with the provisions of the forbearance agreements, the Company formally retained Brown Gibbons Lang & Company Securities, Inc. (Brown Gibbons Lang) as its financial advisor in November 2002, after a competitive bidding process involving the consideration of six potential investment banking firms, for purposes of the Company s refinancing and recapitalization efforts. Brown Gibbons Lang was previously engaged by us in June 2002 for purposes of marketing for sale our Bass-Trigon Software and Rohrback Cosasco Systems business units. As described below under the heading The Recapitalization Process, Brown Gibbons Lang actively pursued both the sale of the Company s Bass-Trigon Software and Rohrback Cosasco Systems business units as well as a potential recapitalization of the Company.

Defaults Under Senior Debt in Fiscal 2004. As the Company implemented its lender-mandated financial restructuring plan, it made significant reductions in the amounts outstanding under the Senior Debt. Since the date of the initial forbearance arrangements, June 29, 2001, through November 30, 2003, the outstanding principal balances under the Senior Credit Facility and Senior Notes have been reduced from $38.1 million to $22.7 million and from $30.0 million to $24.8 million, respectively, through principal payments and the application of the net proceeds of divestitures conducted pursuant to the lender-mandated financial restructuring plan. In addition, the Company s reported operating results in fiscal 2004 began to show improvement over prior periods. However, during this period, the interest rates on the Senior Credit Facility and the Senior Notes have increased from prime plus 2.5% and 7.6% (plus a leverage fee if certain financial benchmarks were exceeded), respectively, to prime plus 5.0% and 11.85%, respectively. In addition, the Company was required to incur

amendment fees and other expenses associated with the forebearance agreements. Despite substantial debt reduction in the face of increasing interest rates, the Company was not in compliance with certain of the financial covenants under its Senior Debt (as modified by the forbearance agreements) at the end of fiscal 2003. Accordingly, it was necessary for the Company to enter into another forbearance agreement with the Senior Lenders in August 2003 and to extend the maturity date of the Senior Credit Facility and defer the principal payment due July 31, 2003 under the Senior Notes. Under the terms of this agreement, the Senior Lenders imposed the requirement that the Company repay the Senior Credit Facility in full and make a principal payment of $8.7 million under the Senior Notes no later than October 31, 2003, and that the Company meet certain interim benchmarks.

In addition, as noted above, the expiration date of the Senior Credit Facility, and the due date of a $7.6 million principal payment on the Senior Notes, both of which were scheduled to occur on July 31, 2003, and $1.1 million in principal payments due subsequent to July 31, 2003 on the Senior Notes, were extended to October 31, 2003, provided certain conditions were satisfied. One such condition was the signing of a letter of intent for the recapitalization of the Company on terms and conditions acceptable to each of the Senior Lenders. This condition was satisfied on September 12, 2003, by the execution of a letter of intent by the Company and Wingate. The October 31, 2003 forbearance expiration date and principal payment due date were further extended to January 31, 2004 by agreement with the Senior Lenders in November 2003, and the timing requirements of certain of the remaining conditions to the continued extension and forbearance were modified. Among the conditions for the continuation of the forbearance through January 31, 2004 were the achievement of certain goals, including: (i) receipt of draft commitment letters for new debt financing related to the proposed recapitalization transaction acceptable to the Senior Lenders; (ii) the execution of a definitive securities purchase agreement for the $13.0 million preferred stock investment provided for in the Wingate letter of intent; and (iii) the delivery of financing commitment letters sufficient to enable repayment of the Senior Debt. Each of these conditions was met to the satisfaction of the Senior Lenders on December 15, 2003, with the Company s execution of the definitive Securities Purchase Agreement with Purchaser and the acceptance of the financing commitment letters from the new third-party lenders.

The Recapitalization Process. Following its engagement by the Company in November 2002, Brown Gibbons Lang actively sought traditional debt refinancing proposals involving the replacement of the Senior Debt, the replacement or placement of mezzanine securities and the investment of new equity, on behalf of the Company. Inasmuch as the proceeds from contemplated divestitures would not be sufficient to refinance obligations under the Senior Debt, new financing from the capital markets would be required. Due to the Company s lack of consistent cash flow, nominal tangible assets to serve as security, and the overall depressed state of the debt markets, Brown Gibbons Lang advised that it was likely that a significant portion of any new financing would need to consist of equity and that such an infusion may potentially require an equity investor to take a control position in the Common Stock.

During March 2003, with the assistance of Brown Gibbons Lang, the Company sold its Bass-Trigon Software and Rohrback Cosasco Systems business units, yielding aggregate proceeds of $9.4 million, which were used to pay down a portion of its obligations under the Senior Debt. As a result, the number of shares of Common Stock issuable upon exercise of the Existing Warrant was reduced to 774,962 shares. On May 22, 2003, the Board of Directors formed a Special Committee, consisting of three of its members, two of whom were non-employee directors. On July 16, 2003, the Special Committee was charged with the review of strategic alternatives available to the Company, in light of the Company s lack of compliance with the provisions of the Senior Credit Facility and the Senior Notes, the impending expiration of the Senior Credit Facility and the impending principal payment due on the Senior Notes. On July 29, 2003, the membership of the Special Committee was changed such that all members of the Special Committee were non-employee directors. Since that date, the Special Committee has consisted of Harry Millis, Neal R. Restivo, chair, and Warren F. Rogers. The primary focus of the Special Committee was then expanded to include investigation of alternative capital financing sources in order to recapitalize the Company and refinance its outstanding Senior Debt. The Special Committee was also charged with assisting the Company in negotiating the various amendments and extensions to the Senior Credit Facility and the Senior Notes, premised upon the development and implementation of the recapitalization plan, and

monitoring the relationship between the Company and the Senior Lenders to determine whether and at what point it might be advisable for the Company to file for protection under the federal bankruptcy laws.

During the period from April 2003 through June 2003, a thorough refinancing and sale process was conducted, and interested parties, consisting of both U.S. and international financial and strategic investors, reviewed comprehensive confidential information regarding the Company, its operations, operating units and financial performance for the purpose of considering an investment in or transaction with the Company. There was no interest from senior and junior lenders without an equity investment from a financial investor. Throughout the process of solicitation of competitive refinancing proposals, neither of the Senior Lenders exhibited an interest in making a competitive refinancing proposal. In May 2003, preliminary indications of interest were submitted by seventeen potential financing sources, fifteen of which attended management presentations at the Company. This process yielded submissions of five proposed letters of intent. Of those five, the Wingate proposal was the only proposal that both provided for a substantial equity investment in the Company and that did not require the elimination of the existing public equity of the Company. Further, the other proposals were at prices the Special Committee deemed to be inadequate consideration for the Common Stock.

Following receipt of advice from Brown Gibbons Lang, the Special Committee determined that it would be in the best interest of the stakeholders in the Company to negotiate the letter of intent proposed by Wingate which, if accepted, would grant Wingate an exclusivity period during which the parties would work toward the negotiation of a definitive purchase agreement pursuant to which Wingate would purchase from the Company (i) shares of a new issue of the Company s Series B Preferred Stock, having an initial aggregate liquidation preference value of $13.0 million, and (ii) the Purchaser Warrant, for an aggregate consideration of $13.0 million, conditioned upon obtaining new credit for the recapitalized Company consisting of new senior financing and subordinated debt financing in the approximate amounts of $26.0 million and $14.0 million, respectively.

Following a series of discussions and arms length negotiations among the Special Committee, Wingate and the Senior Lenders, and numerous meetings of the Special Committee with its financial and legal advisors, the Special Committee, at a meeting of the Board of Directors held August 25, 2003, unanimously recommended that the Board of Directors authorize it to negotiate exclusively with Wingate with the goal of arriving at a mutually acceptable letter of intent. The recommendation of the Special Committee was accompanied by a presentation to the Board by Brown Gibbons Lang of the marketing efforts it had undertaken to assist the Special Committee, and its evaluation of the Wingate proposal and other competing proposals. At that meeting, the Board of Directors, acting upon the recommendation of the Special Committee, authorized the Special Committee to negotiate the proposed letter of intent with Wingate and to present the negotiated letter to the Senior Lenders for their approval under the terms of the then existing forbearance and extension agreements.

The initial letter of intent proposed by Wingate, dated August 22, 2003, was presented to the Company s Senior Lenders for their consent. The Special Committee engaged in negotiations with Wingate to improve, from the Company s and its stakeholders point of view, the terms and conditions of the transactions contemplated by the letter of intent. Following the negotiations, including negotiations among the Special Committee, Wingate and the Senior Lenders of certain points raised by the Senior Lenders, the Special Committee met and determined to recommend to the Board that it authorize the execution, on behalf of the Company, of a revised, further negotiated letter of intent, dated September 11, 2003. The Board, at a meeting held September 12, 2003, acting upon the recommendation of the Special Committee, unanimously approved the execution of the Wingate letter of intent, which, with the consent of the Senior Lenders, was thereupon executed by Wingate and the Company. Thereafter, the Special Committee pursued with Wingate the goal of obtaining, within the 60-day exclusivity period provided for in the letter of intent, senior and subordinated debt financing commitments acceptable to the Company and the Senior Lenders (as contemplated in the letter of intent) and the negotiation of the terms and conditions of the Series B Preferred Stock, the Purchaser Warrant and the Securities Purchase Agreement. In that connection, the Special Committee engaged Brown Gibbons Lang to deliver an opinion with respect to the fairness of the proposed recapitalization transactions, from a financial point of view, to the shareholders of the Company.

Recommendation of the Special Committee. Following completion of the negotiations with respect to documentation providing for the recapitalization and refinancing of the Company pursuant to the Wingate letter of intent,

the Special Committee requested and received from Brown Gibbons Lang a preliminary presentation of the analysis supporting their fairness opinion. After reviewing the terms and conditions of the proposed transaction documents, the draft fairness opinion and other available information, the Special Committee determined to recommend to the Board of Directors that the Board approve the transaction. A Board meeting was convened on December 5, 2003, for the purpose of the Board receiving the recommendation of the Special Committee and the preliminary presentation of the Brown Gibbons Lang fairness analysis supporting the fairness opinion that Brown Gibbons Lang was to render. As certain terms of the Series B Preferred Stock remained to be cleared with The American Stock Exchange, the Board meeting was adjourned until clearance was received and the execution of the definitive Securities Purchase Agreement could be authorized and Brown Gibbons Lang s fairness analysis and opinion could be finalized and the opinion delivered. At a reconvened Board meeting on December 14, 2003, the Board of Directors unanimously approved the Transactions and authorized the Special Committee to enter into the Securities Purchase Agreement on behalf of the Company. On December 15, 2003, the Brown Gibbons Lang fairness opinion was delivered and the Purchaser and the Company entered into the Securities Purchase Agreement, after obtaining the consent of the Senior Lenders.

Reasons for the Recommendation. The Board of Directors of the Company and the Special Committee believe that the matters submitted for your approval in this Proposal One are in the best interest of the Company and its shareholders. The Board s recommendation to approve the matters submitted in Proposal One is the result of a thorough process conducted due to the inability of the Company to repay its Senior Debt in accordance with its terms. The maturity of a substantial portion of the Senior Debt at July 31, 2003, and the determination of the Board that the viability of the Company would be at substantial risk if there was no plan in place to refinance the Senior Debt when it came due, was the impetus for the formation of a Special Committee of the Board. The charge of the Special Committee was to explore strategic alternatives that would result in a recapitalization and refinancing plan that would satisfy the Senior Lenders, and preserve value for the Company s shareholders.

The completion of the process described above was an express condition of the continuation of the Company s forbearance agreements with its Senior Lenders. Without having made significant progress in the negotiation, structuring and implementation of a credible and achievable recapitalization and refinancing plan, the Company would have been unable to have continued to elicit the cooperation and forbearance of its Senior Lenders. In the absence of the proposed Transactions, the Company would be faced with the difficult situation of struggling to conduct business operations, retain key employees and maintain its customer base while negotiating expensive forbearance agreements with the Senior Lenders, with their attendant operational limitations, while facing default on the payment of amounts of principal and interest far in excess of the resources available to the Company to make such payments. Absent a credible and achievable recapitalization and refinancing plan, such as the proposed Transactions, the likely eventual outcome for the Company under these circumstances was that it would be subject to foreclosure proceedings initiated by its Senior Lenders, or file for protection under the federal bankruptcy laws. The Company believes that either of these outcomes would significantly diminish the value of the Company s Common Stock. Thus, the Special Committee and Board of Directors determined that the proposed Transactions represented the best and only currently available alternative for the Company and its stakeholders. It is against this backdrop that the Board of Directors and the Special Committee have evaluated and recommend your approval of Proposal One.

BASED UPON THE BOARDS REVIEW OF THE FACTORS DESCRIBED ABOVE, THE RECOMMENDATION OF THE SPECIAL COMMITTEE, AND THE RECEIPT OF THE BROWN GIBBONS LANG FAIRNESS OPINION, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS OF THE COMPANY APPROVE PROPOSAL ONE.

Requirement for Shareholder Approval. Article Seventh of the Existing Articles provides that at least 60% (i.e. a supermajority) of the voting power of the Company is necessary to approve any amendment to the Existing Articles that affects, among other things, the classification, *election*, or tenure of office of the directors. . . . [Emphasis supplied.] Management believes that this provision may be interpreted to apply to the adoption of the proposed amendment to the Existing Articles designating the Series B Preferred Stock, due to the right to appoint the majority of the Board associated therewith (as discussed below). Accordingly, shareholder approval is being sought to amend the Existing Articles to create the Series B Preferred Stock. In addition, also proposed for approval are the adoption of conforming amendments to Article Fourth of the Existing Articles, changing the

restriction on the number of Serial Preferred Shares designated as voting to 800,000 from 500,000, and removing the supermajority vote requirement of Article Seventh of the Existing Articles. The Existing Articles require 60% shareholder approval of the creation of the Series B Preferred Stock and the adoption of the foregoing conforming amendments.

Further, under the rules of The American Stock Exchange, on which the shares of Common Stock are listed for trading, the Company must obtain the approval of its shareholders with respect to any transaction which could result in the issuance of shares of Common Stock in excess of 20% of the number of outstanding shares of Common Stock. As it is likely that issuance of the Purchaser Warrant and the American Capital Warrant could result in the future issuance of shares of Common Stock in excess of 20% of the Company s currently outstanding Common Stock, shareholder approval is being sought.

