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IN THIS ISSUE

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NEWS

- GP News
- LP News
- New Funds
- Fund Closes
- Live Deals
- Done Deals
- Exits
- Transitions
- International News

DEPARTMENTS

- Current Feature
- Personalities
- Guest Articles
- Industry Focus
- Deal in Review

DATA

- Annual Multiples Survey
- Data Wrap
- Year-End Fund List
- Year-End Deal List

CONFERENCES

SEARCH ARCHIVES

[Back to In This Issue](#)

## Morgenthaler Reshuffles Telecom Holdings

*Kenneth MacFadyen  
Jan 31, 2005*

Morgenthaler Partners unraveled its Compel Holdings portfolio company, taking the Fortran Corp. and Mahon Communications businesses out from under the Compel umbrella in order to merge the companies with Comm-Works Inc., a voice and data solutions provider. Terms of the deal were not disclosed.

Morgenthaler originally launched the platform in 2000, when the firm acquired Compel, Fortran and Mahon from Aztec Technology Partners in a deal valued at \$34.5 million. At the time, the three businesses generated a combined \$75 million in revenues.

The combination of Fortran, Mahon and Comm-Works, meanwhile, creates a \$45 million revenue company, with Comm-Works contributing approximately \$33 million.

Comm-Works bills itself as a one-stop-shop in providing voice and data services to large companies that operate on a national scale. The client roll includes such names as 7-Eleven, Allstate and American Eagle. James Jarrett, an associate at Morgenthaler, said the company differentiates itself in the industry through its proprietary tracking system that allows clients to monitor the progress of an assignment. Jarrett said that in the same way FedEx is able to track a particular package, Comm-Works can update customers on the progress of a telecom services order, and he described this as invaluable to a customer that needs to manage multiple locations.

Through the additions of Fortran and Mahon, the commercially focused Comm-Works will gain a reach into the government side of the telecom services business. Morgenthaler also believes that Fortran and Mahon will be able to leverage the national footprint of Comm-Works to help tap into new markets beyond just Washington, D.C. and Boston.

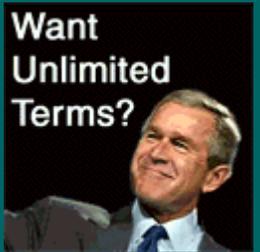
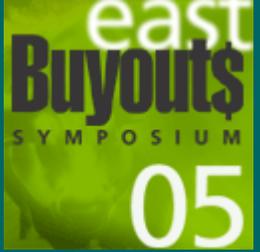
"This combination makes a lot of sense. Comm-Works is growing at a very fast rate, and this merger brings together complementary skill sets that will expand the geography and product offerings of the businesses," Jarrett said. "Fortran and Mahon will allow Comm-Works to bring its strengths to a federal customer base, and that should further accelerate growth. This is a business focused on capturing a recurring revenue, and given the model, they will have the ability to follow a customer coast to coast."

Jarrett would not comment on the deal terms other than to say the purchase price fit within Morgenthaler's standard \$50 million to \$150 million range. CapitalSource and JPMorgan Chase Bank provided senior debt to the transaction. The equity for the investment came out of Morgenthaler Partners VI, LP, which is the same fund that invested in Compel.

Going forward, Morgenthaler anticipates positive trends that should help Comm-Works continue to grow. "We've seen some increased spending in telecom after no spending at all the last few years, and we're also seeing an increased trend toward outsourcing," Jarrett said. The company is also actively looking for acquisitions that will either add customers to the company's client base or integrate new engineering skills into the business.

As for the newly isolated Compel, Jarrett said the goal for that company will be to maintain itself as a business out in the marketplace and eventually the firm will

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look to find an exit, with a likely realization coming through a sale.

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[Back to In This Issue](#)

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