

McGOVERN NEWSLETTER

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Dear Friend,

As we move into fall 2002, difficult challenges continue to face corporate America. To succeed in today's tenuous economic climate, there is a substantial need among both entrepreneurs and Fortune 500 companies for expert legal counsel and seasoned business advisors ... we are proud to say that **McGovern & Associates** and **McGovern Capital LLC** continue to address that need successfully on behalf of our global client base.

McGovern & Associates -- Just like in prior years, the law firm of McGovern & Associates has experienced growth and success in 2002, including:

- opening an **office in New York City**, expanding the firm's already strong presence in the financial capital of the world;
- realizing substantial growth in our corporate, litigation and IP enforcement practice areas, including our work in **developing, implementing and coordinating worldwide licensing programs**. An example of this is the tremendous success we have achieved for a client holding the worldwide patents for Alpha Hydroxy Acids for use in skin care;
- continuing to achieve **successful outcomes in precedent-setting cases** involving a wide spectrum of litigation matters;
- advising **nanotechnology** clients on important issues relating to this burgeoning field; and
- assisting in successful closings of business transactions and negotiations in such places as **New York, Connecticut, California, Shanghai, Bangkok, Cambodia and Germany**.

McGovern Capital LLC -- Venture Capital & Business Advisory Services -- McGovern Capital also has had a stellar 2002. We have solidified our standing as a preeminent boutique private investment firm that specializes in identifying and building world-class businesses in a broad range of industries by **maximizing value through proprietary rights**. McGovern Capital recently has:

- opened an **office in New York City and Palm Beach, Florida**;
- expanded our international focus through several **business activities in the Asia Pacific region**;
- provided, as one of three founders of **South Beach Beverage Co. (SoBe)**, competitive intelligence, tax expertise and complex strategic advisory services that were vital components of SoBe's unparalleled growth rate, resulting in its recent sale to **Pepsi** for \$370 million; and
- purchased, together with the company's management, **Redington LLC**, the innovative leader in fly fishing rods, reels, accessories and apparel, from **The Orvis Company**.

And these recent developments are just the tip of the iceberg. To learn more about how and why 2002 has been arguably our best year ever, please read the attached pages, which describe McGovern Capital and McGovern & Associates in greater detail. You also should check out our websites, located at www.mcgoverncapital.com and www.mcgovernlaw.com, where you can see first-hand the extent to which we continue, on behalf of our clients, to **create substantial value by leveraging, protecting and enforcing proprietary rights**.

If we could be of any assistance to you or your company as a business advisor, legal counsel or strategic consultant, please contact us at (203) 622-1101.

McGovern & Associates

As a full-service corporate law firm specializing in building value by leveraging, protecting and enforcing intellectual property rights, **McGovern & Associates** continues to solidify its reputation as a state-of-the-art, boutique corporate law firm focused on representing and advising high potential companies, from before their creation through their public offering or acquisition and beyond.

We have a long and successful track record of assisting both high-tech and non-tech companies in getting started and funded, in addition to leveraging our global contacts to facilitate and realize the growth and exit strategies of the companies we represent. Our domestic and international client base remains particularly attracted to our **accessibility, cost consciousness and efficiency in producing high quality work product**. To learn more about McGovern & Associates, visit our website at www.mcgovernlaw.com.

Here is just a sampling of our recent developments:

Opening of New Office in New York City

To meet the needs of our growing client base, we have **opened offices in New York City**, which has enhanced the firm's already strong presence in the financial capital of the world.

International Business Transactions

We have grown our international practice substantially in 2002. Among the firm's broad range of international representations is our service as counsel to **China Financial Brokers**, an early-stage, cutting-edge inter-dealer broker poised to replicate the successful Western inter-dealer broker model in Asia.

Additionally, we recently represented **Ultima Enterprises**, an international corporation with operations in China and the United States focused on the production, purchase, sourcing, storing, distribution, promotion, advertisement and sale of bedding products, in Ultima's sale to Springs Industries, the leading manufacturer and distributor of textile products.