The Transactions

THIS SUMMARY OF THE TERMS OF THE TRANSACTIONS IS INTENDED TO PROVIDE YOU WITH BASIC INFORMATION CONCERNING THE TRANSACTIONS; HOWEVER, IT IS NOT A SUBSTITUTE FOR REVIEWING, IN THEIR ENTIRETY, (I) THE SECURITIES PURCHASE AGREEMENT ATTACHED HERETO AS ANNEX A AND INCORPORATED BY REFERENCE HEREIN, (II) THE FORM OF PURCHASER WARRANT, ATTACHED HERETO AS ANNEX B AND INCORPORATED BY REFERENCE HEREIN, (III) THE FORM OF AMERICAN CAPITAL WARRANT, ATTACHED HERETO AS ANNEX C AND INCORPORATED BY REFERENCE HEREIN, AND (IV) THE POWERS, DESIGNATIONS, PREFERENCES AND RIGHTS OF THE SERIES B CUMULATIVE REDEEMABLE VOTING PREFERRED STOCK IN SUBSTANTIALLY THE FORM INCLUDED IN THE PROPOSED AMENDED ARTICLES (AS DEFINED BELOW) ATTACHED HERETO AS ANNEX D AND INCORPORATED BY REFERENCE HEREIN.

The Securities Purchase Agreement

On December 15, 2003, the Company entered into a definitive Securities Purchase Agreement with Purchaser, pursuant to which the Company has agreed to issue and sell to Purchaser for an aggregate purchase price of $13.0 million (i) 13,000 shares of the Series B Preferred Stock, with an initial liquidation preference of $1,000 per share, and (ii) the Purchaser Warrant to purchase up to a number of shares of Common Stock equal to 40% of the Post Transaction Fully Diluted Shares at an exercise price of $0.001 per share. The terms of the Series B Preferred Stock and the Purchaser Warrant are more fully described below. The closing of the Transactions (the Closing) is subject to certain conditions, including, among other things, obtaining shareholder approval. If approved by the shareholders, it is anticipated that the Closing of the proposed Transactions would occur as soon as practicable thereafter. At the Closing, (i) the Company and Purchaser will execute an Investor and Registration Rights Agreement (the Investor Rights Agreement) and (ii) the Company and Wingate will execute a Services Agreement (the Services Agreement), the terms of each of which are more fully described below.

Conditions to Closing. Purchaser s obligation to consummate the transactions contemplated by the Securities Purchase Agreement is conditioned upon the satisfaction or waiver of the following closing conditions:

The representations and warranties of the Company contained in the Securities Purchase Agreement being true and correct in all material respects as of the date of the Closing (the Closing Date);

No action, suit or proceeding being in effect or pending by or before any governmental authority that would reasonably be expected to result in an unfavorable judgment, order, decree, stipulation, or injunction that would (i) prevent the consummation of the Transactions (ii) cause any of the Transactions to be rescinded following the consummation thereof, (iii) affect materially or adversely the right of Purchaser to own the Series B Preferred Stock or the Purchaser Warrant or (iv) affect materially and adversely the right of the Company or any of its subsidiaries to own its assets and to operate its business;

No material adverse effect on the business, condition (financial or otherwise), assets, liabilities, working capital, prospects or results of operations of the Company and its subsidiaries, taken as a whole, shall have occurred;

The Company obtaining all authorizations, approvals, or permits, if any, of any governmental authority or regulatory body (including, without limitation, the approval of the proposals contained herein by the Company s shareholders and any authorizations required by The American Stock Exchange) that are required in connection with the lawful issuance and sale of the Series B Preferred Stock and the Purchaser Warrant prior to the Closing;

The Company s execution and delivery of the certificates representing the Series B Preferred Stock and the Purchaser Warrant;

The Company taking all action necessary to terminate the Rights Agreement (as defined below);

The Company s execution and delivery of the Investor Rights Agreement and the Services Agreement and satisfaction of all conditions contained therein;

The Company s filing of the Company s proposed Amended and Restated Articles of Incorporation in the form attached hereto as *Annex D* (the Amended Articles), and the Amended Articles being in full force and effect at Closing;

The Company taking all necessary action to adopt the proposed Amended and Restated Code of Regulations in the form attached hereto as *Annex E* (the Amended Regulations), and the Amended Regulations being in full force and effect at Closing;

The Company s delivery of customary closing documents;

The delivery to Purchaser of an opinion from the Company s legal counsel, Hahn Loeser & Parks, LLP, as of the Closing;

No event occurring that could result in the undisclosed acceleration of the vesting of rights to exercise outstanding options or warrants of the Company;

The Company taking all necessary corporate action to effect the appointment of Purchaser s designees as directors of the Company to take office at the Closing;

The Company obtaining executed irrevocable letters of resignation from Messrs. Baach and Kroon as directors to be effective at Closing (Messrs Baach and Kroon would continue to be employees pursuant to applicable employment agreements);

Brown Gibbons Lang s delivery to the Special Committee of a fairness opinion;

No occurrence of the following by the Company or its subsidiaries: (i) an increase in the salary, wages or other compensation of any officer or employee of the Company or its subsidiaries, other than increases which are consistent with the prior practice and policy of the Company and its subsidiaries for such employee; (ii) the adoption, entering into, or becoming bound by any employee benefit plan, employment-related contract or collective bargaining agreement, or amendment, modification, or termination (either partially or completely) thereof; or (iii) establishing or modifying any targets, goals, pools, or similar provisions in respect of any fiscal year under any Company benefit plan, employment-related contract or other employee compensation arrangement or any salary ranges, guidelines, or similar provisions in respect thereof;

The Company entering into a senior credit facility providing for a minimum of $40.0 million principal amount of senior debt financing (see description below of the CapitalSource Finance LLC (CapitalSource) commitment under Other Agreements Senior Credit Facility);

The Company issuing $14.0 million principal amount of subordinated notes (see description below of the American Capital commitment under Other Agreements Subordinated Debt);

The amount of indebtedness of the Company and its subsidiaries on a consolidated basis immediately prior to the Closing not exceeding an amount equal to $49.0 million, subject to upward or downward adjustment as provided in the Securities Purchase Agreement (the Indebtedness Cap);

The Company having an amount of excess cash (excluding the amount of any net proceeds from the sale of any non-current assets and any assets reflected in assets held for sale on the Company s Form 10-Q for the quarterly period ended June 30, 2003, including, but not limited to, the Company s Middle East operations) immediately prior to the Closing that is equal to or greater than $4.1 million, which excess cash shall be available and used to fund the expenses related to the Transactions;

Any payments required to bring the accounts payable of the Company and its subsidiaries and amounts owed by the Company to its employees up to current terms not exceeding $800,000;

The aggregate amount of certain transaction costs in connection with the transactions contemplated by the Securities Purchase Agreement, the Subordinated Notes and the New Senior Credit Facility not exceeding $5,334,000, plus the aggregate cost of any insurance policies that provide run-off and/or tail coverage deemed reasonable by Purchaser as a result of the Transactions;

The Company filing a listing application with The American Stock Exchange for the listing of shares of Common Stock issuable upon exercise of the Purchaser Warrant prior to Closing and continuing to have its shares of Common Stock listed for trading thereon without being notified by The American Stock Exchange after December 15, 2003 of any action or potential action that could result in delisting; and

On or prior to the Closing Date, the Company s consummation of the sale of its Middle East operations in accordance with the conditions set forth in the Securities Purchase Agreement including, but not limited to, receipt of sufficient net proceeds to pay certain amounts owing to the Senior Lenders (excluding certain proceeds from such sale currently held in escrow pending satisfaction of certain conditions), or entering into an arrangement with respect thereto acceptable to Purchaser, in its sole discretion.

Indemnification. The Company has agreed to indemnify Purchaser and its affiliates and hold them harmless from and against all claims, losses, damages, liabilities, obligations, penalties, costs and expenses incurred or suffered by Purchaser or its affiliates as a result of the breach by the Company of any of its representations, warranties, covenants or agreements made in the Securities Purchase Agreement or any of the other documents executed in connection with the Transactions. The Company will have liability to Purchaser and its affiliates with respect to claims only if the sum of their losses related to such breaches exceeds $250,000 in the aggregate, after which Purchaser and its affiliates shall be fully indemnified for all losses, including the $250,000 basket amount. With the exception of claims made for breaches of environmental representations, warranties, covenants and agreements or except in the event of fraud, gross negligence or willful misconduct, the indemnification liability of the Company is generally limited to $13.0 million, the purchase price paid by Purchaser for the Series B Preferred Stock and the Purchaser Warrant.

Representations and Warranties. The Securities Purchase Agreement contains representations and warranties by the Company relating to, among other things, the Company s corporate organization, due authorization, capitalization, the sale and issuance of the Series B Preferred Stock and the Purchaser Warrant, title to properties, related party transactions, compliance with laws, the status of the Company s intellectual property, the Company s material contracts, the Company s lack of undisclosed liabilities and material adverse changes, conflicts, third party approvals, labor relations, employee benefit plans, environmental matters, the Company s SEC filings, taxes, the Company s government contracts, warranty and related matters, export controls, restrictions on bank fees, litigation, financial statements and broker s fees. The Securities Purchase Agreement also contains representations and warranties of Purchaser relating to, among other things, due authorization, its status as an accredited investor and its investment intent, no conflicts and broker s fees.

Covenants and Agreements. The Company has agreed to take certain actions prior to the Closing, including:

Using its reasonable best efforts to cause the closing conditions to be satisfied;

Taking all action necessary in accordance with the Existing Articles, Existing Regulations, the rules and regulation of The American Stock Exchange and applicable law to duly call, give notice of, convene and hold a meeting of the Company s shareholders to obtain the approval of the shareholders of the Transactions;

Conducting its business in the ordinary course of business;

Not issuing any additional shares of capital stock of the Company, other than the issuance of Common Stock pursuant to the exercise of currently outstanding options or warrants of the Company;

Listing the Common Stock issuable upon exercise of the Purchaser Warrant on The American Stock Exchange or other relevant market or system on which the Common Stock is listed;

Other than any amounts that the Company was contractually committed to pay as of November 15, 2003, not paying any fees of any kind in connection with or pursuant to the terms of the Senior Credit Facility and the Senior Notes or any documents related thereto; and

Using our best efforts to obtain all consents required to consummate the Transactions.

In addition, after the Closing, the Company has agreed to maintain at all times while the Purchaser Warrant is outstanding, a reserve of an adequate number of shares of duly authorized Common Stock for issuance in connection with the exercise thereof.

The Company has agreed that it will not, and it will use all commercially reasonable efforts to ensure that each of its representatives do not, initiate, solicit or encourage any third party from discussing or proposing a transaction that competes with the Transactions. It has further agreed that it will not engage in negotiations or discussions with, or provide any information or data to, any third party relating to a transaction that competes with the Transactions, or otherwise cooperate in any way with any third party to do or seek any of the foregoing. Notwithstanding the foregoing, the Company is permitted under the Securities Purchase Agreement to furnish information in response to an unsolicited written proposal regarding an alternative transaction and engage in negotiations with a third party relating thereto if the Board determines in good faith that (i) such alternative transaction is reasonably expected to result in a superior proposal to the Transactions (a Superior Proposal) and (ii) after consultation with its independent outside counsel, the failure to furnish such information or engage in such negotiations would reasonably be expected to violate the Board s fiduciary duties under applicable law. In such a circumstance, the Company must immediately notify Purchaser of any inquiries, expressions of interest, or proposals or offers received by the Company or its affiliates or representatives relating to any alternative transaction, indicating in such notice the name of the third party, and must provide Purchaser with five business days to respond or make a competing offer.

In the event that the Company consummates a transaction based upon a Superior Proposal on or before December 15, 2004, the Company is obligated to pay to Purchaser a fee that is equal to the greater of (i) all fees, expenses and costs incurred by Purchaser and its affiliates in connection with the Transactions and the transactions contemplated by the New Senior Credit Facility and the Subordinated Notes or (ii) $500,000 (less certain funds already paid by the Company to Wingate in connection with its due diligence in the approximate amount of $50,000).

Termination. The Securities Purchase Agreement provides that Purchaser may terminate the transactions contemplated by the Securities Purchase Agreement at any time prior to the Closing (i) if approval of the Company s shareholders is not received prior to March 31, 2004, (ii) if the Company pays, or otherwise commits to pay, other than any amounts that the Company was contractually committed to pay as of November 15, 2003, any prohibited fees and expenses under the Senior Credit Facility and/or the Senior Notes prior to the Closing, (iii) if the Company has not sold its Middle East operations prior to March 31, 2004 in accordance with the conditions set forth in the Securities Purchase Agreement or (iv) if, on the earlier of (A) the projected Closing Date, (B) the 15th day after the Determination Date (as defined below) or (C) March 31, 2004, the Company s indebtedness exceeds the Indebtedness Cap, if such condition is not cured with two business days after such date. If Purchaser terminates the Securities Purchase Agreement pursuant to any of the foregoing, the Company shall pay Purchaser a termination fee equal to the greater of (i) the amount of fees, expenses and costs incurred or paid by Purchaser and its affiliates in connection with the transactions contemplated by the Securities Purchase Agreement, the New Senior credit Facility and the Subordinated Notes plus $250,000 or (ii) $1,250,000.

The Securities Purchase Agreement also provides that, in the event that Purchaser fails to satisfy certain conditions prior to the Closing, the Company may terminate the Securities Purchase Agreement twenty business days after the later to occur of (i) the approval by the Company s shareholders of the Transactions and (ii) the Company s sale of its Middle East operations (the Determination Date), in which case the Company would not

be required to pay Purchaser the termination fee described above. The Company may also terminate the Securities Purchase Agreement, without payment of the termination fee, with the mutual consent of Purchaser or sixty days after the Determination Date.

Terms of the Series B Preferred Stock

The following summarizes the material terms and provisions of the Series B Preferred Stock and is qualified in its entirety by reference to the terms and provisions of Article Fourth of the proposed Amended Articles attached hereto as *Annex D.*

Rank. The Series B Preferred Stock will rank, with respect to the payment of dividends and rights upon liquidation, dissolution or winding up of the Company, senior to the Common Stock and each other class or series of capital stock of the Company the terms of which do not expressly provide that such class or series shall rank equal or senior to the Series B Preferred Stock with respect to the payment of dividends or rights upon liquidation, dissolution or winding up (collectively, Junior Stock).

Dividends. The Series B Preferred Stock will accrue cumulative quarterly dividends at an annual rate of 13.5%. In the event the Company s EBITDA (as defined below) for the twelve months preceding any quarterly dividend payment date does not exceed $12.0 million, the annual dividend rate will increase to 16.5% for each subsequent calendar quarter during which the Company shall have failed to meet such EBITDA threshold. For purposes of the Series B Preferred Stock, EBITDA means, with respect to any period, the amount of the Company s earnings before interest, taxes, depreciation and amortization, excluding the effect of the monitoring fee payable to the persons designated by Wingate (as further described below under Other Agreements Services Agreement), and including or excluding certain non-recurring adjustments thereto.

Dividends on the Series B Preferred Stock are payable to each holder thereof on the last day of each calendar quarter, at the Company s option, either (i) in cash, if then permitted under the terms of the Company s outstanding senior indebtedness and/or subordinated indebtedness or (ii) in additional shares of Series B Preferred Stock. Dividends payable in cash would be paid when, as and if declared by the Board of Directors out of funds legally available therefor. The terms of the Company s anticipated senior financing with CapitalSource (as described below under Other Agreements Senior Credit Facility), would prohibit, unless approved by CapitalSource, the payment of any cash dividends on the Series B Preferred Stock while such debt is outstanding. Dividends payable in shares of Series B Preferred Stock would be paid when, as and if declared by the Board of Directors and whether or not there are profits, surplus or other funds of the Company legally available therefor.

