

COVINGTON ASSOCIATES

Volume 5 - Fall 1995

Dear Friend:

It must be true that on a rising tide all ships rise, because we had a very good year. Of course on an absolute basis it was nothing like the year that the "real" investment bankers had, but that's why they didn't have time to take on our little \$10-50 million deals. In fact, I may have to conclude that after four years in my new life that this is a real business for which there is a real need and which we do an exceptional job.

Since our last communication a year ago we have completed the following:

- * We sold one of the largest medical records and transcription companies, Secrephone Ltd., to a Welsh Carson backed competitor.
- * We sold one of the leading help desk software companies, Answer Systems to Platinum Technology for slightly less than \$40 million.
- * We sold a leading supplier of non-metallic fasteners, especially plastic cable ties, Catamount Manufacturing, to Thomas and Betts for \$35 million.
- * We sold Clinipad, a \$45 million manufacturer of disposable hospital supplies, to Berwind Capital Partners.
- * For our ongoing client, Cambridge Technology Partners, the hot, client/server solutions provider, we assisted them in their two recent acquisitions and we're hot on the trail of some others. Frankly they're getting so good at this they need less of our assistance.

We have two examples of assignments which demonstrates our differentiation - our ability and willingness to spend time advising before we proceed on a course of action.

- * For our \$45 million managed behavioral care client, Managed Health Network ("MHN"), we first strategized on a plan to build shareholder value and thus commenced an acquisition program which culminated in their acquisition of Health Management Center. Then we embarked upon a course of realizing on this shareholder value and have recently entered into an agreement to merge MHN into a large publicly held managed care company.

- * Marcam Corporation, a \$200 million publicly held software company, sought our advice as how to realize upon the value of a \$15 million, no longer strategic, subsidiary of theirs. After considering several options, we went out and recruited a new management team for the operation, sought out venture capital and have entered into an agreement to spin out and finance the subsidiary with Marcam, as a minority shareholder, looking to the success of the independent company as its means to maximize value.

Don't look for another record year for us next year. Given that we can only work on 5-6 things at a time, this year we have had a very high yield. Assuming we close these last two projects (MHN and Marcam) as planned, bringing the total number of successfully completed transactions to eight, the yield will be extraordinary. As a consequence, we have capacity and will be actively looking for our kind of projects. Again, the profile is \$10-50 million merger and acquisition or \$5-10 million private placement projects, frequently advice intensive, to which we can provide a level of attention and expertise which this size project couldn't get elsewhere.

We are working on four such projects:

- * We have been retained by SofTech, a publicly held \$50 million in revenue solutions provider and systems integrator, to help maximize shareholder value.
- * We are seeking for our high performance, wireless connectivity client a strategic partner to finance the completion and marketing of their Internet product.
- * We have been retained by a \$45 million in revenue, privately held wide area network access company seeking to create liquidity for its founders and realize on its value.
- * We have been retained by a publicly held leading provider of minimally invasive surgical devices seeking a strategic partner.

Thank you for your support to date, spread the word and our best to you and your family for the holidays and the coming new year.

Sincerely,



Christopher H. Covington