Skin Care Industry – Legal, Business and Patent Enforcement Representation

When people think of corporate, litigation and IP enforcement representation in the skin care space, they think of McGovern & Associates. We devised, implemented and currently coordinate the worldwide licensing program for **TriStrata Technology, Inc.**, a wholly owned subsidiary of **NeoStrata, Inc.**, a company owned by the two inventors and holders of the worldwide patents for Alpha Hydroxy Acids for use in skin care. The program already has resulted in mid-eight-figure revenues for TriStrata in just the first few years following the program's launch. AHA's are incorporated in approximately 40% of all skin care products worldwide. Current licensees include, among others, **Johnson & Johnson, L'Oreal, Chanel, Avon, Pond's, Beiersdorf and Neoteric**.

Software and Computer Technology

Our software and computer technology practice runs deep. McGovern & Associates is a coordinator of the worldwide patent enforcement program for **VLIW Technologies LLC**, a company that owns the exclusive worldwide rights to license a suite of very long instruction word (VLIW) patents for use in the latest generation of microprocessors and software compilers. As part of the global IP rights program designed and executed by our firm, we recently brought a legal action against **Hewlett-Packard** on behalf of VLIW.

Food and Beverage Practice

The firm's representation of leading players in the food and beverage industry continues to make headlines. McGovern & Associates served as general outside counsel to **South Beach Beverage Co. (SoBe)**, a fast emerging "New Age" beverage producer known for the SoBe "lizard." Our representation included 4-plus rounds of financing, management incentive compensation, tax and legal structuring, and various strategic matters. SoBe recently was sold to **Pepsi** for \$370 million.

To learn more about our innovative, global practice, please visit our website at www.mcgovernlaw.com.

McGovern Capital LLC

What a year this has been for McGovern Capital. The firm's experienced team of venture capital, tax and financial professionals has solidified its reputation as a **global leader in the venture capital space**, as we continue to realize substantial success in originating, funding, structuring and implementing capital formation, joint ventures and business alliances.

McGovern Capital invests early-stage capital and provides facilitative services to its investment companies, while leveraging the substantial experience of our investment professionals and our extensive network of outside contacts to assist the firm's portfolio companies in achieving solid growth rates and successful exit transactions. To learn more about McGovern Capital, please visit our website at www.mcgoverncapital.com.

What have we done in 2002?

Office Openings in New York City and Palm Beach, Florida

To meet the needs of our growing client base, we have opened offices in New York City and Palm Beach, Florida. The New York City office has enhanced the firm's already strong presence in the financial capital of the world, while the Palm Beach, Florida office is strategically located to better assist the needs of our clients in the southern United States and South and Central America.

International Business Transactions

In recent months, McGovern Capital has substantially stepped up its involvement in several **investments and business activities in the Asia Pacific region**. One example is the firm's investment in entities that specialize in the cultivation of teak and other tropical hardwoods in Cambodia. On behalf of our global clients, we continue to serve as the principal liaison and chief negotiator in laying the "groundwork" for business organizations to penetrate markets, source manufacturing and conduct business in such diverse countries as **China, Thailand, Philippines, Taiwan, Indonesia, Hong Kong, Poland, France, UK, Switzerland and Saudi Arabia**.

Nanotechnology

"When people think of nanotechnology...they think of McGovern Capital." We have earned a reputation as one of the leaders in the burgeoning nanotechnology industry. The firm's portfolio companies have been among the world's first businesses to incorporate nanotechnology in products already brought to market. For example, **KX Industries** has developed a nano-fiber water filter that is biocidal (i.e. it incorporates anti-bacterial and anti-viral agents into its structure). Additionally, Redington's NanoTitanium™ and NanoQuartz™ (patent pending) lines of rods use nano-particles of titanium or quartz combined with carbon fiber for increased performance.