Liquidation Preference. The liquidation preference of each share of Series B Preferred Stock is $1,000 per share, plus any accrued and unpaid dividends thereon. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of Series B Preferred Stock will be entitled to receive the liquidation preference per share of Series B Preferred Stock in effect on the date of such liquidation, dissolution or winding up, plus an amount equal to any accrued but unpaid dividends thereon as of such date before any distribution or payment is made to the holders of Junior Stock.

Under the terms of the Series B Preferred Stock, a liquidation, dissolution or winding up of the Company shall be deemed to include any sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the capital stock or assets of the Company or a merger, consolidation or other transaction or series of related transactions in which the Company s shareholders immediately prior to such transaction do not retain a majority of the voting power in the surviving entity, unless the holders of a majority of the then-outstanding shares of Series B Preferred Stock affirmatively vote or consent in writing that any such transaction shall not be treated as a liquidation, dissolution or winding up.

Redemption. The Series B Preferred Stock is redeemable at the option of the holders of a majority of the outstanding Series B Preferred Stock upon the occurrence of any of the following events with respect to the Company:

- the occurrence of any change in beneficial ownership, merger, consolidation, sale or other disposition of assets, or other similar type event that constitutes a change of control or similar-termed event, or a breach or other triggering event, under the terms of the Company s senior indebtedness and/or subordinated indebtedness;
- the acceleration of any amounts due under the Company s senior indebtedness and/or subordinated indebtedness;
- any issuance or sale of the Company s equity securities in a public or private offering resulting in aggregate net proceeds to the Company in excess of $20.0 million;
- any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary; or
- the occurrence of certain bankruptcy and insolvency events.

In addition, if then permitted by the holders of the Company s senior indebtedness and/or subordinated indebtedness, the Series B Preferred Stock would be redeemable at the option of a majority of the holders of Series B Preferred Stock upon the occurrence of any of the following events with respect to the Company:

- the acquisition of 20% or more of the outstanding voting securities of the Company by any person or group, other than through the ownership or acquisition of the Series B Preferred Stock, the Purchaser Warrant, or the shares of Common Stock issued upon exercise of the Purchaser Warrant;
- a consolidation or merger involving the Company, other than a consolidation or merger under a transaction in which (i) the outstanding voting stock of the Company remains outstanding or (ii) the beneficial owners of the outstanding voting stock of the Company immediately prior to such transaction beneficially own less than 80% of the voting stock of the surviving entity immediately following such transaction;
- the sale, transfer, assignment, lease, conveyance or other disposition in one or a series of transactions of in excess of 20% of the assets of the Company, or assets of the Company resulting in aggregate net proceeds to the Company in excess of $20.0 million; or
- the aggregate amount of indebtedness of the Corporation is equal to or less than $2.0 million.

Voting Rights. Each share of Series B Preferred Stock shall entitle the holder thereof to vote on all matters voted on by the holders of Common Stock, voting together with the holders of Common Stock and all other voting stock of the Company as a single class at all annual, special and other meetings of the shareholders of the Company. Initially the Series B Preferred Stock will have approximately 51% of the total voting power of the Company. Such percentage is subject to adjustment based on shares outstanding in the future at any particular time. The percentage of voting power is mathematically calculated as follows: In any vote in which the holders of Series B Preferred Stock are entitled to vote with the holders of Common Stock, each share of Series B Preferred Stock shall entitle the holder thereof to cast that number of votes equal to the quotient of (i) the product of (A) 1.0408, multiplied by (B) the total number of votes that may be cast by the holders of all Post Transaction Fully Diluted Shares as of the record date for such vote, divided by (ii) 13,000. For example, for such time as (i) *all* 13,000 shares of Series B Preferred Stock originally issued remain outstanding, (ii) *only* those shares of Common Stock included in the number of Post Transaction Fully Diluted Shares remain outstanding, and (iii) there are no new issuances of voting securities of the Company other than in connection with rights outstanding on the Closing Date, the Series B Preferred Stock will represent approximately 51% of the voting power of the Company on all matters put before the holders of Common Stock for vote. Future issuances of voting securities of the Company not contemplated at the Closing will proportionately reduce the voting power of the Series B Preferred Stock.

In addition to the foregoing, the approval of the holders of a majority of the outstanding Series B Preferred Stock, voting separately as a class, is required to:

amend, modify or alter any provision of the Amended Articles or the Amended Regulations that adversely affect the rights of the holders of the Series B Preferred Stock;

consummate a merger or consolidation of the Company or sale of in excess of 40% of the assets of the Company;

consummate a liquidation, dissolution, winding up, recapitalization or reorganization of the Company;

effect any material acquisition or series of acquisitions, joint venture or strategic alliance involving the Company;

pay any dividends or distributions on, or make any other payment in respect of, any capital stock of the Company, except for dividends and distributions payable (i) on the Series B Preferred Stock or on any shares of capital stock of the Company ranking equal or senior to the Series B Preferred Stock, or (ii) to the holders of Common Stock in the form of additional shares of Common Stock;

authorize, designate, sell or issue any capital stock or debt securities (other than, with respect to debt securities, any senior indebtedness) of the Company and/or its subsidiaries, except for (i) issuances of shares of Common Stock after the initial issue date of the Series B Preferred Stock issuable upon exercise of options or rights granted to directors, officers or employees of the Company under existing or future option plans of the Company, provided that the aggregate amount of such issuances do not exceed 15% of the Post Transaction Fully Diluted Shares, (ii) issuances of Common Stock upon exercise of the Existing Warrants or (iii) issuances of Common Stock upon exercise of the Warrants; or

redeem or purchase any capital stock of the Company, except for (i) redemptions of Series B Preferred Stock contemplated by the terms of the Amended Articles, and (ii) payments to American Capital upon exercise of its right to require the Company to redeem or repurchase the American Capital Warrant or the shares of Common Stock issuable upon exercise of the American Capital Warrant (see Terms of the American Capital Warrant-Adjustments in the Exercise Price and Number of Shares).

Right to Board Seats. The terms of the Series B Preferred Stock also provide that for so long as at least 40% of the shares of Series B Preferred Stock issued at the Closing remain outstanding, the holders of Series B Preferred Stock will have the right to appoint a majority of the full Board of Directors. Further, it is contemplated that the size of the current Board will be increased by two members effective immediately after shareholder approval of the Transactions and prior to the Closing. It is also expected that, upon consummation of the Transactions, Messrs. Baach and Kroon will resign from the Board (although they will remain in the employ of the Company) and Messrs. Lynham, Millis, Restivo, Rog and Rogers will continue to serve on the Board. Three of the four vacancies (created by the resignations and increase in Board size) will be filled by appointing new Purchaser designees and two of the existing independent directors will be designated as Purchaser designees. The one remaining additional Board position will be filled by appointment in accordance with the contractual rights of American Capital as discussed below under the heading Other Agreements Subordinated Debt. The biographies of the three new Purchaser designees to the Board are set forth below:

Jay I. Applebaum. Mr. Applebaum (age 41) is a Principal of various Wingate entities, including the indirect general partner of each of Wingate Partners II, L.P. and Wingate Partners III, L.P. Mr. Applebaum joined Wingate in 1989. Prior to joining Wingate, Mr. Applebaum participated in the formation of Plexus Financial Services, Inc., a holding company for businesses with revenues of approximately $225 million. Prior to joining Plexus Financial Services, Mr. Applebaum was employed by Salomon Brothers Inc, where he served with the firm s Merger and Acquisitions Group in New York. Mr. Applebaum currently serves as a director of one privately held Wingate portfolio company, and has previously served as a director of one other privately held Wingate portfolio company. Mr. Applebaum received his B.B.A. from the University of Texas at Austin.

James A. Johnson. Mr. Johnson (age 49) is a Principal of various Wingate entities, including the indirect general partner of each of Wingate Partners II, L.P. and Wingate Partners III, L.P. Mr. Johnson joined Wingate in 1990. From 1980 to 1990, Mr. Johnson was a Principal with Booz-Allen & Hamilton, an international management consulting firm. Mr. Johnson has served as a director of United Stationers Inc., a

publicly held wholesale distributor of office products, and Kevco, Inc., a publicly held distributor of building products to the manufactured housing industry, which filed a bankruptcy petition under Chapter 11 of the United States Bankruptcy Code on February 5, 2001. Mr. Johnson currently serves as a director of three privately held Wingate portfolio companies, and has previously served as a director of three other privately held Wingate portfolio companies. Mr. Johnson received his B.S. in Industrial Engineering from Stanford University and his M.B.A. from the Stanford Graduate School of Business.

Jason H. Reed. Mr. Reed (age 36) is a Vice President of various Wingate entities, including the indirect general partner of each of Wingate Partners II, L.P. and Wingate Partners III, L.P. Mr. Reed joined Wingate in 1998. Prior to joining Wingate, Mr. Reed was a Case Leader at Boston Consulting Group, an international management consulting firm. Over the course of his six year career in consulting, Mr. Reed worked on numerous projects in the areas of corporate strategy and operational improvement. Mr. Reed serves as a director for two privately held Wingate portfolio companies. Mr. Reed received his B.S. in Economics and Finance from Oklahoma State University, his M.S. in Finance from the London School of Economics, and his M.B.A. from the Harvard Business School.

Preemptive Rights. After the initial issue date of the Series B Preferred Stock, the Company may not issue or sell any capital stock or debt securities (other than senior secured indebtedness of the Company) unless prior to such issuance or sale, each holder of Series B Preferred Stock has first been given the opportunity to purchase, on the same terms and conditions on which such securities are proposed to be issued or sold by the Company, such holder s proportionate share of 51% of the securities to be issued or sold by the Company. Holders of Series B Preferred Stock will not have preemptive rights to purchase:

shares of Common Stock issued after the initial issue date of the Series B Preferred Stock upon exercise of options or rights granted to directors, officers or employees of the Company under existing or future option plans of the Company, provided that the aggregate amount of such shares does not exceed 15% of the Post Transaction Fully Diluted Shares;

shares of Common Stock issuable upon exercise of the Existing Warrants;

shares of Common Stock issuable upon exercise of the Warrants;

shares of Common Stock issuable upon conversion of convertible securities of the Company outstanding on the initial issue date of the Series B Preferred Stock; or

shares of Series B Preferred Stock issued in accordance with the terms of the Amended Articles.

Transferability. Shares of Series B Preferred Stock generally may be sold or otherwise transferred to a single purchaser in one transaction involving all of the outstanding Series B Preferred Stock. Any other sale or transfer of Series B Preferred Stock must be approved by a committee of disinterested directors of the Board of Directors, which consent may not be unreasonably withheld. If a committee of disinterested members of the Board of Directors approves all future transfers of Series B Preferred Stock, then such approval will be irrevocable and be binding upon the Company as to any future transfer of Series B Preferred Stock.

Terms of the Purchaser Warrant

The following description summarizes the material terms of the Purchaser Warrant. You are urged to read carefully the form of Purchaser Warrant in its entirety, a copy of which is attached as *Annex B*.

Number of Shares and Exercise Price. At the Closing, the Company will issue to Purchaser a warrant to purchase that number of shares of Common Stock equal to 40% of the Post Transaction Fully Diluted Shares.

Exercisability and Expiration. The Purchaser Warrant will be exercisable at any time prior to its expiration, in whole or in part at an exercise price of $0.001 per share. The Purchaser Warrant will expire on the tenth anniversary of the date of its issuance.

Transferability. The Purchaser Warrant is freely transferable, subject to compliance with applicable securities laws.

Adjustments in the Exercise Price and Number of Shares. The exercise price and the number of shares issuable upon exercise of the Purchaser Warrant will be subject to:

- customary anti-dilution adjustments for stock dividends, stock splits, recapitalizations and similar events;
- customary weighted average anti-dilution adjustments for issuances of stock options and convertible securities at prices below fair market value; and
- customary adjustments due to business combinations and other transactions affecting the Common Stock.

Also, the number of shares issuable upon exercise of the Purchaser Warrant will increase if, as a result of anti-dilution adjustments to the Existing Warrants that are attributable to the Transactions, such Existing Warrants become exercisable for shares of Common Stock, in the aggregate, significantly in excess of the Post Transaction Fully Diluted Shares. In such an event, the number of shares issuable upon exercise of the Purchaser Warrant will increase in proportion to the increase in the number of shares subject to the Existing Warrants caused by the anti-dilution adjustments thereto. The precise amount of additional shares issuable under the Existing Warrants as a result of the Stock Issuances and the contemplated stock option issuances is based upon the allocation of consideration received by the Company to the Warrants as determined by the Board and the market price of the Company s Common Stock on the Closing Date. Thus, such amount cannot be determined until the Closing Date.

Terms of the American Capital Warrant

The following description summarizes the material terms of the American Capital Warrant. You are urged to read carefully the form of American Capital Warrant in its entirety, a copy of which is attached as *Annex C*.

Number of Shares and Exercise Price. At the Closing, the Company will issue to American Capital a warrant to purchase that number of shares of Common Stock equal to 40% of the Post Transaction Fully Diluted Shares.

Exercisability and Expiration. The American Capital Warrant will be exercisable at any time prior to its expiration, in whole or in part at an exercise price of $0.01 per share, except that in no event shall the total payment required to exercise the entire American Capital Warrant exceed $100. The American Capital Warrant will expire on the tenth anniversary of the date of its issuance.

Transferability. The American Capital Warrant is freely transferable, subject to compliance with applicable securities laws.

Adjustments in the Exercise Price and Number of Shares. The exercise price and the number of shares issuable upon exercise of the American Capital Warrant will be subject to:

- customary anti-dilution adjustments for stock dividends, stock splits, recapitalizations and similar events;
- customary weighted average anti-dilution adjustments for issuances of stock options and convertible securities at prices below fair market value; and
- customary adjustments due to business combinations and other transactions affecting the Common Stock.

Put Right. American Capital shall have the right to require the Company to redeem for cash the American Capital Warrant or Common Stock issued upon exercise thereof at any time after the earliest to occur of:

- the seventh anniversary of the Closing;
- repayment in full of the Subordinated Notes as defined below under Other Agreement: Subordinated Debt) and/or redemption of the Series B Preferred Stock;
- an acceleration of the Subordinated Notes;
- a sale of the Company or a material portion of its assets; or

a change in control.

The put price shall be the fair market value of the Common Stock on the date of the exercise of the put.

Other Agreements

Investor and Registration Rights Agreement.

