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## More “Spin-Ins” Likely

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Within the last month, four parent companies have announced intentions to re-merge with partially spun-out businesses. On September 13, **MRV Communications** (NASDAQ: MRVC) announced its intent to carry out a merger with **Luminent** (NASDAQ: LMNE), its 92.3% owned subsidiary. Luminent was carved out of MRV through an IPO in November 2000. In the first week of October, **Tyco International** (NYSE: TYC) announced plans to acquire the public minority interest (11%) of **TyCom Ltd.** (NYSE: TCM). Tyco holds an 89% interest in TyCom. On October 4, **Global Crossing** (NYSE: GX) announced that it intends to merge with its affiliate **Asia Global Crossing Ltd.** (NYSE: AX). Global Crossing holds a 59% interest in Asia Global Crossing. On October 10, after the close **Toronto Dominion Bank** (NYSE: TD) announced a \$9 per share cash tender offer for the 12% of **TD Waterhouse** (NYSE: TWE) that it does not already own. We think these four deals may represent the tip of the iceberg.

With the S&P down about 20% and the Nasdaq down 35% year to date, we believe there will be additional “spin-ins” attempted going forward. Further, we think some of the partial spin-offs could be folded back into the parent at a decent premium to current market values. We have fleshed out the details of the four spin-ins that were recently announced. In addition, we have put together a list of 15 partial spin-offs (carveouts) that may be potential spin-in candidates (see table).

### **TD Waterhouse/Toronto-Dominion Bank**

As I was writing this article, TD Bank announced a \$9 per share cash offer for TD Waterhouse Group. In fact (prior to the announcement) I had written that we would not be surprised to see TD Bank try to steal TD Waterhouse from the minority investors. After the close, **Toronto Dominion Bank announced a tender offer for the approximately 12% of TD Waterhouse that it does not already own.** Trading in TD Waterhouse Group (NYSE: TWE) was halted 60 seconds before the TSE's closing on October 10, but judging from the stock's movement, news of the TD Bank's offer to buy the online brokerage apparently hit The Street about 15 minutes earlier. Shares in TD Waterhouse jumped 29%, or \$1.80, to \$8 in New York before the offer was announced. Later the Wall Street Journal reported on its Web site that TD was planning the acquisition. TD Waterhouse is the second major online broker (CSFBdirect) being the first) to be acquired by its parent in the past 7 months. **The likelihood of a competing bidder will emerge is low, considering TD Bank's the heavy ownership position of TD Bank.**

### **Details of the Deal**

Toronto Dominion Bank's cash offer of \$9 per share represents a 45% premium to the prior day's closing price of \$6.20 per share. In the release, TD Bank said it expects to commence the tender offer next week. The offer represents 23x estimated 2002 cash operating earnings of \$0.39, 1.5x book value, and 3.0x forecasted 2002 revenue and about \$1,040 per account. TD Bank said it will partially fund the purchase by raising \$350-million through a common equity offering. The shares will be priced \$36.50 each. TD Waterhouse has seen its stock price lose more than 53% of its value in the last 12 months as trading volumes have plummeted. TD Bank bought Waterhouse in 1996 for \$525-million. On June 23, 1999 TD Waterhouse sold 42 million shares to the public (a carveout) at \$24 a share. Waterhouse's share price hit the intraday high of more than \$28 on the first day of trading, valuing the whole company at \$10.6 billion. TD Bank raised more than \$1 billion through the offering. **The offer values TD Waterhouse at \$3.4 billion. We estimate that the tender will cost TD bank about \$400 million to take TD Waterhouse private. The bank took in over \$1 billion in cash in the IPO. Nice trade.**

TD Waterhouse is one of the largest online brokerages on the globe, facing off against such rivals as Charles Schwab and FMR. The company offers securities and bond trading, mutual funds, and other investment and retirement-product sales, as well as research, news, and other investment tools and information over the Internet, wireless devices, and the phone. TD Waterhouse also has more than 230 offices in Asia, Europe, and North America. Although the US is its largest market (accounting for about 65% of sales), the firm is expanding its operations into Asia and Europe through acquisitions and partnerships. Toronto-Dominion Bank is the third-largest bank in Canada (RBC Financial Group--formerly Royal Bank of Canada-- is #1), Toronto-Dominion Bank's retail and business services include deposits, credit cards, loans, trusts, and investment banking. It also offers financial and advisory services internationally.

### **Tyco/TyCom**

On October 4, **TyCom Ltd. announced that it received a proposal from Tyco International Ltd. in which Tyco has offered to acquire the outstanding 11% minority interest in TyCom** representing approximately 56 million common shares. Under the terms of Tyco's offer, the public holders of TyCom common stock would receive 0.2997 of Tyco common share for each outstanding TyCom common share. Based on the closing price on the New York Stock Exchange of a Tyco (\$47.45) common share on October 3, 2001, this represents a value of \$14.22 per TyCom common share. This values TyCom at 2.3x 2001 revenues and 7.8x 2001 EBITDA. TyCom's stock jumped \$4.97, or 53%, to \$14.43, and Tyco rose \$0.73 on the news.

TyCom's Board of Directors has formed a special committee which will select independent legal and financial advisors to evaluate the offer and make a recommendation to the TyCom Board. The offer represented a 48% premium to the recent price of TyCom, but far short of the price which Tyco originally sold the stake via an IPO carveout. TyCom was carved out of Tyco July 27, 2000 when it sold 61 million shares at \$32 a share to the public (raising \$1.952 billion). At the time of the IPO, TyCom was valued at \$16.2 billion and telecom stocks commanded premium valuations. Tyco took TyCom public to raise cash to build the Tyco Global Network. Now there is a huge excess of telecommunications capacity worldwide and the deal values the company at \$7.2 billion. **We would suggest that investors either accept the offer or sell at current levels.**

TyCom Ltd. (NYSE: TCM), with fiscal 2000 revenues of \$2.54 billion, is one of the largest providers of advanced broadband communications capacity systems and services. TyCom is a leading fully integrated supplier of transoceanic optical networks, is the recognized world leader in undersea technology development and application, and operates one of the world's largest fleets of cable ships. The company is also deploying and selling capacity on the TyCom Global Network. TyCom's parent company is Tyco International Ltd. Tyco (NYSE: TYC), a conglomerate, has interests in electronics, security services and health-care products.