Kevin McGovern is Chairman of **Angstrom Partners LLC**, which is the first exclusive merchant bank in the nanotechnology space. He also is Chairman of **Angstrom Publishing**, which jointly publishes with Forbes, on a worldwide basis, a monthly newsletter on nanotechnology, **The Nanotech Report**, which is off to a record-breaking launch. Mr. McGovern is a **Fellow of the Foresight Institute**, which focuses its efforts on nanotechnology developments and improving public and private policy decisions related to nanotechnology. Additionally, the firm's principals have been featured speakers at many leading nanotechnology conferences, including the annual Foresight Conference on Molecular Nanotechnology and other events described on our website: <http://www.kevinmcgovern.com/se.htm>.

Software and Computer Technology

Our longtime work in advising software and computer technology companies has included the firm's business advisory consulting to major players in this industry. McGovern Capital is a part owner of **VLIW Technologies LLC**, a company that owns the exclusive worldwide rights to license a suite of very long instruction word (VLIW) patents for use in the latest generation of microprocessors and software compilers. The firm also is one of the three founders of **OP40, Inc.** (formerly International Interactive Commerce, Ltd.), a company that provides the software for real-time Internet connectivity through its distributed web server middleware for customers such as Boeing.

Food and Beverage Practice

On the venture capital front, McGovern Capital was one of three founders of **South Beach Beverage Co. (SoBe)**, a fast emerging "New Age" beverage producer known for the SoBe "lizard." The ability of our professionals to consistently add value through competitive intelligence, tax expertise and complex strategic advisory services was a vital component of SoBe's unique growth rate, which was unprecedented in the industry and which resulted in SoBe's recent sale to **Pepsi** for \$370 million.

Sports and Sporting Goods Industries

McGovern Capital has continued to build upon our longtime reputation as leading business advisors in the sports and sporting goods industries. The firm recently purchased, together with the company's management, **Redington LLC** from **The Orvis Company**. Redington is the innovative leader in fly fishing rods, reels, accessories and apparel. We also are working with internationally-renowned boxing executives to create a global entity focused on the creation of a new syndicated boxing tournament series, a television boxing channel and a comprehensive library of the sport's best video footage.

We add value to our portfolio companies by introducing them to major sports personalities who serve as informal spokesmen and who work with us to increase our companies' brands. One recent collaboration has been with leading boxing promoters and prizefighters, including **Roy Jones, Jr.**, the undisputed light heavyweight champion of the world and the "best pound-for-pound boxer" the sport has ever seen.

Water and Air Filter Industry

Yes, we even concentrate our efforts on the rapidly expanding water and air filter industry. As one of three founders and owners of **KX Industries**, the worldwide leader in technical components for water and air filters and the inventor of an extraordinary nanotechnology-driven filter that encompasses the ability to act as an anti-viral and anti-bacterial filter for drinking water, McGovern Capital continues to advise KX Industries on a broad range of corporate, intellectual property and other strategic matters.

Skin Care Industry

McGovern Capital's concentration on the skin care industry emanated from the groundbreaking work of McGovern & Associates in this area. A principal in the firm is a rights-holder in **NeoStrata**, and our strategic advisory work on behalf of NeoStrata has earned us a reputation for diligence, expertise and achievement in the skin care space.

Retail Industry

In the retail sector, McGovern Capital is a partner in **GGC**, which provides services to and has equity in various retail-related businesses. GGC is owned by McGovern Capital and **Robert Grayson**, an internationally known leader in the retail sector who served as CEO of The Limited and was the Vice Chairman of **Tommy Hilfiger**. McGovern Capital's retail expertise is exemplified by, among other engagements, our substantial involvement in the development of **Redington's state-of-the-art clothing line**, which industry experts have labeled as innovative, revolutionary, value-driven, technical outerwear and sportswear. Our firm's deep-rooted experience in retail sales and distribution programs is of great benefit not only to Redington, but also to our other portfolio companies competing in the retail industry. Kevin McGovern also serves on the Executive Committee of the Board of Directors of **The Sports Authority**.