In connection with the Transactions, the Company and Purchaser will enter into an Investor Rights Agreement at the Closing. At any time after the Closing, any holder of the Purchaser Warrant holding at least 30% of the shares of Common Stock issued or issuable upon exercise of the Purchaser Warrant (the Warrant Shares) has the right to require the Company to use its best efforts to file a registration statement with the Securities and Exchange Commission (the SEC) and cause such registration statement to become effective to register all or a portion of such holder s Warrant Shares under the Securities Act of 1933, as amended (the Securities Act). Upon the effectiveness of such a registration statement, such holder will have the right to resell any such Warrant Shares. The Company is obligated to effect no more than three such demand registrations. Additionally, at any time the Company proposes to file any other registration statement with the SEC (except one filed on Form S-8 or Form S-4 or any successor form thereto), the holders of the Warrant Shares will have the right to receive notice of and to request that the Company register all or a portion of such holder s Warrant Shares as a selling stockholder on any such registration statement. If a proposed registration is made pursuant to an underwritten offering, the underwriters have the right, subject to certain conditions, to limit the number of Warrant Shares included in the registrations.

In general, all fees, costs and expenses of a registration will be borne by the Company. Under the Investor Rights Agreement, the Company has agreed to indemnify the holders of the Warrant Shares against, and provide contribution with respect thereto, certain liabilities relating to any registration in which shares of such holders are sold under the Securities Act.

The Investor Rights Agreement provides that any holder of Warrant Shares who is the beneficial owner of at least 5% of the then outstanding Common Stock will have the right to obtain certain financial and other information from the Company. In addition, for so long as the number of Warrant Shares is equal to or in excess of 10% of the then outstanding Common Stock, the holders of a majority of the Warrant Shares will be entitled to have a non-voting observer attend all meetings of the Board of Directors.

The Investor Rights Agreement also provides that for so long as Purchaser is the record holder of all the shares of the Series B Preferred Stock issued at the Closing, the Warrant Shares will not be voted by Purchaser on any matter voted upon by the holders of Common Stock. In addition, for so long as Purchaser is the record holder of at least 40% of the shares of Series B Preferred Stock issued at the Closing, the Company will, upon written notice from Purchaser, take all action necessary to cause the authorized number of members of the Board of Directors to be increased or decreased to that number requested by Purchaser, subject to the requirements of the Company s Articles of Incorporation and Code of Regulation then in effect.

Services Agreement. At the Closing, Wingate and the Company will execute the Services Agreement, pursuant to which Wingate agrees to consult with the Board of Directors in such a manner and on such business and financial matters as would be reasonably requested from time to time by the Board, including financial advisory, management advisory, strategic planning, monitoring and other related services, in exchange for which the Company will pay an annual non-refundable services fee of $400,000, payable quarterly in advance, to such persons designated by Wingate. In lieu of paying any quarterly installment of the services fee in cash, the Company may, at its option, or if the Company is restricted from paying any such quarterly installment in cash under, or the Board determines that payment of such quarterly installment in cash would result in a default under, the terms of the New Senior Credit Facility (as defined below) or the Subordinated Notes, delay payment and accrue any unpaid portion of the services fee, without interest.

In addition, the Company will reimburse Wingate for all disbursements and expenses incurred in connection with the performance of services under the Services Agreement (either exclusively relating to the Company or jointly with respect to multiple entities, in which case Wingate shall invoice the Company for its allocable portion of such expenses). Reimbursable expenses shall include, but not be limited to, travel expenses, telephone expenses, messenger and delivery fees, fees and expenses of counsel, accountants and consultants and other advisors. The Services Agreement also provides that the Company must pay a closing fee in the aggregate amount of $500,000 at the Closing to certain entities designated by Wingate, including American Capital and CapitalSource.

The Services Agreement also provides that Wingate and its affiliates will not be liable to the Company or any of its affiliates for any losses, payments, obligations, damages, costs and expenses arising out of, relating to, or in connection with the Services Agreement or the performance of services thereunder. In addition, the Company will be obligated to indemnify Wingate and its affiliates for any losses, payments, obligations, damages, costs and expenses incurred by Wingate and its affiliates arising out of, relating to, or in connection with the Services Agreement or the performance of services thereunder.

The Services Agreement will have an initial term of eight years, which term will automatically renew for successive one year periods thereafter unless either party notifies the other of its desire to terminate the Services Agreement. In the event that the Services Agreement is terminated, the Company will not be relieved of its obligation to pay Wingate any accrued but unpaid portion of the services fee, to reimburse Wingate for all disbursements and expenses incurred in connection with the performance of services under the Services Agreement, or to indemnify Wingate and its affiliates for any losses, payments, obligations, damages, costs and expenses incurred by Wingate and its affiliates arising out of, relating to, or in connection with the Services Agreement or the performance of services thereunder.

Amendment and Termination Agreements. In November 2000, the Company entered into Change of Control Agreements with Joseph Rog, Michael K. Baach, George A. Gehring, David H. Kroon, Robert M. Mayer, John D. Moran and Barry W. Schadeck in order to retain such individuals in the event of a change of control. Such change of control agreements had obligated the Company to make aggregate payments in excess of $2.5 million to such individuals in the event of a change of control. Effective October 23, 2003, the Company and the individuals, who were represented by independent counsel, negotiated and executed Amendment and Termination Agreements with respect to the Change of Control Agreements. Pursuant to the Amendment and Termination Agreements, all rights to payment under the Change of Control Agreements were forfeited by the executives, provided the following conditions were satisfied:

the Closing of the issuance and sale of the Series B Preferred Stock shall have occurred;

the Company shall not have amended the executive s employment agreement prior to the Closing in a manner adverse to the executive (except with respect to Mr. Rog);

on or prior to the Closing, the Company shall have amended the executive s employment agreement extending the term thereof to March 31, 2006 (except with respect to Mr. Rog, as described below);

on or before the 180th day after the Closing, the Company will have reserved a total pool of shares of Common Stock to be issued upon exercise of existing and future stock options granted to employees, officers and directors of 15% of the amount of Post Transaction Fully Diluted Shares;

on or before the 180th day after the Closing, if the executive is employed, has been terminated without good cause, or has resigned for a reason permitted by his employment agreement, he shall have been granted a stock option to purchase at least 100,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock using the volume weighted average price for the 30 day period prior to the 90th day after the Closing Date (the Executive Determination Date) and a stock option to purchase at least 100,000 shares of Common Stock at an exercise price equal to two times the fair market value of the Common Stock on the Executive Determination Date, which options will vest in equal installments over 5 years, provided, however, that if the executive is terminated without good cause or resigns for a reason permitted by his employment agreement, his options shall vest at the greater of 50% or the percent vested according to the five year vesting schedule (except with respect to Mr. Rog);

all stock options held by the executive prior to the Closing with exercise prices above fair market value, shall have been repriced, if so elected by the executive, such that 50% of such options shall have exercise prices equal to the fair market value of the Common Stock on the Executive Determination Date and 50% of such options shall have exercise prices equal to the two times the fair market value of the Common Stock on the Executive Determination Date, which options will vest in equal installments over 5 years, provided, however, that if the executive is terminated without good cause or resigns for a reason permitted by his employment agreement, his options shall vest at the greater of 50% or the percent vested according to the five year vesting schedule (except with respect to Mr. Rog);

in the case of Mr. Rog, any new options granted or options that are modified or repriced will vest in equal installments over five years and shall continue to vest even after Mr. Rog s termination from employment or resignation or removal from the Board, provided however, that his unvested options will be forfeited if he is terminated with cause or he resigns for a reason other than as permitted by his employment agreement, and the vesting of his options will stop upon either his violation of the non-compete provisions of his employment agreement or, if, after his employment terminates for any reason other than for cause or his resignation as permitted by his employment agreement, Mr. Rog resigns from the Board on or before the fifth anniversary of the Closing without the consent of a majority of the other Board members;

if the executive is employed six months after the Closing or has been terminated without good cause (or, in the case of Mr. Rog, has resigned under certain circumstances), than he shall have received a $50,000 bonus; and

the Company shall not modify the structure, terms, or conditions of the Company s bonus plan for the fiscal year ending March 31, 2004.

Employment Agreement of Joseph Rog. Joseph Rog is the Chairman, President and Chief Executive Officer of the Company. Following the Closing, he will remain on the Board of Directors; however, at the Closing, it is contemplated that he would step down as Chairman and would thereafter, subject to the hiring of a successor, retire from his positions as President and Chief Executive Officer. In anticipation of the completion of the Transactions, a search has commenced for a successor President and Chief Executive Officer. Effective on the Closing Date, the Company and Mr. Rog will enter into a new Employment Agreement (the New Employment Agreement) which will expire on March 31, 2005. The New Employment Agreement will provide that, in the event that Mr. Rog is terminated without good cause (as would be contemplated pursuant to his retirement arrangement) prior to the expiration of its term, the Company will pay him a severance amount equal to 24 months base salary, auto allowance and other benefits. Further, in the event that Mr. Rog s employment is terminated prior to March 31, 2004, he shall also be entitled to receive, among other things, an amount equal to a full year s participation in the Company s annual bonus plan. The payment amounts to Mr. Rog under the New Employment Agreement in the event of his separation from service will not be substantially different from the Company s severance payment obligations under his current employment agreement. All other terms of the New Employment Agreement, including those relating to retirement benefits, are substantially the same as those under his existing agreement.

Rights Plan Amendment. On July 23, 1997, the Company adopted a plan designed to deter hostile acquisitions. The plan was effectuated by declaring a dividend of one preferred share purchase right (a Right) for each outstanding share of Common Stock of the Company on such date. Each Right entitled the registered holder thereof to purchase from the Company one one-hundredth (1/100) of a Series A Junior Participating Preferred Share, without par value, of the Company at a price of $75.00 per one one-hundredth of a Preferred Share, subject to adjustment, upon the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons had acquired beneficial ownership of 20% or more of the outstanding Common Stock or (ii) 10 business days following the commencement of, or announcement of an intention to make, a tender offer or exchange offer, the consummation of which would result in the beneficial ownership by a person or group of 20% or more of the outstanding Common Stock. The description and terms of the Rights are set forth in a Rights Agreement between the Company and ComputerShare Investor Services LLC as successor Rights Agent (the Rights Agreement). Currently, the Rights Agreement provides that it will terminate on July 23, 2007.

In order to ensure that the Transactions will occur without the Rights becoming effective, at the direction of the Board and in connection with the Board s approval of the Transactions, the Company and the Rights Agent have amended the Rights Agreement, effective December 15, 2003, to provide that the execution of the Securities Purchase Agreement shall not cause Purchaser or its affiliates or associated persons to be deemed an acquiring person thereunder. Further, the Company intends to adopt an additional amendment to the Rights Agreement at or prior to Closing, which will accelerate the termination date thereof to the Closing Date.

Senior Credit Facility. In connection with the sale of the Series B Preferred Stock, the Company intends to enter into new credit arrangements. Thus, as part of the refinancing plan, CapitalSource Finance LLC

(CapitalSource), has agreed to provide to the Company a senior secured credit facility of up to $40.0 million (the New Senior Credit Facility), consisting of a revolving credit line of up to $20.0 million based upon a borrowing base tied to the Company s receivables, which will also include a letter of credit sub-facility of $7.0 million, and a term loan of up to $20.0 million with a five-year maturity. The amount of the term loan will be reduced by the amount of any incremental indebtedness incurred by the Company s UK subsidiary. Borrowings under the revolving credit facility will bear interest at the prime rate plus 1.75% and borrowings under the term loan will bear interest at the prime rate plus 3.50%, subject to a floor of 7.5%. The New Senior Credit Facility will be secured by a first priority security interest in the Company s assets. The New Senior Credit Facility will be set forth in documentation containing representations, warranties, covenants and closing conditions customary for transactions of this type, including the payment of customary fees and expenses and will be closed simultaneously with the Closing. In the event that the Company shareholders do not approve Proposals One through Four as set forth in this proxy statement, the Company will be obligated to pay CapitalSource a breakup fee of $300,000 plus the reimbursement of all of CapitalSource s costs and expenses incurred in connection with the Transactions. CapitalSource is a subsidiary of CapitalSource Inc. headquartered in Chevy Chase, Maryland, with more than $3 billion in loan commitments, offering asset-based, senior, cash flow and mezzanine financing to small and mid-sized businesses. The Company paid a $100,000 commitment fee to CapitalSource upon execution of a commitment letter on December 15, 2003 related to the foregoing facility.

Subordinated Debt. In addition, American Capital has agreed to purchase $14.0 million of Senior Secured Subordinated Notes due 2011 (the Subordinated Notes) from the Company. The Subordinated Notes will bear interest at a rate of 12.5%, payable monthly in arrears. The Subordinated Notes will be secured by a security interest in all of the Company s assets which will be junior only to customary permitted liens and the liens related to the New Senior Credit Facility. American Capital will receive the American Capital Warrant to acquire 13% of the Post Transaction Fully Diluted Shares at a nominal exercise price and the right to appoint one director to the Board. The American Capital Warrant will be on substantially the same terms as the Purchaser Warrant; provided, however, that the American Capital Warrant will contain a put right, permitting American Capital to require the Company to redeem the American Capital Warrant upon the occurrence of certain specified events, including the repayment of the Subordinated Notes (either at maturity or otherwise). See Terms of the American Capital Warrant. The Subordinated Notes will be issued pursuant to documentation containing representations, warranties, covenants and closing conditions customary for transactions of this type, including the payment of customary fees and expenses and will be closed simultaneously with the Closing. In the event that the shareholders do not approve Proposals One through Four as set forth in this Proxy Statement, the Company will be obligated to pay American Capital a breakup fee equal to the greater of (i) American Capital s actual expenses plus $100,000 or (ii) $420,000; provided, however, that all fees and expenses previously paid to American Capital prior to such date shall be applied against such breakup fee. American Capital, headquartered in Bethesda, Maryland, with capital resources in excess of $2 billion, provides senior debt, mezzanine debt and equity in management and employee buyouts, in private equity sponsored buyouts, and directly to private and small public companies. The Company paid a $175,000 commitment processing fee upon execution of the American Capital commitment letter on December 15, 2003 related to the Subordinated Notes.

Both Capital Source and American Capital have co-investment rights, permitting them to purchase up to an aggregate total of $3,000,000 of the Series B Preferred Stock. The exercise of such co-investment rights would reduce the amount invested by Purchaser in the Series B Preferred Stock and would not result in the issuance of additional shares of Series B Preferred Stock by the Company.

Opinion of Our Financial Advisor

Overview

On November 21, 2002, we retained Brown, Gibbons, Lang & Company Securities, Inc. to act as our independent financial advisor in connection with the evaluation of various strategic alternatives available to the Company, and on August 25, 2003, the Special Committee was added as a party to that engagement. On October 28, 2003, the Special Committee retained Brown Gibbons Lang to render its opinion as to the fairness from a financial perspective to our existing non-management shareholders of the proposed recapitalization transactions. At a

reconvened Special Committee meeting on December 14, 2003, Brown Gibbons Lang rendered its oral opinion, later confirmed in writing, to the effect that as of such date and based upon the assumptions made, matters considered and limitations and qualifications set forth in such opinion, the proposed recapitalization transactions were fair, from a financial point of view, to our existing non-management shareholders. Brown Gibbons Lang has not been requested to, and does not expect to, update its opinion again prior to the consumment of the proposed recapitalization transactions. No limitations were imposed by the Special Committee or us upon Brown Gibbons Lang with respect to the investigations made or procedures followed by it in rendering its opinion.

