

S3 Investment Company

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S3 Investment Company Acquires TSPartner, Inc.

On January 5, 2005, S3 Investment Company (S3I) announced its acquisition of TSPartner, Inc., a leader in healthcare information technology, in exchange for restricted S3 Investment Company stock and future funding of the TSPartner operation. The plan is to combine TSPartner and Securesoft Systems (S3I's first portfolio company) into one subsidiary and make it the market leader in the enterprise compliance software and services industry.

Four major drivers were cited in the decision to acquire TSPartner:

1. Combining TSPartner and Securesoft into one subsidiary forms a complete, robust entity that is expected to take the COMPLY product and obtain a market leader position within the enterprise software solutions for compliance application market. This combination will provide the new company with the personnel, operations, products and services and experience to bring this goal to reality within this calendar year.

2. Bringing the distribution of the COMPLY product in-house gives S3 Investment more comprehensive control and participation in the development of this critical market for the company.

3. TSPartner has a management team that is a perfect fit to round out the current S3I management. With the addition of the TSPartner executives, the Board of Directors of S3 Investment Company is confident we have critical, final pieces of the company's management in place.

4. TSPartner is cash flow positive and has additional revenue sources other than the COMPLY product that exist currently.

Since November 2004, TSPartner has been the master distributor of the Securesoft's COMPLY product and has made significant inroads in the initial sales and implementation in healthcare facilities in the U.S. As a

continued on next page...

Profile: Greg Dawson, President of Secure System Solutions

When S3 Investment Company recently merged two of its portfolio companies, TSPartner and Securesoft Systems, into one entity, Gregory Dawson was the logical choice for president and C.E.O., and Secure System Solutions was the logical choice for the new company's name.

Greg Dawson has over 28 years in management, business development, marketing, channel development, and sales experience, primarily focused in the healthcare and financial sectors. Following a successful career with IBM, he was named General Manager of Minolta Business Systems Healthcare and Government Branch in Los Angeles. He directed the sales effort as Vice President of Sales and Marketing for One World



continued on page 3...

Greg Dawson and Chris Bickel.

Taking Care Of Business In China

S3I's Chief Executive Officer Chris Bickel and Executive Vice President Brad Smith left Saturday, January 15, 2005, on a three-week trip to China to work with the company's SINO UJE and Redwood Capital subsidiaries.

SINO UJE is a distributor of medical and industrial high tech instrumentation that is all engineered and manufactured in the USA, Europe and/or Japan. The company had revenues of over \$1 million in 2004, and S3I recently

continued on page 4...

Acquisition ...continued from front page

single entity, S3 Investments expects TSPartner and Securesoft Systems to maximize the benefit to S3 Investment Company shareholders by operating more effectively, utilizing resources more efficiently and maximizing the revenue potential for the COMPLY product.

S3I's CEO, Chris Bickel, said, "This acquisition is a key step for S3 Investment Company. We are very bullish on this COMPLY product, the market for this comprehensive HIPAA compliance product and the capability of our new acquisition to work with us to make the COMPLY product the HIPAA compliance standard within the healthcare industry. The people at TSPartner possess all of the talent and experience necessary to complement our existing Securesoft subsidiary. We plan to combine these two subsidiaries and have the new entity be entirely managed by TSPartner management.

"I personally am thrilled to have this group of management professionals coming aboard S3 Investment as teammates. These people have executed to the letter on every matter in the time we have been working together as supplier/distributor and have proven to be men of their word. The thought of this group rounding out our management team at the parent company level will help us continue to chart the course for S3I and to meet and exceed our stated goals as a company."

Greg Dawson, CEO and major shareholder of TSPartner Inc., stated, "Combining Chris Bickel's vision and leadership with our experienced management team is expected to result in the success of the new subsidiary. We believe that delivering COMPLY and other enterprise compliance solutions to our

database of hospitals is a natural extension of our current professional service offerings. By combining the resources of Securesoft and TSPartner, we can maximize value for S3 Investment Company's shareholders in the short and long term. Our development staffs are already working on enhancements for Comply and future security and compliance solutions. Our Professional Services Teams are delivering migration and integration services (to current and former Data General customers) that we believe will provide significant cash flow for the S3 Investment Company's future synergistic security and compliance acquisitions."

In December alone, TSPartner reached agreements with five different hospitals to implement Securesoft's COMPLY enterprise software solution as their comprehensive HIPAA compliance program. The hospitals are Queen of the Valley Hospital, Corona Medical, Lexington Medical Center of Lexington, South Carolina, Palmetto Health Baptist Hospital, and Graduate Hospital.

"This was a very successful December for TSPartner in its distribution of the premier Enterprise HIPAA Compliance Solution. The infrastructure to support COMPLY has also been built in parallel to our sales and marketing efforts. These efforts to meet the needs of hospitals are expected to pay large dividends as we proceed," stated Gregory Dawson, CEO of TSPartner Inc. "We are very encouraged by the cooperation demonstrated between Securesoft Systems and S3 Investment Company. It is our belief that by working together closely, we can meet the short and long-term goals of TSPartner Inc. and Securesoft Systems." ✦

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About The Company

S3 Investment Co. Inc. (S3I) is a Business Development Company (BDC) regulated by the Investment Company Act of 1940. Its first operating subsidiary, Securesoft Systems, Inc., was acquired in April 2003 and has been combined with recently-acquired TSPartner to form Secure System Solutions, a technology development, implementation, assessment, sales and marketing, and technical services company. S3I has also acquired 100% of Redwood Capital to participate in the fast-growing investment banking market in China. S3I is currently seeking to acquire additional synergistic companies and is focused on assembling a portfolio of investments that will provide value to its shareholders.

