

COVINGTON ASSOCIATES

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Dear Friend:

Another fine year for Covington Associates. Since our last communications we have closed several transactions and have several more on the slippery slope. Two of our larger transactions were on the “buy side”. For our ongoing client Cambridge Technology Partners, following our assistance last year with their approximately \$120 million purchase of Peter Chadwick, we advised them on the approximately \$55 million acquisition of Excell Data Corporation. Also on the “buy side”, for our client Selfcare we advised them on the acquisition of Can-Am Care Corporation, a distributor of diabetes products. We arranged \$42 million of financing to finance the Can-Am acquisition and restructure Selfcare’s existing debt facilities.

Most recently, we concluded the \$55+ million merger of the publicly held Oacis Healthcare Systems with SAIC and, the \$25 million merger of Waterfield Technology Group with Whitman Hart. Oacis is the leader in open, clinical data repository systems for the health care information systems market. Consolidation has beset this market and it had become clear to Oacis’ board that greater critical mass was required. Waterfield is a leading regional information technology services company, here again consolidation is rampant.

Other “sell” side activities included:

- The sale of EA Systems, a provider of plant design software, to the UK based AEA Technology.
- The sale of Harper and Shuman, the leader in architectural and engineering financial software, to Deltek Systems.
- The sale of Accountable Oncology Associates, a disease management company, to Oncology Affiliates Inc.
- The sale of Bright Tiger Technologies, the leader of software in optimizing web site performance, to Allaire Corporation.
- The sale of a control position in Children First, Inc., a leader in backup childcare, to an investment arm of Lazard Freres.
- The sale of a minority investment in Defect Yield Management, Inc., a maker of yield management software for the semiconductor industry, to Applied Materials.
- The sale of a \$10 million minority position in IntelliSense Corporation, a leader in MEMS (micro electronic mechanical systems), to Corning Inc.

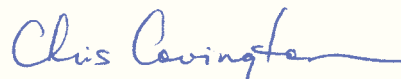
This spring was unusually productive with the pace of closings, providing us abundant current capacity. While most of our work involves the classic sell side process of advice, identification and approach of prospects, negotiation and documentation, a percentage of our projects involve advising companies on discussions which are already in process. For these projects we have a very attractive fee schedule. Please keep us in mind for all of your advisory needs, which won't command senior attention from "real" investment bankers.

Finally, on the infrastructure front, Triumph Capital has been so successful lately that they've given us notice that they will need our space. They have been great friends and "landlords" and we'll miss them. We have been holding off this letter until we knew our new particulars. Effective July 1, they are:

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We look forward to being of service and wish you continued success.

Sincerely,



Christopher H. Covington



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