The full text of the Brown Gibbons Lang opinion is attached to this Proxy Statement as *Annex G*. The description of the Brown Gibbons Lang opinion set forth herein is qualified in its entirety by reference to the full text of the Brown Gibbons Lang opinion. We urge our shareholders to read the Brown Gibbons Lang opinion in its entirety.

As addressed by Brown Gibbons Lang s fairness opinion, the proposed recapitalization transactions include: Purchaser s purchase of the Series B Preferred Stock and Purchaser Warrant, American Capital s purchase of the Subordinated Notes and American Capital Warrant, CapitalSource s commitment for the New Senior Credit Facility, and the discharge of the Company s debt to the Senior Lenders. Brown Gibbons Lang s fairness opinion does not include analyses of fees and expenses payable under the Securities Purchase Agreement and Related Documents, and also does not address post-closing matters such as the annual fee payable under the Services Agreement, the anticipated management option program, the manner in which the terms of the Securities Purchase Agreement and related documents may actually be applied post-closing, the manner in which Purchaser may exercise its control post-closing, and similar matters.

In arriving at its opinion, Brown Gibbons Lang reviewed and analyzed, among other things, (i) the Securities Purchase Agreement, the related documents, the Senior Credit Agreement and the Senior Note Purchase Agreement, (ii) certain historical and current financial and operating information of the Company, (iii) certain internal financial statements and other financial and operating data concerning the Company prepared by the management of the Company, including projected financial and operating data concerning the Company, (iv) the Company s common stock trading price history, (v) a comparison of the financial performance of the Company with that of certain other publicly-traded companies which Brown Gibbons Lang deemed reasonably comparable or otherwise relevant to its inquiry, (vi) the acquisition valuation multiples of certain recent extraordinary business combination transactions of companies which Brown Gibbons Lang deemed reasonably comparable to the Company or otherwise relevant to its inquiry, (vii) the results of a thorough refinancing and sale process conducted by Brown Gibbons Lang as financial advisor to the Company during the summer of 2003, and (viii) such other quantitative and qualitative reviews, analyses and inquiries as Brown Gibbons Lang deemed appropriate. In addition, Brown Gibbons Lang discussed the Company s history, current operations, financial condition, competitive positioning and growth opportunities with management, and reviewed such other information, financial studies, analyses, investigations and financial, economic and market criteria as Brown Gibbons Lang deemed relevant.

In its review and analysis and in rendering its opinion, Brown Gibbons Lang relied upon, but did not assume any responsibility to independently investigate or verify, the accuracy, completeness and fair presentation of all financial and other information that was provided to Brown Gibbons Lang by us (including, without limitation, the information described above and the financial projections and financial models prepared by us regarding our estimated future performance), or that was otherwise reviewed by Brown Gibbons Lang. The Brown Gibbons Lang opinion was expressly conditioned upon such information (whether written or oral) being complete, accurate and fair in all respects. With respect to the financial projections and financial models provided to and examined by Brown Gibbons Lang, Brown Gibbons Lang noted that projecting future results of any company is inherently subject to uncertainty. We informed Brown Gibbons Lang, however, and Brown Gibbons Lang assumed, that such projections and models were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of our management as to our future performance. In addition, in rendering its opinion, Brown Gibbons Lang assumed that we will perform in all material respects in accordance with such projections and models for all periods specified therein. Although such projections and models did not form the principal basis for the Brown Gibbons Lang opinion, but rather constituted several of many items that Brown Gibbons Lang considered, changes to such projections and models could affect the opinion rendered.

In its review, Brown Gibbons Lang did not obtain any independent evaluation or appraisal of our assets or liabilities, nor did Brown Gibbons Lang conduct a comprehensive physical inspection of any of our assets, nor was Brown Gibbons Lang furnished with any such evaluation or appraisal or report of such physical inspection, nor did Brown Gibbons Lang assume any responsibility to obtain any such evaluation, appraisal or inspection. The Brown Gibbons Lang opinion is based on economic, monetary, political, regulatory, market and other conditions existing and which could be evaluated as of the date of the opinion; however, such conditions are subject to rapid and unpredictable change and such changes could affect the conclusions expressed in the opinion. Brown Gibbons Lang made no independent investigation of any legal or accounting matters affecting us, and Brown Gibbons Lang assumed the correctness of all legal and accounting advice given to us and our Board of Directors, including, without limitation, advice as to the accounting and tax consequences of the proposed recapitalization transactions to us and our shareholders.

In rendering the opinion Brown Gibbons Lang also assumed that: (i) the proposed recapitalization transactions will be consummated on the terms described therein without any waiver of any material terms or conditions and that the conditions to the consummation of such transactions set forth in the Securities Purchase Agreement and related documents will be satisfied without material expense, except as noted therein; (ii) at the date of the opinion there was not, and there will not as a result of the consummation of the proposed recapitalization transactions be, any default or event of default under any indenture, credit agreement or other material agreement or instrument to which we or any of our subsidiaries or affiliates are a party; (iii) all of our material assets and liabilities are, to the extent required to be so set forth or disclosed under generally accepted accounting principles, as set forth or disclosed in our consolidated financial statements; and (iv) this proxy statement discloses all material information to the Company s shareholders, and does not omit to disclose any information necessary to make that which is disclosed not materially misleading.

The Brown Gibbons Lang opinion addressed only the fairness from a financial point of view to our existing non-management shareholders of the proposed recapitalization transactions, and in rendering such opinion Brown Gibbons Lang did not recommend that we, our Special Committee, our Board of Directors, any of our shareholders or any other person take any specific action, including without limitation how any shareholder should vote on any matter relevant to such proposed recapitalization transactions. The opinion does not constitute a recommendation of such transactions over any alternative transactions which may be available to us or our shareholders and does not address our underlying business decision to effect such transactions. No opinion was expressed by Brown Gibbons Lang as to whether any alternative transaction might be more favorable to the existing non-management shareholders than the proposed recapitalization transactions. Finally, Brown Gibbons Lang did not opine as to the market value or the prices at which any of our securities may trade at any time.

The Brown Gibbons Lang opinion was provided solely for the benefit and use of our Special Committee and our Board of Directors in their consideration of the proposed recapitalization transactions, was not on behalf of, and does not confer any rights or remedies upon, any other person, and may not be used or relied upon for any other purpose. The opinion may be reproduced in full and summarized in this proxy statement and any other proxy materials used to solicit necessary shareholder approvals for the proposed recapitalization transactions, but may not otherwise be used, reproduced, disseminated, quoted or referred to in any manner or for any purpose without Brown Gibbons Lang s prior written approval. The Brown Gibbons Lang opinion was one of many factors considered by our Special Committee and Board of Directors in deciding to approve the proposed recapitalization transactions.

Valuation Analyses

At the meetings of our Special Committee and our Board of Directors held on December 5, 10, and 14, 2003, Brown Gibbons Lang presented certain financial analyses in connection with the delivery of its opinion. The following is a summary of the material financial and other analyses performed by Brown Gibbons Lang in rendering its opinion and is being provided to you for your reference. This summary of the financial and other analyses is not a complete description of all of the analyses performed by Brown Gibbons Lang. Furthermore, except to the extent otherwise indicated, Brown Gibbons Lang did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Brown Gibbons Lang s analyses must be considered as a whole.

Considering any portion of such analyses or the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the evaluation process underlying the opinion. Brown Gibbons Lang expressly disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion of which Brown Gibbons Lang becomes aware after the date of the opinion.

As part of its approach to valuing the Company, Brown Gibbons Lang utilized several complementary valuation methodologies:

Comparable Companies Analysis. Brown Gibbons Lang estimated our value in part by reference to publicly traded companies that Brown Gibbons Lang believed to offer similar products, to have similar operating and financial characteristics and/or to service similar markets. Given the uniqueness of the Company and its businesses, Brown Gibbons Lang indicated that the Comparable Companies Analysis may or may not be indicative of the value of the Company.

Comparable Transactions Analysis. Brown Gibbons Lang estimated our value in part relative to recent merger and acquisition transactions that Brown Gibbons Lang believed to involve similar businesses. Given the uniqueness of the Company and its businesses, Brown Gibbons Lang indicated that the Comparable Transactions Analysis may or may not be indicative of the value of the Company.

Results of Refinancing and Sale Process. Brown Gibbons Lang reviewed the scope, process and results of the refinancing and sale process implemented in the summer of 2003 in the context of the issues facing the Company.

Due to the uniqueness of the Company and its businesses, Brown Gibbons Lang indicated that the comparable companies and comparable transactions analyses may or may not be indicative of the Company s value. The results of the refinancing and sale process conducted by Brown Gibbons Lang during the summer of 2003 were deemed to be a more direct indicator of the Company s value at that time, and accordingly, Brown Gibbons Lang gave those results relatively greater weight in reaching its conclusion. Brown Gibbons Lang also considered various qualitative factors, including but not limited to the lack of available financing alternatives, the Company s distressed financial condition and the potential effects on the Company of a failure to obtain additional financing in the near term.

With our permission, Brown Gibbons Lang did not analyze the value of the Company on a discounted cash flow basis, primarily because such an analysis is of limited utility in valuing financially distressed entities with a demonstrated lack of financing alternatives. Also with our permission, Brown Gibbons Lang did not analyze the value of the Company on a liquidation basis. Although Brown Gibbons Lang considered our common stock trading price history, Brown Gibbons Lang determined that the absence of liquidity in the market for our common stock and the lack of analysts following our common stock made historical trading prices an inappropriate measure of the fairness of the proposed recapitalization transactions. Brown Gibbons Lang also surmised that the increase in the price of the common stock may have been at least partially the result of the market s reaction to an expected recapitalization transaction involving the Company.

Implied Transaction Value. Under the proposed recapitalization transactions, Brown Gibbons Lang estimated the implied value of the common stock to be $21.3 million, or $1.04 per share, based on the number of shares of Series B Preferred Stock and Purchaser Warrants to be issued in conjunction with the recapitalization transactions. Implied per share values are based upon 20,371,261 pro forma, fully diluted shares expected to be outstanding at the closing of the transactions. This total includes 2.5% of the anticipated 15% management stock option program, and assumes 894,646 shares underlying the existing Lender Warrants after application of their antidilution provisions, which contain certain variable factors which will not be determined until Closing.

Implied Total Enterprise Value and Related Multiples. Brown Gibbons Lang defined our implied total enterprise value, which we refer to as implied TEV, to be our total debt, plus (i) the aggregate implied value of the Series B Preferred Stock after the recapitalization, and (ii) the aggregate implied value of our common stock after the recapitalization, less cash. Assuming the recapitalization transactions will close on January 31, 2004, Brown Gibbons Lang, utilizing the above definition, estimated our implied TEV on such date to be $67.6 million.

Brown Gibbons Lang then derived our pro forma multiples which are implied by our implied TEV by dividing our implied TEV by the following unaudited results of our operations for the trailing twelve months as of October 31, 2003 (TTM October 2003): operating earnings before interest, taxes, depreciation and amortization, as further adjusted for goodwill, restructuring charges and expenses, and other add-backs and adjustments, which we refer to as adjusted EBITDA or EBITDA.

As derived by Brown Gibbons Lang, the pro forma multiple for our implied TEV compared to our EBITDA of $12.4 million for the TTM October 2003 was 5.4x. Brown Gibbons Lang determined the pro forma multiples for our implied TEV compared to our EBITDA as a basis for comparison in its valuation analyses, discussed below.

Comparison of Values Determined Under Various Valuation Methodologies.

The range of indicative multiples derived by Brown Gibbons Lang is not purely mathematical but a judgment range determined by the relative comparability of specific companies and merger/acquisition transactions to us. Brown Gibbons Lang noted that almost all comparable transactions involved strategic buyers. Furthermore, given the uniqueness of the Company and its businesses, Brown Gibbons Lang noted that the comparable analyses may or may not be good indicators of the value for the Company. Brown Gibbons Lang then compared the implied values of the existing common stock against the values derived under various valuation methodologies:

Comparable Companies Analysis. In its comparable companies analysis, Brown Gibbons Lang determined the following:

> For EBITDA in the TTM October 2003, the indicative multiples derived by Brown Gibbons Lang on the basis of the judgment described above and with consideration of appropriate discounts and premiums for comparability, marketability and control was 4.4x, with an implied intrinsic TEV of $55.1 million. The implied share price, which represents implied TEV minus our assumed net debt of $46.1 million as of October 31, 2003, was $0.95.

Comparable Transactions Analysis. In its comparable transactions analysis, Brown Gibbons Lang determined the following:

> For EBITDA in the TTM October 2003, the indicative multiples derived by Brown Gibbons Lang on the basis of the judgment described above and with consideration of appropriate discount for comparability was 4.4x, with implied intrinsic TEV of 55.2 million. The implied share price, which represents implied TEV minus our assumed net debt of $46.1 million as of October 31, 2003, was $0.96.

Review of Results from Refinancing and Sale Process. In reaching its conclusion that the proposed recapitalization transactions were fair from a financial point of view to our existing non-management shareholders, Brown Gibbons Lang attached significance to the fact that a large number of potential control and non-control equity investors were contacted with regards to a refinancing or sale of the Company, including many financial investors and many strategic investors. In addition, Brown Gibbons Lang contacted various senior and junior lenders. All those contacted which expressed interest received comprehensive confidential information regarding the Company and its business. As a result of this comprehensive process, a total of seventeen preliminary indications of interest/term sheets were received from: twelve financial investors (eleven control investors and one minority investor); one strategic investor; three senior lenders; and one junior lender. Brown Gibbons Lang noted that interest from senior and junior lenders was predicated on an equity investment from a financial investor. There was no senior or junior lender willing to refinance the Company without fresh equity. Fifteen potential investors and lenders attended management presentations.

Following the management presentations, five financial parties (including Wingate) submitted non-binding letters of intent. Wingate s letter was the only recapitalization proposal in which the Company s existing stockholders retained an ownership interest in the Company. All the other non-binding proposals were structured as acquisitions pursuant to going-private transactions with cash consideration to the Company s existing stockholders, after payment of the yield maintenance amount required to be paid under Prudential s Senior Note, ranging from $0.00 to $0.75 per share, with a median net cash per share of $0.50 and a mean net cash per share of $0.44. Brown Gibbons Lang also noted a number of qualitative factors with respect to each letter of intent,

including but not limited to weaknesses with respect to the bidders other than Wingate involving, to varying degrees, relative lack of due diligence, relative lack of certainty of funding and less desirable proposed terms.