## **Global Crossing/Asia Global Crossing**

On October 4, Global Crossing indicated that it would try to merge with 59% owned Asia Global Crossing. The company expects the merger to be completed in early 2002. The company also announced that it would miss its Q301 financials by a significant margin. The company expects to generate only \$1.2 billion in adjusted revenue (versus \$1.6 billion expected) and less than \$100 million in adjusted EBITDA. Global Crossing cited a worsening market for IRUs and telecom services in general. Shares in the company plunged 49%, or \$1.02, to \$1.07 on the news. As part of the restructuring, Global Crossing plans to sell two noncore assets, its fiber-construction unit, Global Marine Systems, and IPC, a maker of financial trading software and equipment.

The company named Jon Legere, currently chief executive of Asia Global Crossing, to head both companies. Legere succeeds Tom Casey, who will retain the title of Global's vice chairman. Legere will be the fourth CEO at Global Crossing since its founding by Gary Winnick. Global Crossing has lost almost all of its market value since January 1. Earlier this year, Global sold its Web-Hosting business to Exodus Communications for \$6.5 billion in stock, which is now nearly worthless after Exodus filed for bankruptcy protection.

As of Q201, Global Crossing had \$2.1 billion in cash and \$6 billion in long-term debt as well as \$3.2 billion in preferred. The company has indicated that it has \$2.4 billion in cash, with \$1.7 billion of it coming from its fully drawn revolving bank lines. Asia Global Crossing, at Q201, had \$803 million in cash and \$1.1 billion in long-term debt, both of which are captured in Global Crossing's consolidated numbers.

**Global Crossing** has grown into a worldwide telecommunications carrier. The company operates a fiber-optic network that connects 200 major cities in 27 countries in Asia, the Americas, and Europe, and it is building an extension to the network in Asia. Global Crossing provides local, long-distance and international voice service; Internet access; data transport; and network capacity. Customers include multinational corporations and other telecom carriers.

**Asia Global Crossing** provides broadband Internet protocol-based data and voice communications to businesses and telecom carriers throughout the Asia/Pacific region. Asia Global Crossing owns 65% of Pacific Crossing-1, a subsea cable connecting Japan and the US, and it's constructing the East Asia Crossing, a fiber-optic subsea system interconnecting the Pacific Rim. Asia Global Crossing's infrastructure links to Global Crossing's worldwide network. Japan's SOFTBANK and Microsoft each own about 15% of Asia Global Crossing. **Asia Global Crossing was carved out of Global Crossing on October 6, 2000**, when it sold 53 million shares to the public at \$7. Asia Global Crossing now trades at \$0.45 a share, for a market value of \$250 million.

**Global Crossing's merger with Asia Global Crossing amounts to the effective privatization of the Asian businesses of the world's largest submarine cable system, just a year after having listed the company.** The benefits of this merger appear to be limited to cutting costs by \$10- 25 million only, insufficient in our view to justify such a change in the structure of the company. In the conference call, management said that the boards of the two companies, shareholders, and regulatory authorities had yet to approve the merger or even the form of the transaction. The timeframe for the merger is early next year, according to management. Asia Global Crossing's minority shareholders are unlikely to have much of a say, as the company's dual class share structure grants each of the three Class B shareholders ten votes for each share held, leaving minorities with less than a 2% voting interest. Further, if the industry were to remain in a downturn and Global Crossing were to file for bankruptcy, we believe the assets would be worth very little (perhaps \$0.20 per dollar of Net Property, Plant and Equipment)

### **MRV Communications/Luminent**

On September 13, MRV Communications (NASDAQ: MRVC) and Luminent (NASDAQ: LMNE) jointly announced that MRV intends to carry out a short-form merger with Luminent, its 92.3% owned subsidiary. On October 8, both companies announced that MRV has established the exchange ratio to effect the previously announced merger of Luminent. Each outstanding share of Luminent common stock (except for shares presently held by MRV and shares held by Luminent stockholders who perfect their statutory appraisal rights under Delaware law) will be converted in the merger, entitling each such Luminent stockholder to 0.43 of a share of MRV common stock. **MRV will therefore issue up to 5,160,000 shares of its common stock to the stockholders of Luminent.** The merger is still subject to the satisfaction of certain conditions including regulatory approvals.

**Luminent** makes single-mode fiber-optic hardware used to assemble voice and data networks. Its active components, which generate, amplify, and modify signals traveling on optical fiber, include transmitters, multiplexers, light-emitting diodes, and lasers. Its passive components -- including couplers, connectors, and adapters -- route signals through optical networks. **Luminent was carved out of MRV Communications on November 10, 2000, when it sold 12 million shares to the public at \$12 (raising \$144 million).** At the time of the IPO, Luminent's market value was a massive \$1.87 billion. Now trading at \$1.29 a share, Luminent is currently valued at just \$202 million. MRV Communications is trading at \$2.76. This suggests that the minority shareholders will get about \$1.18 worth of MRV at the current price. Luminent stockholders who bought at the IPO price will take a 90% loss. **This appears to be an out and out rip-off. Luminent is cash flow breakeven with \$73 million in net cash while MRV has a cash burn of \$15 million per quarter and has a negative \$5 million in net cash (net of debt) as of June 30.**

**MRV** offers fiber-optic components (Luminent), equipment for wireless optical networks (Optical Access), and cellular network equipment (CEScomm). Other units include network infrastructure specialists iTouch and Nbase-Xyplex. The company has also invested in a number of startup networking companies, including Charlotte's Networks (core IP routers) and Zuma (Gigabit Ethernet switches). MRV generates half of its sales in Europe. Last month, VP and CFO Edmund Glazer was killed when the plane on which he traveled crashed into the World Trade Center. Dr. William Spivy has resigned from his position of Luminent's President, CEO, and Director. Noam Lotan, MRV's President and CEO, will assume the position of interim CEO.

### **Orient Express/Sea Containers**

The contrarian in me suggests that Orient Express may be worth a ride. After culling the table of spin-candidates, Orient Express seems most likely to folded back into its parent. **Orient Express (NYSE: OEH)** owns or manages more than two dozen luxury hotels worldwide. Among the jewels in its hotel crown are the Hotel Cipriani in Venice, Italy, and Mount Nelson Hotel in Cape Town. Orient-Express lives up to its name by operating six tourist trains, including Venice Simplon-Orient-Express, British Pullman, and Great South Pacific Express. It also operates Burma's Road to Mandalay cruise ship, owns New York's 21 Club, and has a 49% interest in Harry's Bar in London.