Dawson

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Software, delivering software and integration services for hospital and healthcare clients nationwide. Among other successful ventures, Greg was a director for the Fidelity spin-off, *Escrow.com*, leading a national sales and marketing force of over 40 professionals. His efforts led to the adoption of *Escrow.com* as the exclusive on-line escrow service for *EBay*. Over the past few years, Dawson has developed applications in the healthcare sector, migrating Data General platforms to IBM, Sun, Dell, and HP systems, and providing other technology professional services. He is a graduate of Drake University with a graduate degree in organizational management from the University of Colorado.

Greg shares his vision for Secure Systems Solutions (referred to as S3 or S-Cubed to distinguish it from S3I). "Our goal is to leverage our experience and relationships with hospitals and related health care companies across the country to provide them with real solutions that meet their everyday business requirements, primarily and initially to provide an enterprise compliance solution that provides a health care institution with ongoing assessment and remediation monitoring and reporting. A part of fulfilling that vision is to develop solutions and partner with companies to meet

other business process needs of these hospitals, such as invoice-processing solutions. We also want to leverage our partnerships with hardware and software solution companies to provide professional services for the organizations we service. It's really a continuation of and expansion of what TSPartner and Securesoft Systems have been doing separately prior to the merge.

"We have an extremely solid foundation of existing customers, technology engineers and sales and marketing professionals who have many years of accumulated experience in the health care industry and have generated significant revenues for those years. With this new entity, we feel we can provide many more products and services to this marketplace.

"Our healthcare clients will be happy to know that on January 1st, S-Cubed moved into expanded offices, including a new data center in Mission Viejo, CA. (New address: 26440 La Alameda, Suite 300, Mission Viejo 92691.) The addition of this new data center brings the total to three, providing excellent disaster recovery services. (The others are in Rancho Santa Margarita, CA, and St. Louis, MO.)" ✦

Revenue Forecast For 2005

S3 Investment Company issued comments on January 10th regarding revenue projections for calendar year 2005. As a whole the company is forecasting total revenues from subsidiary companies to total over \$6,000,000 over the next twelve months. Earnings before interest, taxes and any amortization will be over \$1,000,000 or over 16% of total sales. These forecasted numbers are conservative in nature and there are several areas of the company's business that could exceed the projected forecasts and thus improve the overall performance of the company.

Chris Bickel, CEO of S3I, stated, "There has been significant interest expressed by our shareholder base in a statement of both the financial status of our recent acquisition (TSPartner) and the revenue outlook for S3 Investment, and we felt strongly that making such a statement at this time would be appropriate. As we continue to do the work necessary to meet and exceed these forecasted financials, we are confident that the value of our investment portfolio will increase significantly as will the company's per share Net Asset Value (NAV). We will continue to work on a daily basis to build portfolio value through greater revenue in our subsidiaries and in turn provide value for our shareholders." ✦

Learn More...

S3 Investment Company <http://www.S3Investments.com>
SINO UJE <http://www.sinouje.com>
TSPartner, Inc. <http://www.tspartner.com>
Securesoft Systems, Inc. <http://www.securesoftsystems.com>

China

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acquired 51% of this company.

Redwood Capital is a wholly owned subsidiary of S3I and is involved in investment banking work with private Chinese companies. The main focus of Redwood Capital is to bring foreign, and specifically U.S., capital to private Chinese companies.

In addition to his position as CEO of S3 Investment Company, Chris Bickel also serves as President of SINO UJE, Ltd. He commented, "Since its acquisition in November, 2004, SINO UJE has been operated by S3 Investment Company. SINO UJE has two joint ventures in China with German manufacturers of medical and industrial equipment, GreCon (www.grecon.de) and Inter Medical (www.intmed.de), in addition to the distribution business, which is the core of SINO UJE. There are growth opportunities within both the core business of SINO UJE and the two joint ventures. Work will be done with the SINO UJE management in China to access the areas of growth, control costs and generate profit at the bottom lines of all three entities. Between SINO UJE and the two joint ventures, there are over 40 employees in China in sales, operations, service and engineering. All manufacturing of products sold and serviced by the

three entities is done outside of China until now. Both of the joint ventures intend to migrate to full manufacturing operations within three years.

"Half of the time on this trip will be spent with the Redwood Capital business and the company's Chinese staff as we finish the work of enveloping the company within the S3I family. Additionally client meetings are scheduled across the country with key private companies that are all mature candidates for the company's services of accessing U.S. capital for private Chinese firms. These are all private Chinese companies with histories of at least four years of profitability, greater than \$50 million (USD) in revenue, and four years of continuous growth—the standard for potential clients of Redwood Capital. Redwood Capital President Chris Wang of the company's New York office, will be working with us in China, where he spends half of his time.

"Brad Smith will be immediately integrated into the management of these two subsidiaries and the two joint ventures beneath SINO UJE. With his vast experience in China, his language capabilities and background, we are looking for an immediate impact in our ability to derive growth and increased profitability from these Chinese operations." ✦

S3I Launches Shareholder Newsletter

This premier issue of the company's monthly investor newsletter is designed to keep shareholders and others interested in S3 Investment Company updated on the progress of the company and its investment portfolio. As part of the company's commitment to its investors, the newsletter is available online at the company's website in PDF format, and a non-graphic text-only version will be electronically transmitted to the e-mail alert system. ✦

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