Brown Gibbons Lang took into account that the results of its comprehensive marketing process to refinance and/or sell the Company were company-specific results for Corrpro, which contrasts with the public company and transaction comparables analyses that generate value indicia by proxy. As a result, Brown Gibbons Lang gave greater consideration to the results of the refinancing and sale process in reaching its conclusion that the proposed recapitalization transactions were fair from a financial point of view to our existing non-management shareholders.

Qualitative Factors. In addition to the quantitative methodologies described above, Brown Gibbons Lang considered a number of qualitative factors which it believed affected valuation, including the following:

- that total existing obligations to senior lenders are expected to have a face value of approximately $50 million at the closing of the proposed recapitalization transactions (including the consideration of prepayment penalties);
- our excessive leverage, given our business model, asset base and the lending market;
- our lack of financial flexibility to mitigate a potential shortfall in earnings performance;
- the potential effect on the execution of our business plan and forecast of an inability or failure to de-lever the Company;
- that the oil and gas market, representing a material portion of our revenues and profitability, is generally deemed to be cyclical;
- our history of accounting irregularities and litigation;
- our acquisition and investment history;
- the inconsistency of our operating performance;
- our complicated niche businesses;
- the impact of federal, state and local government regulations on those businesses; and
- that the proposed recapitalization transactions may support our efforts to maintain the listing of our common stock on the AMEX.

Finally, Brown Gibbons Lang noted that as a result of the proposed recapitalization transactions, the Company s existing shareholders will experience significant dilution of their interests in the Company and will receive no consideration in respect of their shares, but nevertheless would retain future upside potential as a result of the proposed recapitalization transactions. Brown Gibbons Lang also noted that:

- The proposed recapitalization transactions were the result of arms length negotiations following an extensive refinancing and sale process. Absent the completion of a financial transaction, the Company s senior lenders could be expected to demand immediate payment of the outstanding principal amounts and not to continue to fund the working capital requirements of the Company, which may require the Company to seek protection under the U.S. Bankruptcy Code.
- On several occasions, we and Brown Gibbons Lang requested the senior lenders to submit a reorganization or refinancing proposal to realign the Company s capital structure. Every request was rebuffed, denied or unanswered.
- The common stock could be expected to be valued as a claim in a future reorganization, exchange offer or bankruptcy.
- The range of percentage ownerships generally received by the holders of common stock in such a reorganization, exchange offer or bankruptcy are generally lower than those to be received in the proposed recapitalization transactions.

Brown Gibbons Lang s comprehensive marketing process identified no senior or junior lenders willing to refinance our senior debt obligations without the inclusion of new equity which would be dilutive to our existing stockholders.

Under a recapitalization scenario, holders of the common stock retain future upside potential, previously expected to be unattainable given our financial and capital structure constraints, related to the Company achieving its financial projections.

Our existing shareholders would maintain ownership in a publicly-traded company controlled by a sophisticated investor, with an appropriate and supportive debt capital structure and relief from present financial distress.

While the foregoing summary describes certain analyses and factors that Brown Gibbons Lang deemed material in rendering its opinion, it is not a comprehensive description of all analyses and factors considered by Brown Gibbons Lang. The preparation of a fairness opinion is a complex process that involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to particular circumstances and, therefore, such an opinion is not readily susceptible to summary description. Several analytical methodologies were employed and except as otherwise expressly indicated, no one method of analysis should be regarded as more important to the overall conclusion reached by Brown Gibbons Lang than any other method. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. Accordingly, the conclusions reached by Brown Gibbons Lang were based on all analyses and factors taken as a whole and also on application of Brown Gibbons Lang s own experience and judgment. Such conclusions may involve significant elements of subjective judgment and qualitative analysis. The analyses performed by Brown Gibbons Lang are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by such analyses. Accordingly, analyses relating to the value of a business do not purport to be appraisals or to reflect the prices at which the business actually may be purchased.

Brown Gibbons Lang and the Company

Our Board of Directors retained Brown Gibbons Lang based on Brown Gibbons Lang s experience as a financial advisor. Brown Gibbons Lang is a nationally recognized investment banking firm. Brown Gibbons Lang, as part of its investment banking business, is regularly engaged in the evaluation of capital structures, the valuation of businesses and their securities in connection with mergers and acquisitions, competitive biddings, private placements, financial restructurings and other financial services. Prior to its engagement in connection with the Company s financial restructuring plan (including its engagement for divestiture of the Company s Bass-Trigon Software and Rohrback Cosasco Systems business units), Brown Gibbons Lang had not done any prior investment banking business with us. In the ordinary course of its business, Brown Gibbons Lang may have investment banking, financial advisory and other relationships with parties other than the Company, pursuant to which Brown Gibbons Lang may acquire information of potential interest to the Company. Brown Gibbons Lang has no obligation to disclose any such information to the Company or to use any such information in the preparation of its opinion.

In consideration for its services in rendering the fairness opinion, Brown Gibbons Lang has been paid a fee of $250,000, which fee was not contingent upon the views expressed in the opinion. In consideration for it services as financial advisor, Brown Gibbons Lang was paid a non-refundable retainer of $50,000, and for its assistance in the Company s sale of its Bass-Trigon Software and Rohrback Cosasco Systems business units, Brown Gibbons Lang was paid a total of $[700,000]. Upon execution of the Securities Purchase Agreement, Brown Gibbons Lang as our financial advisor became entitled to a placement agent fee of approximately $1,470,000, payable at the closing or earlier termination of the engagement. Whether or not the proposed recapitalization transactions are consummated, we have also agreed to reimburse Brown Gibbons Lang for its reasonable expenses, including legal fees, and to indemnify Brown Gibbons Lang and certain related parties against certain liabilities arising out of or in connection with the services rendered by Brown Gibbons Lang.

The Brown Gibbons Lang opinion is addressed to the Special Committee of our Board of Directors and addresses only the fairness, from a financial point of view, of the proposed recapitalization transactions to

our existing non-management shareholders, and does not address the merits of the underlying decisions by the Special Committee or our Board of Directors to engage in the proposed recapitalization transactions or not to pursue another course of action or transaction, and does not constitute, nor should it be construed as, a recommendation to our shareholders as to how to vote at the Meeting.

Financial Statements

The Company urges you to review its Annual Report on Form 10-K for the fiscal year ended March 31, 2003 and its Form 10-Q for the quarter ended September 30, 2003, accompanying this proxy statement, and hereby incorporated herein by this reference.

Dilution

Consummation of the Transactions will have a substantial dilutive effect on current shareholders of the Company. Currently, approximately 7.3% of the Company s fully diluted shares of Common Stock (which includes, for this purpose, shares issuable under the Existing Warrants and outstanding stock options and shares actually outstanding) are reserved for issuance upon exercise of the Existing Warrants, approximately 13% are reserved for issuance upon exercise of outstanding stock options granted to employees, officers and directors pursuant to existing option plans, and approximately 79.7% are held by current shareholders of the Company. Depending upon completion of anti-dilution adjustments to the Existing Warrants, which cannot be determined until the Closing, it is estimated that between 24% to 29% of the Post Transaction Fully Diluted Shares will be held by current shareholders of the Company, 40% of the Post Transaction Fully Diluted Shares will be reserved for issuance upon exercise of the Purchaser Warrant, 13% of the Post Transaction Fully Diluted Shares will be reserved for issuance upon exercise of the American Capital Warrant, 15% of the Post Transaction Fully Diluted Shares will be reserved for issuance upon exercise of employee, officer or director stock options currently outstanding or to be granted, and between 3% to 8% will be reserved for issuance upon exercise of the Existing Warrants. For the purposes of this proxy statement, Post Transaction Fully Diluted Shares shall mean that number of shares of Common Stock which is equal to the sum, without duplication, of (i) the number of shares of Common Stock outstanding as of the Closing Date, (ii) the number of shares of Common Stock issuable upon exercise of the Existing Warrants, (iii) the number of shares of Common Stock issuable upon exercise of the Warrants, (iv) a number of shares of Common Stock, issuable upon exercise of the outstanding stock options and stock options that may be granted under option plans, equal to 15% of the aggregate number of shares of Common Stock contemplated by clauses (i) (v) herein and (v) the number of shares of Common Stock issuable due to the effects of any anti-dilution adjustment to any of the foregoing upon the issuance of the Warrants or any of the securities contemplated in clauses (ii), (iii) and (iv) above.

Resale of Series B Preferred Stock and Common Stock underlying Warrants

Restrictions on Transfer of Series B Preferred Stock. Pursuant to the Series B Preferred Stock terms, the Series B Preferred Stock may only be transferred in one transaction to one purchaser or with the prior approval of a majority of the disinterested members of the Board of Directors. Further, the Series B Preferred Stock will be issued pursuant to an exemption from the registration requirements of the Securities Act and may only be transferred in accordance with an applicable exemption therefrom.

Restrictions on Transfer of Common Stock. The Company will apply for listing of the Common Stock reserved for issuance upon exercise of the Warrants with The American Stock Exchange; however, because Purchaser and American Capital will each be deemed an affiliate under SEC regulations, their ability to sell shares of Common Stock other than through a registered public offering would be limited.

Purchaser and American Capital will be permitted to sell the Warrants or underlying shares in accordance with any applicable exemption to the provisions of the Securities Act. Purchaser will also have the ability to cause the Company to register its Common Stock for sale in accordance with the Investor Rights Agreement described

above. In case of such registration, the Warrant Shares so registered will be freely tradable on The American Stock Exchange, assuming that the Common Stock is, at such time, listed thereon.

In September 2003, the Company received notice from The American Stock Exchange staff indicating that the Company was below certain continued listing standards due to the Company s loss history and insufficiency of its shareholders equity under applicable guidelines. However, the Company was afforded the opportunity to submit a plan of compliance, and in October 2003 presented its plan to The American Stock Exchange. On December 4, 2003, The American Stock Exchange notified the Company that it accepted the Company s plan of compliance and granted the Company an extension of time to regain compliance with the continued listing standards. The Company will be subject to periodic review by The American Stock Exchange staff during the extension period. Failure to make progress consistent with the plan during the implementation period or to regain compliance with the continued listing standards by the end of the extension period could result in the Company being delisted from The American Stock Exchange. The Company has until March 2005 to regain compliance with The American Stock Exchange continued listing standards, subject to the Company s continued progress in implementing its proposed compliance plan, as determined by The American Stock Exchange. The Company s plan, as accepted by The American Stock Exchange, is not dependent upon the completion of the Transactions.

Conforming Amendments

Subparagraph (b)(2) of Article Fourth of the Existing Articles states that holders of Serial Preferred Shares are entitled to only one vote for each voting Serial Preferred Share held on all matters presented to the Company s shareholders. As described above, the Series B Preferred Stock will have voting rights in excess of this amount. Accordingly, subparagraph (b)(2) of Article Fourth of the Existing Articles is proposed to be amended in the Amended Articles to provide an appropriate exception for the Series B Preferred Stock. In addition, Article Fourth of the Existing Articles authorizes only 500,000 shares of voting Serial Preferred Shares, all of which have been authorized and reserved for issuance as Series A Junior Participating Preferred Shares, pursuant to the Rights Agreement. Accordingly, Article Fourth of the Existing Articles is proposed to be amended in the Amended Articles to provide that an aggregate of 800,000 authorized Serial Preferred Shares shall be voting, if and when designated, and 200,000 shall be non-voting, if and when designated.

Further, it is proposed that a portion of Article Seventh of the Existing Articles be deleted from the Amended Articles, which provides that the affirmative vote of 60% of the Company s voting power is required to approve:

> . . . any amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Amended and Restated Articles of Incorporation or the Amended and Restated Code of Regulations of the Corporation which effects (i) the manner in which shareholder proposals are considered at a meeting of the shareholders; (ii) the classification, election, or tenure of office of the directors; or (iii) the indemnification of directors, officers, employees and others.

These amendments are required pursuant to the terms of the Securities Purchase Agreement. The full text of the Amended Articles reflecting the proposed amendments described above is set forth in *Annex D*. A vote for Proposal One includes approval of these amendments.

Vote Required

As noted above, Article Seventh of the Company s Existing Articles provides that at least 60% of the voting power of the Company is necessary to effect any amendment to the Existing Articles that affects, among other things, the classification, *election*, or tenure of office of the directors. . . (emphasis added). This provision applies to (i) the adoption of the proposed amendment to the Existing Articles designating the Series B Preferred Stock, due to the right to appoint the majority of the Board associated therewith, (ii) the amendment to subparagraph (b)(2) of Article Fourth of the Existing Articles, due to the change of voting rights assigned to the Serial Preferred Shares currently contained therein, (iii) the amendment to Article Fourth of the Existing Articles providing that 800,000 Serial Preferred Shares may be voting, due to the potential effect thereof on the election of directors, and (iv) the removal of the supermajority voting requirement in Article Seventh of the Existing Articles.

Accordingly, the affirmative vote, in person or by proxy, of the holders of at least 60% of the outstanding shares of Common Stock is required to approve Proposal One.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL ONE. IF ANY OF PROPOSALS TWO, THREE OR FOUR DO NOT PASS, THE TRANSACTIONS AND AMENDMENTS SET FORTH IN PROPOSAL ONE WILL NOT TAKE EFFECT, EVEN IF PROPOSAL ONE IS APPROVED.

PROPOSAL TWO: AMENDMENT OF EXISTING ARTICLES TO PROVIDE THAT THE OHIO CONTROL SHARE ACQUISITION STATUTE SHALL NOT APPLY TO ACQUISITIONS OF THE COMPANY S EQUITY SECURITIES

Overview of Proposal Two

The Board of Directors has approved a resolution to amend the Existing Articles, which, if adopted, would make an Ohio anti-takeover statute, referred to herein as the Control Share Acquisition Act, inapplicable to the Company (the Control Act Amendment). The text of the Control Act Amendment is contained in Article Tenth of the proposed Amended Articles, attached hereto as *Annex D*. Adoption of the Control Act Amendment requires the affirmative vote of the holders of a majority of the outstanding voting power of the Company.

Summary Of Control Share Acquisition Act Procedures

Under the Control Share Acquisition Act, a control share acquisition is a direct or indirect acquisition by any person or entity of such number of voting shares of a corporation which, when added to those shares which the person or entity already owns or with respect to which the person or entity may exercise or direct the exercise of the voting power, would give the person or entity voting power within any of the following ranges: (a) one-fifth or more but less than one-third of such voting power; (b) one-third or more but less than a majority of such voting power; or (c) a majority or more of such voting power.

A person or entity who proposes to make a control share acquisition must provide notice of the proposal to the corporation in accordance with specific requirements. The board of directors must call a special meeting of the shareholders, to be held within 50 days after the corporation s receipt of the acquiring person s statement, for the purpose of voting on the proposed control share acquisition. A quorum for this meeting is achieved only if there is present at the meeting, in person or by proxy, a majority of the voting power of the corporation in the election of directors.