Transportation and leisure firm **Sea Containers (NYSE: SCR)** spun off part of Orient-Express on **August 10, 2000, but retains about 65% of the company and virtually all of its voting power.** Orient sold 10 million shares to the public at \$19 a share. Currently, the stock trades at \$12.50, down 35% from the IPO price. At the time of the IPO, Sea Containers indicated that it would fully separate the two businesses via a tax-free spin. This was supposed to take place at the end of 2000, but was postponed when Sea Container's bondholders sued the company to prevent the spin from taking place. Sea Containers then planned to first sell 5 million shares of Orient (to shore up its balance sheet), then distribute 15 million

shares of OEH stock to Sea Container shareholders. Management had earlier expected that the sale of 5 million OEH shares would be completed no later than this October. With the stock at \$12.50, spin plans are off the table for an indeterminable amount of time. In fact, **we think it is much more likely that Sea Containers will attempt to take out the minority shareholders on the cheap, and perhaps re-float the assets in better times.**

The lodging sector has taken a beating since the September 11 attack, with many names now trading at recession valuations. Orient Express is down about 40% since trading resumed following the unfortunate events on September 11. The company stated that its Windsor Court Hotel in New Orleans has experienced "adverse impact" from cancellations. This hotel accounts for 15% of total EBITDA. In addition, Orient's European operations, which account for a third of EBITDA, are highly dependent on air travel. Over 50% of its room nights sold in Europe are to guests who arrive from the U.S. by air. That said, there are several characteristics that set Orient Express apart from the comps. First, it owns all of the real estate for the properties it manages. Further, this real estate is very unique, often located in areas where there are high barriers to entry. For example, the Hotel Cipriani in Venice. Italian zoning laws restrict new hotel construction in the area, making it virtually impossible for another developer to build. This is an asset that is irreplaceable. Thus, the Cipriani can charge rates that are double that of its closest rival, the Hotel Gritti. Another example, would be Orient's recent purchase of the Machu Picchu Sanctuary Lodge, which is located right next to the Inca ruins.

On September 25, Orient-Express Hotels announced its intention to acquire up to 1 million of its Class A common shares in open market transactions (about 9% of the float). Chairman Jim Sherwood and President/CEO Simon Sherwood also announced that they are making open market purchases for their own account, additional to the shares which the company plans to buy back. Excluding shares owned by Sea Containers Ltd., which has indicated it is not currently a seller at today's prices, Orient-Express Hotels has 11,575,000 Class A common shares outstanding. The company had net income of \$40 million on \$267 million in sales in 2000. At the end of the second quarter, Orient's long-term debt was \$280 million, 42% of capital.

Sea Containers' moneymaker is its passenger transport division (65% of sales), which runs ferry lines (including hovercraft service) in the English Channel, the Irish and Baltic seas, and the New York Harbor. It also operates a high-speed train service between London and Scotland. With General Electric, the company runs one of the world's largest container leasing firms, GE SeaCo, which offers everything from refrigerated units to modular containers. Sea Containers also is involved in publishing and real estate.

#### **Orient Express Hotels (NYSE: OEH)**

Price (10/10/01)	\$12.50	Debt to Total Capital	42%
52 Week Range	\$24 - \$11	Book Value/Share	\$12.39
Shares Outstanding	30.9 M	Dividend/Yield	None
Market Value	\$386 M	Revenue (LTM)	\$278 M
Insiders Holdings	60%	2000 EPS	\$1.43 P/E= 8.7x

## Spin-In Candidates

### Spin-In Candidates By Date

Carve-Out Name	Ticker	Parent Name	Ticker	1st Day of Regular Trading	Spin-off Price 1st Cbse	CLOSING PRICE 10/10/01	Spin-off % Change	S&P % Change	Market Value (000) Initial	Market Value (000) 10/10/01
Time Warner Telecom	TWTC	TimeWarner	TWX	05/12/99	20 12/16	6 4/8	-69%	8%	2,115,463	744,308
BarnesandNoble.com	BNBN	Barnes and Noble	BKS	05/25/99	22 15/16	7/8	-96%	14%	3,257,125	145,022
TD Waterhouse Group	TWE	Toronto-Dominion	TD	06/23/99	25 10/16	6 2/8	-76%	10%	9,353,125	2,364,638
Tibco Software	TIBX	Reuters	RTRSY	07/14/99	32 3/8	7 4/8	-77%	5%	1,954,187	1,493,560
BlockBuster Ent.	BBI	Viacom	VIA	08/11/99	15	24 2/8	62%	13%	3,367,500	4,256,374
McAfee.com	MCAF	Network Associates	NETA	12/02/99	44	16 1/8	-63%	4%	1,922,800	735,164
Nextel Partners	NXTP	Nextel	NXTL	02/23/00	30 1/8	8	-74%	-21%	7,109,500	1,943,012
HotelReservations Network	ROOM	USA Networks	USAI	02/25/00	26	30 1/2	17%	-20%	1,404,000	1,724,075
Ulticom	ULCM	Comverse Technolog	CMVT	04/05/00	20	8 1/2	-58%	-28%	751,600	347,270
OSCA	OSCA	Great Lakes Chemical	GLK	06/15/00	17 10/16	15 1/2	-12%	-28%	246,750	229,575
Tycom	TCM	TYCO	TYC	07/27/00	36 8/16	14 1/2	-61%	-26%	18,990,950	7,203,125
America Online Latin	AOLA	America Online	AOL	08/07/00	8 7/16	3	-65%	-28%	2,214,928	197,904
Orient Express Hotels	OEH	Sea Containers	SCR.A	08/10/00	19 12/16	12 1/2	-37%	-27%	610,275	384,705
Inrange Technologies	INRG	SPX	SPW	09/22/00	46 4/16	6	-87%	-26%	3,907,570	515,377
TNPC	NPW	Enron	ENE	10/05/00	27	2 1/2	-92%	-8%	3,251,556	132,103