University Licensing and Technology Transfer Programs

McGovern Capital has been very active as an **advisor to colleges and universities in the area of intellectual property licensing and technology transfer programs**. We also advise and invest in well-positioned, early stage companies that are licensees of patented and patent-pending technologies developed by universities. Among the educational institutions with which McGovern Capital has worked are **Cornell University, the State University of New York at Albany, Yale University, Case Western Reserve University's School of Medicine, and the University of Virginia School of Medicine**. The success of Kevin McGovern's recent address to the Board of Trustees of **Rensselaer Polytechnic Institute (RPI)** regarding university technology transfer programs further underscores our firm's leadership in this area.

Building Value Through Proprietary Rights

McGovern & Associates and McGovern Capital continue to pioneer the development and implementation of effective strategies for **maximizing the proprietary rights of our Fortune 500 and emerging business clients**. Our principals' business and legal expertise has been highlighted often in 2002 through our participation as speakers, panel moderators and featured experts at conferences, conventions and other gatherings of business and legal professionals domestically and abroad.

By leveraging our principals' global contacts, we have **opened up doors for our partners and clients**, leading them to the forefront of their respective industries. Here is just a sampling of some of our other involvements:

Sports and Sporting Goods Industries

Kevin McGovern's acumen and expertise as a business and legal advisor to major players in the field of sports and sporting goods led to his current position as a member of the Executive Committee of the Board of Directors of **The Sports Authority**, which is the largest (\$1.44 billion) sporting goods retailer in the United States.

Strategic Alliances, Joint Ventures and Complex Corporate Transactions

Our principals have been lead negotiators and participants to over 25 strategic alliances, approximately 40% of which have been foreign joint ventures. We have a long and successful track record in equity financings and ventures that have raised substantial sums in committed fundings and/or royalties with such companies as **Exxon, Warner-Lambert, 3M, Lever Brothers, Colgate-Palmolive, The NutraSweet Company, Squibb, BASF, National Patent, The Drackett Company, Advanced Polymer Systems, Johnson & Johnson**, and such venture capital firms as **Prudential, First Chicago, Baker Capital, Alan Patricof Associates, Warburg Pincus, Medtech and Oxford Partners**. Our firm has been engaged by entrepreneurs, corporations and other law firms to help develop and commercialize proprietary concepts and to assist in structuring and negotiating venture and acquisition-related transactions.

Business Leadership

Mr. McGovern is a director of **New York Business Forums**, the U.S. market leader in high-quality business forums bringing together financial executives and senior business leaders. The three monthly meetings - New York InfoTech Forum, New York Venture Group and New York Capital Round Table - bring together business people who want to develop business, share ideas, build relationships and hear from industry speakers. Last year, over 15,000 people attended these events, including senior-level managers of growth companies and professionals in private equity, venture capital, commercial banking, buyouts and mergers and acquisitions.

University Relationships – Licensing and Technology Transfer Programs

Kevin McGovern is trailblazing at the forefront of the field of university licensing and technology transfer programs. His university relationships run deep, as exemplified by his substantial involvement with **Cornell University**, for which he is a member of the Board of Trustees. Mr. McGovern is a Founder of the Cornell Club of New York City and is a member of the Cornell Advisory Council, the Entrepreneurship and Personal Enterprise Program (EPE Executive Committee), the Arts and Sciences School Council and the Athletic Council. He also is a frequent speaker at Cornell, including for the **Johnson Graduate School of Management's Entrepreneurship & Venture Capital Symposium**. Mr. McGovern also recently addressed the Board of Trustees of **RPI** on technology transfer and licensing issues.

Speaking Engagements

The reputation of McGovern Capital and McGovern & Associates as first-rate business advisors and legal experts is exemplified by the number and quality of events at which our principals are asked to serve as speakers, panel moderators and featured experts. We have spoken at an extensive range of venture, business and educational conferences, conventions and meetings regarding capital formation, legal issues, business alliances and joint ventures. For a detailed listing of events at which we were - and will be - the primary speakers, please visit our website at: www.mcgoverncapital.com.