Interested shares are those shares of the corporation in respect of which any of the following persons may exercise or direct the exercise of the voting power of the corporation in the election of directors: (a) the acquiring person; (b) any officer of the corporation elected or appointed by the directors of the corporation; (c) any employee of the corporation who is also a director of the corporation; (d) any person that acquires such shares for valuable consideration during the period beginning with the date of the first public disclosure of a proposal for, or expression of interest in, a control share acquisition of the issuing public corporation; a sale or disposition of all or substantially all of the corporation s assets or a merger, consolidation or other business combination involving the issuing public corporation or its assets and governed, as applicable, by sections 1701.76, 1701.78, 1701.781, 1701.79, 1701. 791, 1701.83, or 1701.86 of the Ohio Revised Code; or any action that would directly or indirectly result in a change in control of the issuing public corporation or its assets, and ending on the record date established by the board of directors, if either of the following applies: (y) the aggregate consideration paid or given by the person who acquired the shares, and any other persons acting in concert with the person, for all such shares exceeds two hundred fifty thousand dollars; and (z) the number of shares acquired by the person who acquired the shares, and any other persons acting in concert with the person, exceeds one-half of one per cent of the outstanding shares of the corporation entitled to vote in the election of directors; and (e) any person that transfers such shares for valuable consideration after the record date set forth in clause (d) above as to shares so transferred, if accompanied by the voting power in the form of a blank proxy, an agreement to vote as instructed by the transferee, or otherwise.

A proposed control share acquisition may be consummated only if approved at the meeting by both of the following groups: (1) holders of a majority of the voting power of the corporation in the election of directors represented at the meeting by person or by proxy, and (2) holders of a majority of the portion of such voting power excluding the voting power of interested shares. A proposed control share acquisition which receives approval in the manner described must be consummated, in accordance with the terms so authorized, no later than 360 days following shareholder authorization of the control share acquisition.

Reasons For The Proposed Amendment

The adoption of the Control Act Amendment will facilitate the completion of the Transactions. Without the Control Act Amendment, Purchaser and the Company would be required to follow certain complex statutory procedures that would ultimately serve to delay and increase the cost of the Transactions. Among these procedures is the requirement for an additional special meeting of shareholders at which the shareholders would be asked to approve the acquisition. While the Company has called this Meeting, at which the shareholders will consider, among other things, the Transactions, special meetings required by the Control Share Acquisition Act are subject to certain procedures, including proxy counting requirements, that are extremely complex, time consuming and, in this instance, not beneficial to the interests of the Company. If the shareholders do not approve Proposal Two, the additional expense and delay of a separate special shareholders meeting would be required to consummate the Transactions.

In addition to facilitating the Transactions, the Company believes that the reasons articulated for adoption of the Control Share Acquisition Act are not as compelling today as they were when the law was passed in 1982. Since 1982, there have been significant developments in Ohio and federal law, which provide substantial additional protection to shareholders when faced with a hostile tender offer or when large blocks of a corporation s shares are purchased without the consent of the board of directors of the company. In addition, the Company believes there are circumstances under which compliance with the Control Share Acquisition Act may be unnecessarily costly to the Company, have a chilling effect on the willingness of third parties to buy shares of the Company, may deprive shareholders of the right to sell their shares or may adversely impact the Board s ability to act in what it believes is the best interests of shareholders in hostile takeover attempts.

Regardless of whether the matters submitted under Proposal One are approved or the Transactions occur, the Company believes that eliminating the application of the Control Share Acquisition Act to acquisitions of the Company s equity securities is advantageous to the Company and its shareholders for the following reasons, among others:

Developments in Ohio Corporate and Securities Law and Federal Securities Laws. Since the adoption of the Control Share Acquisition Act, there have been material additions to Ohio corporate and securities laws that provide significant protective measures against hostile takeovers.

In 1990, Ohio enacted the Ohio Interested Shareholder Transaction Statute (the Merger Moratorium Statute), which severely limits a purchaser of 10% or more of the shares of an Ohio corporation from engaging in transactions with the corporation. Unless such purchaser first obtains approval of the board of directors of the corporation of his acquisition, that purchaser is precluded from taking certain actions for three years. Purchaser has obtained this approval with respect to the Transactions. Shareholders should note that because the holders of Series B Preferred Stock will have the ability to elect a majority of the members of the Board of Directors upon consummation of the Transactions, a subsequent acquirer of 10% or more of the Company s shares may not be able to obtain the approval of the Board of Directors in accordance with the Merger Moratorium Statute.

Subsequent to 1982, the provisions of the Ohio Securities Act regulating control bids have been administered by the Ohio Division of Securities in such a manner that they are presently held to be enforceable and not preempted by federal law, or invalid under the Constitution of the United States. For a more detailed discussion of these provisions, see the discussion below under Control Bid Provisions of the Ohio Securities Act.

Since 1982, there have been amendments to rules and regulations promulgated under the Securities Exchange Act of 1934 (the 1934 Act) or changes in the interpretation of such rules and regulations which lessen the

coercive effect of tender offers. These changes relate to the length of the tender offer period, the all holders and best price rules, withdrawal of tender offers, required disclosures and timeliness of disclosures.

Possible Adverse Impact in a Change of Control Contest. On its face, the Control Share Acquisition Act appears protective of the interests of shareholders in that it allows the holders of shares which are not interested shares to determine the outcome of a change of control contest. In many situations, however, the Board of Directors believes that the uncertainty and delay caused by the requirements of the statute could hamper the ability of the Board to induce other parties to present competing offers.

Unnecessary Restriction on the Right of a Shareholder to Sell or Buy Shares. As noted below, no shareholder is permitted, without the approval of the holders of disinterested shares, to sell his shares to any person who as a result of such purchase would first attain ownership of 20%, 33% or a majority of the outstanding shares of the Company. The Company believes, as discussed below, that such a restriction on a shareholder s right to sell shares, or another person s right to buy shares, is unnecessary in view of the other protections afforded shareholders by Ohio corporate and federal law.

Background The Ohio Control Share Acquisition Act

In November 1982, the Ohio General Corporation Law was amended to include the Control Share Acquisition Act, which requires that control share acquisitions be approved by shareholders. In adopting the statute, the General Assembly of Ohio found that Ohio corporate law did not adequately protect the interests of shareholders of Ohio corporations when confronted with non-traditional changes of control of a corporation, such as changes of control effected by tender offers or accumulations of significant blocks of shares in the public markets or private transactions.

The Ohio Control Share Acquisition Act gives shareholders who are not holders of interested shares a veto power over certain acquisitions of shares of an Ohio corporation. The Control Share Acquisition Act automatically applies to all corporations incorporated in Ohio and having certain jurisdictional contacts with Ohio, unless the shareholders vote to opt out of the statute.

Potential Benefits Of The Ohio Control Share Acquisition Act

Even though shareholder rights advocates often express the view that state takeover statutes, such as the Control Share Acquisition Act, are contrary to shareholder interests, the Control Share Acquisition Act was adopted by the legislature to address serious issues. The primary purpose was to require any person seeking to obtain ownership or voting rights with respect to a substantial block of shares to provide the Company with detailed information regarding the potential share acquisition and to present the acquisition to shareholders for approval at a special meeting. With respect to transactions which are in the best interests of the public company, the Control Share Acquisition Act, together with federal proxy rules, assures that shareholders will be given adequate notice and opportunity to review the transaction and consent to the resulting effects of the acquisition. This process was intended to provide shareholders with a vote on significant changes in corporate circumstances which could result as a consequence of an accumulation of a substantial block of shares, and to avoid the coercive environment which the legislature found was often present in tender offers for control of a corporation. The Ohio legislature further limited the coercive nature of the shareholder vote by not permitting the proposed acquirer to vote on the transaction. Since the potential acquirer can solicit proxies at the mandatory special shareholders meeting to approve the proposed transaction, there is a check on the power of a company s board or management to entrench itself by using the Control Share Acquisition Act as a defensive tool. If the Company opts out of the statute by passing Proposal Two, the potential benefits of the Control Share Acquisition Act will not be available to the Company or its shareholders.

Existing Anti-Takeover Provisions Of Ohio Law And In The Company s Corporate Documents

As mentioned above, the Merger Moratorium Statute and the control bid provisions of the Ohio Securities Act may discourage or impede a change of control of the Company.

Merger Moratorium Law. Under the Merger Moratorium Statute, a corporation is prohibited from entering into a Chapter 1704 transaction with the direct or indirect beneficial owner of 10% or more of the shares of such corporation (a 10% shareholder) for at least three years after the shareholder attains his 10% ownership unless the board of directors of the corporation approves, before the shareholder attains his 10% ownership, either the transaction or the purchase of shares resulting in his 10% ownership (as is the case with Purchaser). A Chapter 1704 transaction is broadly defined to include, among other things, a merger or consolidation involving the corporation and the 10% shareholder, a sale or purchase of substantial assets between the corporation and the 10% shareholder, a reclassification, recapitalization, or other transaction proposed by the 10% shareholder that results in an increase in the proportion of shares beneficially owned by the 10% shareholder and the receipt by the 10% shareholder of a loan, guarantee, other financial assistance or tax benefit not received proportionately by all shareholders.

Even after the three-year period, Ohio law restricts these transactions between the corporation and the 10% shareholder. At that time, such a transaction may proceed only if (a) the board of directors of the corporation had approved the purchase of shares that gave the shareholder his 10% ownership (as is the case with Purchaser), (b) the transaction is approved by the holders of shares of the corporation with at least two-thirds of the voting power of the corporation (or a different proportion set forth in the corporation s articles of incorporation), including at least a majority of the outstanding shares after excluding shares held or controlled by any 10% shareholder, or (c) the business combination results in shareholders, other than the 10% shareholder, receiving a prescribed fair price plus interest for their shares.

Control Bid Provisions of the Ohio Securities Act. Ohio law further requires that any offeror making a control bid for any securities of a subject company pursuant to a tender offer must file information specified in the Ohio Securities Act with the Ohio Division of Securities when the bid commences. The Ohio Division of Securities must then decide, within five calendar days, whether it will suspend the bid under the statute. If it does so, it must initiate hearings on the suspension within 10 calendar days of the suspension date and make a determination, within three calendar days after the hearing has been completed, and no later than 14 calendar days of the suspension date, of whether to maintain the suspension. For this purpose, a control bid is the purchase of, or an offer to purchase, any equity security of a subject company from a resident of Ohio that would, in general, result in the offeror acquiring 10% or more of the outstanding shares of such company. A subject company includes any company with both (a) its principal place of business or principal executive office in Ohio or assets located in Ohio with a fair market value of at least $1,000,000 and (b) more than 10% of its record or beneficial equity security holders are resident in Ohio, more than 10% of its equity securities owned of record or beneficially by Ohio residents, or more than 1,000 of its record or beneficial equity security holders resident in Ohio.

Authorized Common and Preferred Stock. Article Fourth of the proposed Amended Articles provides some protection against attempts by persons or entities to take control of the Company without the consent of the Board of Directors. This Article provides for authorized Common Stock of 40,000,000 shares and authorized voting Serial Preferred Shares of 800,000 shares. As of November 30, 2003, there were 29,397,914 shares of the Common Stock unissued and not reserved for issuance (or contemplated to be reserved for issuance in connection with the Transactions), and there are 287,000 shares of the Serial Preferred Shares unissued and not reserved for issuance (or contemplated to be issued in connection with the Transactions). Under the listing requirements of The American Stock Exchange, shareholder approval is necessary for the issuance of additional authorized shares of Common Stock if the issuance would result in one person or entity owning, directly or indirectly, 20% or more of the outstanding stock or if an acquisition is involved which would result in 20% or greater increase in the outstanding shares. The Existing Articles provide that Serial Preferred Shares may be issued in one or more series and expressly vest the Board of Directors with authority to determine the designated preferences and certain other rights of each series. Although the Board of Directors has no present intention of doing so, shares of Common Stock or Serial Preferred Shares could be issued to a party or parties who would vote with management with

respect to a particular transaction. The issuance of such additional shares could increase the absolute cost of a business combination and thereby discourage a potential buyer.

The affirmative vote, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock is required to approve this Proposal to amend the Existing Articles. The full text of the Control Act Amendment is contained in Article Tenth of the Amended Articles, attached hereto as *Annex D*.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL TWO. PASSAGE OF PROPOSAL TWO REGARDING THE PROPOSED AMENDMENT OF THE EXISTING ARTICLES TO ELIMINATE THE APPLICATION OF THE CONTROL SHARE ACQUISITION ACT TO ACQUISITIONS OF THE COMPANY S EQUITY SECURITIES IS REQUIRED TO ENABLE COMPLETION OF THE TRANSACTIONS DESCRIBED IN PROPOSAL ONE.

PROPOSAL THREE: AMENDMENT TO THE EXISTING ARTICLES TO ENTITLE HOLDERS OF SERIES B PREFERRED STOCK TO PREEMPTIVE RIGHTS WITH RESPECT TO FUTURE ISSUANCES OF THE COMPANY S EQUITY AND DEBT SECURITIES

The Securities Purchase Agreement contains a number of conditions to Purchaser s obligations to close the Transactions, including, among others, that the shareholders approve the Amended Articles. Subparagraph (d)(8) of Article Fourth of the proposed terms of the Series B Preferred Stock, which are part of the Amended Articles, provides that prior to any issuance by the Company of debt or equity securities (other than senior secured indebtedness), the Company must first offer to all the holders (in the aggregate) of the Series B Preferred Stock, the opportunity to purchase (on the same terms and conditions under which such securities are proposed to be offered) 51% of such securities offered. However, Article Eighth of the Existing Articles expressly provides that no shares of the Company shall have preemptive rights. Accordingly, Article Eighth of the Existing Articles is proposed to be amended to read as follows: Except with respect to the Series B Cumulative Voting Redeemable Preferred Stock as set forth in Article Fourth paragraph (d), the pre-emptive right to purchase additional shares or other securities of the Corporation is expressly denied to all shareholders of all classes. A complete copy of the text of the proposed amendment to Article Eighth is contained in Article Eighth of the Amended Articles, attached hereto as *Annex D.*

The affirmative vote, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock is required to approve this proposal to amend Article Eighth of the Existing Articles. This Proposal is conditioned upon the passage of Proposals One, Two and Four. Should any one of those Proposals fail, the amendment described herein will not be effected.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL THREE. PASSAGE OF PROPOSAL THREE REGARDING THE PROPOSED AMENDMENT OF THE ARTICLES TO AMEND THE RESTRICTION ON PREEMPTIVE RIGHTS IS REQUIRED TO ENABLE COMPLETION OF THE TRANSACTIONS DESCRIBED IN PROPOSAL ONE.