### Spin-In Candidates By Name

Carve-Out Name	Ticker	Parent Name	Ticker	1st Day of Regular Trading	Spin-off Price 1st Cbse	CLOSING PRICE 10/10/01	Spin-off % Change	S&P % Change	Market Value (000) Initial	Market Value (000) 10/10/01
America Online Latin	AOLA	America Online	AOL	08/07/00	8 7/16	3	-65%	-28%	565,313	197,904
BarnesandNoble.com	BNBN	Barnes and Noble	BKS	05/25/99	22 15/16	7/8	-96%	14%	3,348,875	145,022
BlockBuster Ent.	BBI	Viacom	VIA	08/11/99	15	24 2/8	62%	13%	2,625,000	4,256,374
HotelReservations Network	ROOM	USA Networks	USAI	02/25/00	26	30 1/2	17%	-20%	1,404,000	1,724,075
Inrange Technologies	INRG	SPX	SPW	09/22/00	46 4/16	6	-87%	-26%	3,907,570	515,377
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Nextel Partners	NXTP	Nextel	NXTL	02/23/00	30 1/8	8	-74%	-21%	7,109,500	1,943,012
Orient Express Hotels	OEH	Sea Containers	SCR.A	08/10/00	19 12/16	12 1/2	-37%	-27%	610,275	384,705
OSCA	OSCA	Great Lakes Chemical	GLK	06/15/00	17 10/16	15 1/2	-12%	-28%	246,750	229,575
TD Waterhouse Group	TWE	Toronto-Dominion	TD	06/23/99	25 10/16	6 2/8	-76%	10%	9,732,375	2,364,638
Tibco Software	TIBX	Reuters	RTRSY	07/14/99	32 3/8	7 4/8	-77%	5%	6,144,775	1,493,560
Time Warner Telecom	TWTC	TimeWarner	TWX	05/12/99	20 12/16	6 4/8	-69%	8%	2,189,125	744,308
TNPC	NPW	Enron	ENE	10/05/00	27	2 2/8	-92%	-8%	3,251,556	132,103
Tycom	TCM	TYCO	TYC	07/27/00	36 8/16	14 1/2	-61%	-26%	18,990,950	7,203,125
Ulticom	ULCM	Comverse Technolog	CMVT	04/05/00	20	8 1/2	-58%	-28%	751,600	347,270

### Spin-In Candidates By Market Cap.

Carve-Out Name	Ticker	Parent Name	Ticker	1st Day of Regular Trading	Spin-off Price 1st Cbse	CLOSING PRICE 10/10/01	Spin-off % Change	S&P % Change	Market Value (000) Initial	Market Value (000) 10/10/01
TNPC	NPW	Enron	ENE	10/05/00	27	2 1/2	-92%	-8%	3,251,556	132,103
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BlockBuster Ent.	BBI	Viacom	VIA	08/11/99	15	24 2/8	62%	13%	2,625,000	4,256,374
Tycom	TCM	TYCO	TYC	07/27/00	36 8/16	14 1/2	-61%	-26%	18,990,950	7,203,125

## **Other Spin-In Candidates.....**

### **American Online Latin America/AOL Time Warner**

America Online Latin America (NASDAQ: AOLA) offers AOL-branded Internet service in Argentina, Brazil, Mexico, and Puerto Rico, as well as localized content and online shopping over its proprietary network. Subscribers also get access to popular AOL services like instant messaging, online chat, e-mail, and personalized homepages. In addition, the company maintains localized Internet portals serving users in some 20 countries. In total AOLA has more than 1 million subscribers. AOL Time Warner owns about 38% of the company through its America Online division; Cisneros Group, one of Latin America's largest media firms, owns about 46%. AOLA went public on August 8, 2000 at \$8 a share, when it sold 25 million shares.

### **BarnesandNoble.com/Barnes and Noble**

barnesandnoble.com (NASDAQ:BNBN) is a distant #2 behind top online bookseller Amazon.com. The online seller of books, e-books, magazines, music, software, DVDs, and videocassettes has more than 850,000 titles in stock. Through online portals, it attracts readers from more than 220 countries. Bricks-and-mortar retailer Barnes & Noble and German media giant Bertelsmann (owner of Random House) each own about 36% of the firm's stock and together control about 98% of its voting power. BNBN went public on May 25, 1999 at \$18 a share, selling 25 million shares to the public.

### **Blockbuster Entertainment/Viacom**

Blockbuster (NYSE:BBI) is the world's largest video rental chain, with about 7,800 company-owned or franchised stores in 28 countries (about 65% are located in the US). The company rents more than 1 billion videos, DVDs, and video games at its Blockbuster Video outlets each year. It also operates Blockbuster.com and has marketing partnerships with companies such as AOL Time Warner and DIRECTV. Entertainment giant Viacom owns 82% of Blockbuster (96% of voting power) after taking 18% of the company public August 11, 1999 at \$15. Viacom announced two years later that it had abandoned plans to spin the rest of the company to Viacom shareholders.

### **Hotel Reservation Network/USA Networks**

Hotel Reservations Network (NASDAQ: ROOM) sells rooms at more than 2,600 hotels in over a hundred markets in Western Europe, North America, the Caribbean, and Asia through its four Web sites (hoteldiscount.com, 180096hotel.com, condosaver.com, travelnow.com). With some 16,000 Internet and call center affiliates, the company offers rooms at discounts of up to 65%. It also accepts reservations through its toll-free call centers. HRN has room supply agreements with hotel chains such as Hilton Hotels, Best Western, Radisson, and Sheraton. Barry Diller's USA Networks owns about 70% of the firm but controls virtually all of its voting power. USA Network carved out 5.4 million shares in an IPO on February 25, 2000.

### **Inrange Technologies/SPX**

Inrange Technologies (NASDAQ: INRG) makes networking and switching equipment for a variety of applications. Its flagship IN-VSN line includes directors, switches, and channel extenders for use in storage area networks (SANs). Inrange also makes switches, repeaters, signal generators, and other networking gear for data and telecommunications networks. The company provides consulting, network design, disaster recovery, and other services. Customers include Federal Express, Cisco Systems, IBM, and SunGard Data Systems. Former parent SPX, an electronics manufacturer, owns 90% of the company and controls 98% of the voting power. Inrange was carved out on September 22, 2000, when it sold 7.7 million shares to the public at \$16. Currently the stock is trading at about \$6. **We believe Inrange is a strong spin-in candidate.**

### **McAfee.com/Network Associates**

McAfee.com (NASDAQ: MCAF) sells subscriptions for its virus protection and PC management software through its Web site, allowing users to secure, manage, repair, and upgrade PC's. The site's McAfee Clinic helps users protect their systems from viruses, optimize system performance, and diagnose and fix configuration problems. McAfee.com continues to add Internet access device security, uninstallation, and other products and services to its site, and is targeting small and mid-sized businesses for future growth. Security software specialist Network Associates owns 80% of the company. McAfee.com was carved out on December 2, 1999 at \$12 a share. The firm has 47.5 million shares outstanding for a market value of \$914 billion. The stock has doubled since the end of September, due to fear of cyber terrorism. The company has 1.22 million paid subscribers as of Q301. As an online Applications Service Provider, McAfee.com hosts its software on its own servers and distributes its software over the Internet. Because of this platform, the company has adopted a rent versus own model that provides its customers with the most up to date software applications.

