

FOR IMMEDIATE RELEASE

Mercato Partners Announces First Investment in Skullcandy

SALT LAKE CITY, UT – December 21, 2007 – Mercato Partners, a growth equity investment fund, announced its inaugural investment in Skullcandy, a lifestyle-driven consumer electronics company. Mercato Partners is now Skullcandy's largest institutional investor. Individual investors close to Skullcandy joined with Mercato in the \$2 million Series B round financing.

"We are proud to participate and contribute to Skullcandy's explosive growth. Skullcandy's quality line of headphones and progressive brand is quickly attracting both national and international attention," said Greg Warnock, one of Mercato's Managing Directors. The capital will be deployed to further develop sales channels and distribution networks, an area of expertise for Mercato and its list of exclusive partners. Alan Hall, one of Mercato's Managing Directors, offers Skullcandy his unique expertise in expanding sales channels for technology and consumer electronics companies.

Skullcandy CEO Rick Alden commented, "Money is important but what we are getting with Mercato is the mindshare of Alan Hall and his experience taking products to market and Greg Warnock's corporate finance and board governance experience."

Skullcandy is aggressively reaching out to customers through big box retailers, Best Buy, Circuit City, Target, Zumiez and a growing list of specialty skate, surf and snowboard shops. Under the direction of CEO Rick Alden, Skullcandy has surpassed growth projections and is quickly becoming one of the hottest consumer electronics brands in the marketplace.

ABOUT SKULLCANDY

Skullcandy was founded in 2003 by industry veteran Rick Alden, co-founder of National Snowboard Inc. and organizer of some of snowboarding's earliest promotional events. The company has quickly cornered the market and today offers over 35 different products and 12 styles of headphones. Skullcandy offers a wide variety of headphones, from ear bud models (Smokin Buds) to full blown bass boosters (the Skullcrushers). In addition, they supply a list of companies with their *Link* system, integrating music and cell phone connections into helmets, backpacks, and jackets. For more information about Skullcandy or its products visit www.skullcandy.com.

ABOUT MERCATO PARTNERS

Mercato Partners was founded in 2006 by serial entrepreneur and venture capitalist, Greg Warnock, and marketing and sales execution expert, Alan Hall. Mercato Partners offers the innovative fusion of growth equity investing and world-class sales and marketing execution. Mercato Partners supports its portfolio companies with building world-class sales and marketing capability through strategic partnerships with Marketstar Corporation and other marketing and sales agencies. The combined competence around venture finance and sales and marketing execution allow Mercato to provide significant value to companies seeking growth capital. For more information about Mercato Partners visit www.mercatopartners.com or call 801-220-0055.

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