

# Evercel

November 11, 2014

Dear Shareholder:

We write with an update of the operations and financials of Evercel.

As we previously advised, Evercel transitioned to a March fiscal year to align our audit with Printronix's existing fiscal year. The combined effect of changing our fiscal year, engaging a new auditor, and integrating the reporting of the financials of multiple businesses with significantly different reporting processes has required a great deal of time and substantial efforts by our internal team and independent auditors. We expect the audit process in future years to be faster and more timely now that we have reduced the disparate entities, as discussed below.

## **Printronix**

Printronix has met the expectations we set forth when we acquired the company. Over the first fiscal year of our ownership, we achieved our EBITDA target for the year in the face of anticipated declining revenue. Strong performance in our highest margin regions compensated for weaker performance in some developing regions. As part of an option in the original purchase from Vector Capital, we acquired in 2013 the building in Singapore where we manufacture the more sophisticated components of our product. In July 2013, we secured a bank mortgage on the building, which valued it at approximately 50% more than what we paid. Significantly, we refinanced the second lien debt with materially less expensive senior debt from two leading banks. In August of 2014, Evercel's ownership of Printronix increased when we acquired shares in the entity holding the remaining 19.9 % of Printronix which Evercel did not own. We financed the transaction with cash from Printronix.

Printronix continues to have two main lines of business. Printronix is the global leader in line matrix printing solutions, which is a declining market. In this segment, we compete with laser printers, lower speed impact printers and increasingly with digital (no print) solutions. There are many applications for which line matrix printers remain the best solution for a customer's needs. In the developed world these frequently include distribution and manufacturing centers. In the developing world they include banks, utilities and government applications like printing utility bills, banking records and government checks. Our second line of business is thermal label printers for industrial applications. While we compete against several large companies in this segment, we are undertaking a significant initiative to analyze our strategy and launch new products and marketing strategies to grow this segment of business.

In addition, we are undertaking a comprehensive initiative to find ways to simplify our business processes and go-to-market strategies. Overall, we are looking to maximize the profits from our line matrix business and grow our thermal printer business, while over the longer term, explore opportunities to leverage our global sales and distribution presence, strong reputation with premier enterprise customers and build Printronix for the future. We expect to re-launch the company's marketing efforts, starting with a new outward facing website in February.

**New England Crab Company:**

We sold the New England Crab Company operations in February to a subsidiary of our largest customer, after exploring multiple paths including simply shutting down the business. Due to antiquated infrastructure and required future capital investment, as well as unpredictable and uneven profitability, we determined the upside potential for continued ownership was unattractive. We entered into a transaction to sell the operations of the business, while retaining certain assets, including remaining frozen inventory and receivables. We have since sold most of the inventory and collected the receivables we expect to be able to collect. In addition, we sold the building housing the processing operations in May 2014 to the subsidiary of Foley Fish operating the business. As part of the transaction, we also retained the liabilities. We continue to pursue legal action against a fraudulent customer, and an unrelated action against NECC's prior management.

**Sontek Medical Inc.:**

While we sold Sontek on March 31, 2013, the fiscal year ended on March 28, so a few days of Sontek's finances are included in this year's audit, but otherwise, there was no business activity reported in FY 2014.

**LocalVox:**

Evercel owned a minority stake in LocalVox, for an investment made in 2012 of \$400,000. LocalVox sold the business in September, resulting in immediate proceeds to Evercel of \$317,267. There is a note outstanding due Evercel for \$218,450.

**Evercel (Parent company)**

We shut down our Massachusetts and Connecticut offices at end of 2012, and the corporate entity is now based in New York. We have updated much of the information publicly available on search engines and finance websites, which had displayed information nearly a decade out of date. We continue to work on that process.

In an effort to stay in better touch with our shareholders, we continue to build an email distribution list and website for shareholder information. We encourage shareholders who

haven't already signed up on the website to do so. We will continue our policy to share information to all shareholders simultaneously.

Longer term, we look to leverage the Evercel platform to find additional investment opportunities in addition to Printronix. We welcome suggestions from our shareholders.

Finally, we would like to express our gratitude for the commitment and efforts of our employees. We would like to thank our long-term shareholders for their continued support and will plan to continue to provide updates following the publication of our annual audit.

Daniel Allen  
CEO

James Gerson  
Chairman

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