McAfee.com just reported \$16.2 million in revenue for Q301, and \$0.05 in fully taxed EPS. Total sales were up 12% sequentially. Gross margins were 76.8%, up 180 basis points. Operating margins were 17.6%, up 5.3% from last quarter. Cash balance increased to \$89 million from \$80 million and the end of last quarter. The company is on track to generate about \$61 million in sales for FY 2001, and earn about \$0.10. **McAfee.com is probably the least likely to be spun in, as it is trading at 15x expected sales.**

### **Nextel Partners/ Nextel Communications**

Nextel Partners (NASDAQ: NXTP), the only US affiliate of Nextel Communications, holds exclusive rights to provide Nextel's digital wireless communications services in small and midsized US markets. The Nextel network uses Motorola's integrated digital enhanced network (iDEN) technology to provide digital cellular, text/numeric messaging, two-way radio and Internet access services on a single phone. Nextel Partners holds licenses in 58 US markets, and has more than 300,000 subscribers. Nextel, the company's largest shareholder, contributed the licenses as well as start-up cash in exchange for a one-third stake. Wireless communications pioneer Craig McCaw owns an 8% stake in the company; Motorola owns about 5%. The company was taken public on January 27, 2000 at \$20 a share, but now trades at \$8.

### **OSCA/Great Lakes Chemical**

OSCA (NASDAQ: OSCA) provides specialized oil and gas well completion fluids (such as clear brines of sodium), as well as completion services and downhole completion tools. Major and independent oil and gas exploration and production companies use OSCA's offerings mainly in offshore applications in the Gulf of Mexico. OSCA plans to grow by expanding its deepwater operations and adding new products and services through acquisitions. Founded in 1979, the company is mostly owned by Great Lakes Chemical, a leading manufacturer of chloride and bromide brines. OSCA went public on June 14, 2000 when it sold 5.6 million shares to the public at \$15.50.

### **TIBCO Software/ Reuters**

TIBCO Software's (NASDAQ: TIBX) ActiveEnterprise software enables businesses to connect resources with customers and automatically deliver event-driven information in real-time, enabling communication between networks and mobile devices such as cellular phones and handheld computers. TIBCO's customers (which include companies in the telecom, energy, financial services, and Internet industries) license the software to integrate, personalize, and distribute content. The company also offers e-commerce, consulting, and support services, which account for almost 30% of sales. Based in Palo Alto, TIBCO has a sales force of 110 representatives and a global customer base of more than 1,300 customers. Reuters owns more than 60% of the company, and Cisco holds a minority stake of 7%. TIBCO went public on July 14, 1999, when it sold 7.3 million shares to the public at \$15. The company is expected to generate about \$310 million in revenues in FY01, representing 23% growth. The company holds over \$640 million in cash and equivalents, or about \$3 per outstanding share, as of August 2001. **With 212 million shares out, TIBCO still commands a market value of \$1.6 billion, or 5.3x expected FY01 sales.**

### **Time Warner Telecom/AOLTime Warner**

Time Warner Telecom (NASDAQ: TWTC) operates as a competitive local-exchange carrier (CLEC) in 42 metropolitan US markets and plans to add five additional markets, including Atlanta and Denver. Time Warner Telecom offers integrated broadband communications services primarily to long-distance carriers, ISPs, wireless companies, and government agencies. It also offers long-distance services to small and mid-sized businesses. The company has expanded in the western US by buying network assets from bankrupt GST Telecommunications. Time Warner Telecom is 44%-owned by AOL Time Warner. Other major stakeholders include Advance/Newhouse Partnership.

TWTC went public on May 12, 1999, when it sold 18 million shares at \$14. TWTC now trades at about half that price for a market cap of \$798 million. TWTC has a two class stock structure. There are 48.4 million Class A (one vote per share) and 65.9 million Class B (ten votes per share) outstanding. AOL Time Warner owns 70% of the Class B shares, representing a 44% economic interest and 66% voting control. Following an equity offering in January 2001 of 7.5 million shares, the Class B shareholders have a 58% economic stake and a 95% voting stake in TWTC. In addition, AOL Time Warner has the right to nominate four of the company's nine directors.

TWTC recently pre-announced weak Q3 results. In late September, Time Warner Telecom announced that it expects Q3 recurring revenues of \$170-175 million versus \$179 million in Q2. The sequential decline in revenues was primarily driven by continued disconnects in weak carrier customers, a slowing economy, and a decrease in intercarrier compensation revenues during the quarter. TWTC now expects recurring EBITDA of \$36-39 million in the quarter versus \$36 million in the previous quarter. The company also announced a decrease in 2001 capital expenditures to \$500 million from \$550 million, due to slower top line growth. EBITDA/Interest coverage is at 1.3-1.4x. For the year, TWTC should generate about \$700 million in revenues and recurring EBITDA of about \$140 million.

**NewPower Holdings/ Enron**

NewPower Holdings (formerly TNPC-NYSE: NPW) aims to be the first national provider of electricity and natural gas to residential and small business customers. Enron formed the company to compete in the US's deregulating utility markets. So far the firm has gained more than 630,000 customers, mostly in Pennsylvania, New Jersey, Ohio, and Georgia, and is entering markets in other states. The firm gains customers through direct marketing or bulk acquisitions from other utilities; it also has marketing and information technology agreements with AOL Time Warner and IBM. Enron owns about 44% of NewPower Holdings. The company was carved out on October 5, 2000 at \$21, when it sold 24 million shares to the public. Now the stock is exchanged at \$2.25. Pretty good spin-in probability.

**Ulticom/Comverse Technology**

Ulticom (NASDAQ: ULCM) makes signaling software that connects Internet and telecom service providers' switching and messaging systems and manages routing and billing information. Its Signalware software lets communications providers offer such services as voice-activated dialing, text messaging, and Internet call waiting. Ulticom sells to service providers, manufacturers, and application developers. Major customers include Ericsson (18% of sales), Comverse Technology (16%), and Siemens (10%). More than 60% of Ulticom's sales come from outside the US. The company is a 2000 spin-off of Comverse Technology, which owns 77% of Ulticom. The company went public on April 5, 2000 at \$13 per share (raising \$55 million).