PROPOSAL FOUR: CERTAIN AMENDMENTS TO THE COMPANY S AMENDED AND RESTATED CODE OF REGULATIONS

The Securities Purchase Agreement contains a number of conditions to Purchaser s obligations to close the Transactions, including, among others, that the shareholders approve the form of Amended Regulations. The amendments contained therein will (i) amend Section 4.3 of the Existing Regulations to de-classify the Board, (ii) amend Section 3.2 of the Existing Regulations to provide for the calling of special meetings of the shareholders by holders of Series B Preferred Stock (iii) amend certain provisions of Section 4 of the Existing Regulations to eliminate references to classes of directors and expressly state that the provisions thereof are subject to the rights of the holders of the Series B Preferred Stock to designate members of the Board, and (iv) to modify Section 4.15 of the Existing Regulations to permit the Board observation rights granted to Purchaser under the Investor Rights Agreement. The full text of each of these amendments is contained in the Amended

Regulations attached hereto as *Annex E*. The effectiveness of this Proposal, if approved, is conditioned upon the passage of Proposals One, Two and Three. Should any one of those Proposals fail, the amendments described in Proposal Four will not be effected.

Declassification of the Board of Directors

Section 4.3 of the Existing Regulations provides that the Board of Directors is divided into two classes. At each annual meeting (or special meeting in lieu thereof), the term of one class of directors expires. Directors in each class serve for a two-year term. This structure, often referred to as a classified or staggered board, is sometimes implemented by corporations because a classified board lengthens the time it can take for a person who acquires voting control of a corporation without the consent of the board of directors, to replace, through such voting control, the entire board of directors. Under the Amended Regulations, Section 4.3 will be deleted in its entirety. The Amended Regulations provides for a single class of directors such that each director will stand for election at every annual meeting of the Company s shareholders, other than the Purchaser designees. This amendment is required by Purchaser as a condition to Closing. The Board of Directors believes that the potential benefits of a classified board of the Company are minimal, and, to the extent they exist, are far outweighed by the benefits the Transactions will bring to the Company s shareholders.

Meetings

Section 3.2 of the Existing Regulations provides that Special meetings of the shareholders shall be called upon the written request of the chairman of the board, the president, the directors by action at a meeting, a majority of the directors acting without a meeting, or of the holders of shares entitling them to exercise more than 50% of the voting power of the Corporation entitled to vote thereat. In order to be consistent with the proposed Amended Articles, the proposed Amended Regulations amend the foregoing sentence to read as follows: Special meetings of the shareholders shall be called upon the written request of the chairman of the board, the president, the directors by action at a meeting, a majority of the directors acting without a meeting, the holders of at least a majority of the outstanding capital stock of the Corporation entitled to vote thereat, or the holders of at least 20% of the outstanding shares of Series B Preferred Stock, as set forth in the Amended and Restated Articles of Incorporation of the Corporation (the Articles).

Technical Amendments to Section Four

Section 4 of the Existing Regulations contains references to classes of directors. In accordance with the amendment deleting Section 4.3 of the Existing Regulations, as described above, the Amended Regulations has been modified to eliminate such references. In addition, certain provisions of Section 4 of the Existing Regulations do not contemplate the board member designation and removal rights accompanying the Series B Preferred Stock. Accordingly, such provisions have been amended in the Amended Regulations to provide that they are subject to the rights of Series B Preferred Stock holders.

Board Observation Rights

Section 4.15 of the Existing Regulations provides that unless waived by a majority of directors in attendance, not less than twenty-four (24) hours before any regular or special meeting of the Board of Directors any director who desires the presence at such meeting of not more than one person who is not a director shall so notify all other directors, request the presence of such person at the meeting, and state the reason in writing. Such person will not be permitted to attend the directors meeting unless a majority of the directors in attendance vote to admit such person to the meeting. As described in Proposal One above, Section 4 of the Investor Rights Agreement provides that for so long as the shares of Common Stock issuable upon exercise of the Purchaser Warrant represents at least 10% of the outstanding Common Stock, such holders shall have the right to designate one non-voting observer to be present at meetings of the Company s Board of Directors. Accordingly, it is proposed that Section 4.15 of the Existing Regulations be modified in the Amended Regulations to permit the exercise of the rights granted in Section 4 of the Investor Rights Agreement.

Vote Required to Approve Proposal Four

The Existing Articles currently provide that the affirmative vote of 60% of the Company s voting power is required to approve

> . . . any amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Amended and Restated Articles of Incorporation or the *Amended and Restated Code of Regulations* of the Corporation which effects (i) the manner in which shareholder proposals are considered at a meeting of the shareholders; (ii) *the classification*, election, or tenure of office of the directors; or (iii) the indemnification of directors, officers, employees and others. [Emphasis supplied.]

In addition, Section 1701.11(A)(4) of the Ohio Revised Code provides that any amendment to the Existing Regulations that would eliminate the classification of directors shall be adopted by the affirmative votes of holders of a majority of disinterested shares, that is, any shares held by a person or entity other than one that beneficially owns 10% or more of the Company s issued and outstanding Common Stock. As of the Record Date, there were no shareholders of the Company with holdings in excess of 10%.

Due to the amendments to Section 4.3 of the Existing Regulations declassifying the Board, the affirmative vote, in person or by proxy, of (i) the holders of at least 60% of the outstanding shares of Common Stock and (ii) a majority of the disinterested shares (as defined above) is required to approve this Proposal. The amendments to the Existing Regulations described in this Proposal Four, even if approved, will not take effect unless Proposals One, Two and Three pass.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL THREE. PASSAGE OF PROPOSAL FOUR REGARDING THE PROPOSED AMENDMENTS TO THE EXISTING REGULATIONS IS REQUIRED TO ENABLE THE COMPLETION OF THE TRANSACTIONS DESCRIBED IN PROPOSAL ONE.

PROPOSAL FIVE: ADDITIONAL AMENDMENT TO THE EXISTING REGULATIONS

Section 3.4 of the Existing Regulations provides, in accordance with applicable Ohio law, that written notice of the time, place and purposes of any meeting of shareholders shall be given to each shareholder entitled thereto not less than *seven (7)* days nor more than sixty (60) days before the date fixed for the meeting and as prescribed by law. [Emphasis supplied.] Applicable listing guidelines of The American Stock Exchange, upon which the Common Stock is listed for trading, require listed companies to provide advance shareholder meeting notice not less than *ten (10)* days nor more than sixty (60) days before the date fixed for the meeting. The Board of Directors has resolved to propose an amendment to Section 3.4 of the Existing Regulations conforming to this The American Stock Exchange listing regulation. The full text of this proposed amendment is set forth in Section 3.4 of the Amended Regulations attached hereto as *Annex E*.

The Company typically distributes a notice of annual or special shareholders meetings well in advance of seven days prior to the subject meeting. Accordingly, it is expected that the proposed amendment will not substantially affect the manner in which the Company s management distributes notices of shareholders meetings or solicits proxies in connection therewith.

The affirmative vote, in person or by proxy, of the holders of at least a majority of the outstanding shares of Common Stock is required to approve this proposal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL FIVE.

PROPOSAL SIX: DISCRETIONARY AUTHORITY

The Board is soliciting discretionary authority from shareholders to adjourn or postpone the meeting to permit further solicitation with respect to the Proposals.

The Board believes that the discretionary authority will permit the Board to adjourn or postpone the meeting upon the affirmative vote with respect thereto by a majority of the shares represented at the meeting in person or by proxy to permit further solicitation with respect to the Proposals.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL SIX.

Security Ownership of Certain Beneficial Owners and Management

The following table shows information regarding beneficial ownership of our Common Shares as of December 15, 2003 unless otherwise indicated, by each person or group which is known by us to own beneficially more than 5% of our common shares, each director, each executive officer, and all directors and executive officers as a group. All information with respect to beneficial ownership has been furnished by the respective director, officer or shareholder, as the case may be. Ownership includes direct and indirect (beneficial) ownership, as defined by SEC rules. To our knowledge, each person, along with his or her spouse, has sole voting and investment power over the shares unless otherwise noted.

Name	Number of Shares[1]	Percent
Michael K. Baach	153,357	1.8%
David H. Kroon	290,577	3.4%
C. Richard Lynham	21,250	*
Harry Millis	52,350	*
Neal R. Restivo	116,581	1.4%
Joseph W. Rog	438,006	5.0%
Warren F. Rogers	35,875	*
George A. Gehring, Jr.	106,091	1.239%
Directors and executive officers as a group	1,330,031	14.721%
JB Capital Partners L.P.[(2)] 23 Berkley Lane Rye Brook, New York 10573	617,200	6.831%
T. Rowe Price Associates, Inc.[(2)] 100 East Pratt St. Baltimore, Maryland 21202	650,000	7.194%
Royce & Associates, Inc.[(2)] 1414 Avenue of the Americas New York, New York 10019	612,575	6.780%
Delta Partners LLC[(2)] One Financial Center, Suite 1600 Boston, Massachusetts 02111	492,168	5.447%
Prudential Financial, Inc.[(2)] 751 Broad St. Newark, New Jersey 07102	521,290	5.770%
Dimensional Fund Advisors, Inc.[(2)] 1299 Ocean Avenue, 11th Floor Santa Monica, California 90401	448,300	4.961%

* Less than 1%

(1) The number of shares listed includes shares under currently exercisable stock options and stock options which may become exercisable within 60 days following December 19, 2003. The number of such exercisable stock options for those listed above are: Mr. Baach (47,500 shares); Mr. Kroon (41,250 shares); Mr. Lynham (19,375 shares); Mr. Millis (2,500 shares); Mr. Restivo (113,750 shares); Mr. Rog (137,500

shares); Dr. Rogers (15,625 shares); and Mr. Gehring (97,500 shares) and all directors and officers as a group (572,333 shares).

(2) Based upon information contained in the following documents as filed with the SEC:

Amendment to Schedule 13G was jointly filed by JB Capital Partners, L.P. and Alan W. Weber on February 14, 2003. JB Capital Partners, L.P. reported that it had shared voting and dispositive power with respect to 582,200 shares. Alan W. Weber reported that he had sole voting and dispositive power with respect to 35,000 shares and shared voting and dispositive power with respect to 582,200 shares.

Schedule 13G jointly filed by T. Rowe Price Associates, Inc. and T. Rowe Price Small-Cap Value Fund, Inc. on February 14, 2003. T. Rowe Price Associates, Inc. reported that it had sole dispositive power with respect to 650,000 shares. T. Rowe Price Small-Cap Value Fund, Inc. reported that it had sole voting power with respect to 650,000 shares.

Amendment to Schedule 13G filed by Royce & Associates LLC on February 4, 2003.

Amendment to Schedule 13G jointly filed by Delta Partners LLC, Charles Jobson and Christopher Argyople on January 27, 2003. Delta Partners LLC reported that it had shared voting and dispositive power with respect to 492,168 shares. Charles Jobson reported that he had shared voting and dispositive power with respect to 492,168 shares. Christopher Argyrople reported that he had shared voting and dispositive power with respect to 492,168 shares.

Schedule 13G filed by Prudential Financial, Inc. on February 7, 2003. Included in the number of shares stated above are 467,290 Warrants which are convertible into common stock at a ratio of 1:1.

Amendment to Schedule 13G filed by Dimensional Fund Advisors, Inc. on February 3, 2003.

Interests of Certain Persons and Matters to be Action Upon

Except as noted below, no director or executive officer of the Company who has served in that function since April 1, 2002 will receive any extra or special benefit not shared on a pro rata basis by all of the holders of the Company s Common Stock as a result of the consummation of the Transactions. Notwithstanding the foregoing, certain of the Company s senior officers and directors entered into Amendment and Termination Agreements to the Change of Control Agreements currently in effect which will be effective upon the Closing. See Other Agreements Amendment and Termination Agreements. In addition, Joseph Rog will enter into the New Employment Agreement upon the Closing. See Other Agreements Employment Agreement of Joseph Rog for a more complete description of the terms of the New Employment Agreement. Further, beginning July 15, 2003 non-employee directors on the Special Committee were compensated at a rate of $2,500 per month ($5,000 for the chairperson) in connection with the refinancing and recapitalization.

Independent Auditors

A representative of the Company s current auditors, KPMG, is expected to be present at the meeting and will have the opportunity to make a statement. The representative is also expected to be available to respond to appropriate questions. KPMG acted as independent auditors for the Company for fiscal 2003.

Voting Procedures/ Revoking Your Proxy

You may vote by mail or in person at the meeting. To vote by mail, complete and sign your proxy card or your broker s voting instruction card if your shares are held by your broke and return it in the enclosed business-reply envelope. You may also vote by telephone by following the instructions preprinted on the enclosed proxy card.

The shares of those who fail to return a proxy or attend the meeting will not count towards determining any required plurality, majority or quorum. A proxy statement and proxy card are being sent to participants who own

the Company common shares through our 401(k) retirement savings plan and our employee stock purchase plan. The proxy serves as a voting instruction for your plan shares. For our 401(k) plan, if you do not vote your shares, the plan trustee will vote them on your behalf. For the employee stock purchase plan, if you do not vote your shares, they will remain unvoted at the Meeting.

The enclosed proxies will be voted in accordance with the instructions you place on the proxy card. Unless otherwise stated, all shares represented by your returned, signed proxy will be voted FOR the agenda items noted on the first page of this proxy statement.

You can change your vote after sending in a proxy, until the time of the Meeting, by following these procedures.

If you are a shareholder of record, your proxy may be revoked if you:

Deliver a signed, written revocation letter, dated later than the proxy, to John D. Moran, Secretary, at 1090 Enterprise Drive, Medina, Ohio 44256;

Deliver a signed proxy, dated later than the first one, to ComputerShare Investor Services LLC; or

Attend the Meeting and vote in person or by proxy.

If you are not a shareholder of record (e.g. your shares are held in a brokerage account) you will need to have the record shareholder follow the above procedures for revoking your proxy. Attending the meeting alone will not revoke your proxy.

Other Business

Section 3.3 of the Existing Regulations provides generally that no proposal, resolution, amendment to any proposal or resolution, or nomination, other than procedural matters relating to the conduct of the meeting, may be considered at a meeting of our shareholders unless that matter has been set forth in a proxy or information statement furnished to our shareholders in connection with the meeting in compliance with the requirements of the Securities Exchange Act of 1934.

The Board of Directors knows of no other matters for consideration at the meeting. If any other business should properly arise, the persons appointed in the enclosed proxy have discretionary authority to vote in accordance with their best judgment.

As noted above, a copy of the Company s 2003 Annual Report on Form 10-K and Form 10-Q for the quarter ended September 30, 2003 filed with the SEC are enclosed with this proxy statement. Copies may be obtained by shareholders, without charge, upon written request to Investor Relations, Corrpro Companies, Inc., 1090 Enterprise Drive, Medina, Ohio 44256, telephone number 330-723-5082. You may also obtain our SEC filings through the Internet www.sec.gov or at our website at www.corrpro.com.

By order of the Board of Directors.

John D. Moran
Secretary

January , 2004

PLEASE VOTE YOUR VOTE IS IMPORTANT

Annex A

SECURITIES PURCHASE AGREEMENT

BY AND BETWEEN

CORRPRO INVESTMENTS, LLC

AND

CORRPRO COMPANIES, INC.

DATED AS OF DECEMBER 15, 2003

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