## Focus Stock

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### Eastman Chemical to Spin-Off Voridian

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#### Summary

Eastman Chemical (EMN -- \$36.59 as of 10/02/01) will restructure on or before 12/31/01 via distributing one share of Eastman Company, a new entity, for each share of EMN. Concurrently, the remaining businesses of EMN, principally PET plastic resins and acetate fibers, will be renamed Voridian. Based on a 1:1 spin-off ratio, each new corporation will have the same number of shares outstanding. EMN itself was a spin-off, from Eastman Kodak on 12/31/93. *(Stock prices in this report are as of the close 10/02/2001.)*

The shareholders meeting to approve the spin-off will be held December 18, 19, or 20 and Spin-Off Advisors estimates the record and distribution dates will be a week to 10 days thereafter, as the management is determined to complete the restructuring by year-end.

Management has all but confirmed a 1:1 spin-off ratio, assuming no major unexpected developments between now and year-end. This would make sense, given the estimated prices at which the two new stocks could trade. Spin-Off Advisors estimates that at present, Voridian could trade at \$14-15/share and the new Eastman Co. could trade at \$22/share. Bottom-line, both stocks could be average-performing investments in the short-term, reflecting EMN's role as a supplier to the industrial economy and an unfavorable capacity/demand balance in PET plastics, Voridian's main product.

The two new stocks will have somewhat different investment characteristics, aside from both being in the chemical industry. Eastman Company (EMN hereafter, as the company expects to keep the present ticker symbol) would be a classical "specialty chemical" business, offering intermediate to end-use products, manufactured in modest to small volumes, generally sold on performance rather than price, with a high R&D, engineering, and customer support content. Longer-term Eastman Company could attract interest as a value/yield stock, provided the company gets some traction from recovering GDP growth in 2002-2003.

Voridian is a simpler story. It is a pure commodity play in PET plastic resins, where it is the #1 manufacturer worldwide as to capacity. Voridian's principal earnings driver is the supply/demand balance in PET both in North America and worldwide. Voridian will be highly leveraged, both operationally and financially, with 40 lbs. per share of worldwide PET capacity (one lb. of PET produces 11-12 two liter soft drink bottles). A 1.5 cent change in Voridian's PET gross margin equals \$0.25 in annual EPS – both up and down.

#### Financial Issues

Voridian will have significant financial issues, namely negative stockholders equity of approximately (\$302mm), short and long-term debt of \$1.064B, and liability for all of the old Eastman Chemical's pension obligations as of 12/31/01.

The negative equity is, strictly speaking, not by design, but the result of allocating the various assets and liabilities to the two new companies. It is by design as it implies the PET plants and system were financed predominantly by debt. Assigning the pension liabilities to Voridian is apparently necessarily, as Voridian is technically and legally the parent company of (new) Eastman Co. Also, this may have been necessary to obtain a BBB (S&P)/Baa2 (Moody's) bond rating for Eastman Co. (Voridian is rated BBB-/Baa3).

Eastman Chemical's acquisition record is a concern. Since 1998, the company has spent over \$1.2B on acquisitions, the largest being Lawter:

1999: Lawter	(printing ink intermediates)	\$515mm	(10.6X EBITDA)
2000: Ch. Zavody Sokolov (Czech)	(acrylic monomers)	\$67mm	(5.9X EBITDA)
2000: McWhorter Technologies	(coatings, resins)	\$355mm	(7.5X EBITDA)
2001: Hercules	(resins)	\$250mm	(7.0X EBITDA)

Free cash flow since 1996 (to 1H01) was essentially zero, suggesting the acquisitions were financed entirely via debt. In fact, long-term debt increased from \$1.2B on 12/31/95 to \$2.2B on 6/30/01, close to the cost of the acquisitions.

Since 1998, more than 100% of sales growth has been from the acquisitions (all of which will end up in the "new" Eastman, not Voridian) and the ROI thereon has been meager. The company paid an average of 7.2X EBITDA for its six acquisitions since 1998, while its stock presently trades at 2.8X EBITDA suggesting, *ipso facto*, that these acquisitions have been dilutive.

#### **Eastman Company (new)**

Eastman Company will inherit EMN's specialty chemicals and plastics businesses, including coatings, adhesives, specialty polymers, and inks; performance chemicals and intermediates; and specialty plastics. Performance Chemicals is principally oxo chemicals (propane feedstock) which are used in coatings and plasticizers, the major market for the latter being vinyl plastics. Specialty Plastics are primarily cellulose (wood pulp) based materials used in toothbrushes, tool handles, eyeglass frames and similar products.

The new Eastman Co. had *pro forma* sales of \$3.7B in 2000 and \$1.9B in the first half of 2001, up 15% and 10.7% respectively y/y. Net income would have been \$162mm in 2000, or \$2.10 per FD share, and a loss of (\$41mm) would have been reported in the 1H01, or (\$0.53) per share.

#### **Voridian**

Voridian will comprise two businesses: PET (polyethylene terephthalate) plastic resins, principally used in beverage packaging (notably the 2 liter soft drink container), and cellulose acetate tow, the white material used in cigarette filters. Voridian had *pro forma* sales of \$2.4B in 2000, up 14.5% from 1999, and would have reported net income of \$132mm or \$1.71 per diluted share (77mm share count). In the first half of 2001, *pro forma* sales were \$1.2B, up 4% y/y, Operating Income would have been \$122mm, ex nonrecurring charges, and net income \$65mm or approximately \$0.85 per share (Spin-Off Advisors estimate).

#### **Recent Results/Near Term Outlook**

On 9/27/01, EMN reaffirmed its previous (July) third quarter EPS guidance of \$0.47-0.53. This was something of a surprise, as other chemical companies, notably Dow, have been guiding down earnings expectations. EMN moved from \$31 to \$36 on the announcement. A key factor in the earnings news undoubtedly is the sharp drop in oil and natural gas prices in September, especially propane, where a 1¢/gallon price change affects Eastman's earnings by 2¢/share on a quarterly basis (Note: 42 gal. = one barrel).

Spin-Off Advisors estimates 3Q01 revenues at \$1.3B, net income at \$31mm, and EPS of \$0.48. Fourth quarter earnings are seasonally lower, and could approximate \$0.40 per share. This would result in full-year revenues of \$5.4B and diluted EPS of \$1.90, which would equate to new EMN \$0.56, Voridian \$1.35 (recall that both companies will have the same number of shares).

### Outlook for 2002-2003

Longer-term (3-5 years) revenues and earnings for each company should grow at approximately 10%, as Eastman Company serves mature, GDP-growth industrial markets, whereas Voridian's future is linked to growth of PET, which even optimistic observers (including the company) forecast at 10% in real terms.

Next year, under a conservative/realistic economic scenario. "New" Eastman Company could report revenues of \$4.055B (up 6% -- 4% physical volume/2% price) and EPS of \$1.42. Voridian could report \$2.6B in revenues and EPS of \$1.52. All the financial numbers for the two new companies add up to those for the old EMN except revenues, as intracompany transfers between the two entities will now be treated as outside sales to third parties. The table (next page) illustrates the reconciliation between the two new companies to EMN:

Oil and natural gas-based raw material prices have been a major negative in 2001 until recently. One bright factor in the 2002 outlook is that oil prices could remain in the mid-\$20 range, apparently OPEC's target for the short-run and down from a 10-year high of \$38/bbl. in September 2000. Thus, gross margins could expand in 2002.

EMN's 2000 revenues were 57% in the U. S. and 43% International; the ex U. S. mix for the new Eastman Co. was 31% and was 64% for Voridian. Business outside the U. S. is unlikely to help results for the next 2-3 quarters, as economies in Europe and Asia appear to be suffering zero growth in sync with the U. S.

### PET and the Capital Cycle

Voridian's fortunes are linked to one product: PET plastic resin. (Its other significant product, acetate tow, the cigarette filter material, comprises approximately 25% of sales and has high profit margins and ROI, but is a zero-growth business except in Asia, where cellulose acetate is replacing polypropylene cigarette filters.) Voridian will have very high leverage with respect to PET pricing and volume. Its worldwide capacity of 3.1B lbs. (50/50 U. S./ex U. S.) translates to 40 lbs. per share. Voridian operates 29% of total U. S. PET capacity.

Income Statement (2002 estimate) \$mm	Eastman Co.	Voridian	adjustments	"old" EMN
Revenue	\$4,055	\$2,633	(\$781)	\$5,907
Cost of Sales	\$3,069	\$2,118	(\$781)	\$4,406
Gross Profit	\$986	\$515	=	\$1,501
Gross Margin	24.32%	19.56%		25.41%
Depreciation	\$306	\$112	=	\$418
SG&A	\$295	\$120	=	\$415
R&D	\$121	\$50	=	\$171
SG&A Ratio	7.27%	4.56%		7.03%
R&D Ratio	2.98%	1.90%		2.89%
Operating Income	\$264	\$233	=	\$497
Operating Margin	6.51%	8.85%		8.41%
Interest Income (Expense)	88	60	=	148
Other (net)	12	0	=	12
Pretax Income	\$164	\$173	=	\$337
Pretax Margin	4.04%	6.57%		5.71%
Income Tax Provision	(\$54)	(\$55)	=	(\$109)
Effective Tax Rate	32.93%	31.79%		32.34%
Net Income	\$110	\$118	=	\$228
<b>EPS -- Basic</b>	<b>\$1.43</b>	<b>\$1.53</b>	=	<b>\$2.96</b>
<b>EPS -- Diluted</b>	<b>\$1.42</b>	<b>\$1.52</b>	=	<b>\$2.94</b>
Sharecount -- Basic	77	77	=	77
Sharecount -- Diluted	77.5	77.5	=	77.5
Adjustments are primarily intracompany sales of ethylene and acetic anhydride from Eastman to Voridian, and of paraxylene and acetic anhydride from Voridian to Eastman, which are presently eliminated in consolidation				
(source: Eastman Chemical 14A filing, Spin-Off Advisors estimates)				

PET revenues are approximately \$25/share, and Spin-Off Advisors estimates a 1.5 cent change in PET gross margin translates to \$0.25 in annual EPS – in either direction. Voridian's strengths in this business are considerable, including its status as the largest producer in the world, and a fully integrated process system, from basic feedstocks, through intermediates (PTA, ethylene glycol), to the final product. Pricing ended last year at 54-56 cents/lb., and is presently 62-64 cents/lb.

*The capital cycle is a key factor in the industry*, which historically has had a 5-7 year cycle of tight supply/demand and high ROI in good times, followed by high investment and capacity expansion, leading to depressed capacity utilization, pricing, and ROI during downturns. For commodity chemicals, an 85-90% capacity utilization rate is the inflection point at which supplies become tight and prices can be raised in excess of cost increases. The only recent period since 1989 when this occurred was 1995, when U. S. capacity utilization in PET and its precursors (feedstocks) was 92-93% and pricing reached 80-90 cents/lb. This situation is unlikely to recur until 2003-2004, given expected global capacity growth. The outlook for 2002-2003 is for flat capacity utilization, pricing, and gross margins at best.

### **Valuation**

Both of the new stocks will fall in the Mid-Cap sector, with Eastman Co. having a market cap of approximately \$1.7B and Voridian \$1.1B. This should be sufficient to maintain a reasonable level of research coverage and institutional holdings, with Voridian possibly enjoying less attention due to its leveraged balance sheet and the perception that it is a one-product company.

Approximately 40% of the present value of EMN represents the PET business and 60% the new Eastman Company. At the recent price of \$36.59, Voridian would trade at \$14-15 per share and the "new" EMN at \$22. Of course, these figures will have to be adjusted should the stock price be materially different at the time of the spin-off.

EMN (new) peer group trades at an average 18.6X consensus 2002 earnings, whereas Voridian's peers trade at 16.6X. These are likely recovery, but not peak cycle earnings. The peer group multiple on Eastman's estimated 2002 EPS (see above) implies a target price of \$26 – slightly above the \$22 where Spin-Off Advisors estimates it could trade immediately after the spin-off. The P/E for Voridian's peer group of 16.6X on estimated \$1.52 earnings equals \$25, versus an estimated price of \$14-15 on the distribution date.

One could argue that the confidence level in any 2002 earnings estimate for a commodity chemical company is not high. Also, the most directly comparable firm in Voridian's peer group – almost identical, in fact – is Wellman (WLM), which presently trades at 8X next year's EPS. For Voridian, 8X \$1.52 equals \$12 per share.

Another factor in each stock's "fair" multiple is long-term earnings growth, which Spin-Off Advisors estimates at 10%. The mean projected growth rate for Eastman's peer group is 10% and Voridian's is 10.5%, with the highest 13% (Nova Chemical and Valspar).

The proxy indicates that Eastman Co. plans to pay a \$0.80-0.88 annual cash dividend, while VOR plans on a \$0.28-0.32 payout. Assuming "new" EMN's planned dividend, the stock would offer a current yield of 3.6% to 5% at a price of \$22. This could attract yield/total return oriented investors.

EMN is presently in the S&P500 index, and there is a 50/50 possibility that the new Eastman Company will be retained in the index. Given its market cap and narrow product focus, it is unlikely Voridian will stay in the S&P500, but it may be included in the Mid Cap S&P400.

# Peer Valuation

Eastman Company peer group											
firm	ticker	fy	product line	shares (mm)	price 10/02/01	mkt cap	eps2000	eps2001	eps2002	grth	# ests
Dow Chemical	DOW	dec	petrochemicals; polymers	900.8	33.03	29753.42	\$2.22	\$0.78	\$1.61	10%	13
E. I. DuPont	DD	dec	coatings	1040.0	37.52	39020.80	\$2.73	\$1.22	\$1.70	9%	15
Ferro	FOE	dec	coatings	34.2	22.94	784.55	\$1.92	\$1.23	\$1.50	10%	9
Hercules	HPC	dec	adhesives; water treatment	108.4	8.00	867.20	\$0.91	\$0.05	\$1.00	7%	6
Millennium Chemical	MCH	dec	coatings; polymers	63.3	10.10	639.33	\$1.89	(\$0.71)	\$0.41	9%	10
Rohm & Haas	ROH	dec	coatings	220.4	32.30	7118.92	\$1.73	\$0.94	\$1.43	12%	14
Valspar	VAL	oct	coatings	49.5	32.64	1615.68	\$2.00	\$1.63	\$2.13	14%	8
										10%	
firm	ticker	fy				p/e2000	p/e2001	p/e2002			
Dow Chemical	DOW	dec	petrochemicals; polymers			14.88	42.35	20.52			
E. I. DuPont	DD	dec	coatings			13.74	30.75	22.07			
Ferro	FOE	dec	coatings			11.95	18.65	15.29			
Hercules	HPC	dec	adhesives; water treatment			8.79	160.00	8.00			
Millennium Chemical	MCH	dec	coatings; polymers			5.34	-14.23	24.63			
Rohm & Haas	ROH	dec	coatings			18.67	34.36	22.59			
Valspar	VAL	oct	coatings			16.32	20.02	15.32			
<b>MEAN</b>						<b>12.81</b>	<b>29.23</b>	<b>18.35</b>			
S&P500 (Operating EPS)					1044		\$40.00	\$52.50			
S&P500 P/E							26.10	19.89			
all EPS diluted		EPS Estimates: Zacks Historic Data: Market Guide Est Growth Rates: Zacks									

Vordian peer group											
firm	ticker	fy	product line	shares (mm)	price 10/02/01	mkt cap (\$mm)	eps2000	eps2001	eps2002	grth	# ests
Dow Chemical	DOW	dec	petrochemicals; polymers	900.8	33.03	29753.42	\$2.22	\$0.78	\$1.61	10%	13
NOVA Chemicals, Inc.	NCX	dec	plastics (polyolefins)	85.7	16.28	1395.20	\$2.71	(\$1.69)	\$0.77	13%	8
Wellman Inc.	WLM	dec	PET; fibers	31.8	11.80	375.24	\$0.79	\$0.66	\$1.43	9%	5
										10.5%	
firm	ticker	fy				p/e2000	p/e2001	p/e2002			
Dow Chemical	DOW	dec	petrochemicals; polymers			14.88	42.35	20.52			
NOVA Chemicals, Inc.	NCX	dec	plastics (polyolefins)			6.01	-9.63	21.14			
Wellman Inc.	WLM	dec	PET; fibers			14.94	17.88	8.25			
<b>MEAN</b>						<b>11.94</b>	<b>30.11</b>	<b>16.64</b>			
S&P500 (Operating EPS)					1044		\$40.00	\$52.50			
S&P500 P/E							26.10	19.89			
all EPS diluted		EPS Estimates: Zacks Historic Data: Market Guide Est Growth Rates: Zacks									

## Company Update

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### British Telecom to Spin-Off mmO2

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The United Kingdom's BT Telecom (BT Group) (LSE: BT/A, NYSE: BTY) is set for a historic break-up. On October 23, shareholders will vote on the break-up that will form two distinct and separate companies. BT Group (the parent) will split its UK fixed line network operations into a separate wholesale and retail businesses. BT Group will also retain its broadband Internet protocol business (Ignite), its consumer ISP (BT Openworld) and Concert, its joint venture with AT&T. BT Telecom will separate its wireless assets (formerly BT Wireless) into a new company called mmO2. Each shareholder will receive one share of mmO2 for one share of BT Group. Trading is expected to begin on November 19, and will trade on the NYSE (ADS's) and LSE. The ticker has yet to be announced for mmO2. There will be about 8.6 billion ordinary shares and 860 million ADS's (1 ADS=10 Ordinary). Both companies will be included in the FTSE index.

BT Group has been shedding noncore holdings to focus on its UK and Western Europe operations. The four remaining divisions will consist of BT Retail, BT Openworld, BT Wholesale and BT Ignite. BT Group is trying to create a separate line structure moving away from its historical geographical structure. The new structure could ultimately make a further break-up of BT Group easier to complete, although management has stated a further breakup is not planned. However, the *Financial Times* reported at least two parties are interested in other BT Group assets. BT Group is also in discussions with AT&T about dissolving its Concert joint venture although any agreement with AT&T will clearly result in a charge, £720 million in the worst case scenario.

mmO2 holds stakes in mobile phone operators that serve 16 million customers. Its BT Cellnet unit, which has about 11 million customers, is a leading mobile phone operator in the UK. mmO2's VIAG Interkom unit has 3.4 million subscribers in Germany. mmO2 holds 3G licenses in the UK, the Netherlands, and Germany, and operates the Genie mobile Internet portal. mmO2's revenues for the year ended March 31, 2001, was £3.4 billion, a 29%

increase over 2000. Operating cost were £6.53 billion generating an operating loss of £3.1 billion. mmO2 will have approximately £500 million in debt transferred from BT Group at the time of the spin-off. mmO2 will not pay a dividend, instead it will continue to reinvest in operations to achieve economies of scale.

We will attempt to place a ball park value on mmO2 by looking at US counterparts. We realize that mmO2 is a UK company and that our estimate is not a detailed analysis but it should be close enough to help better value the remaining BT Group. If mmO2 generates 2002 revenues around £4,700 (15% YoY growth), mmO2 could be valued around 2.5 to 3 times revenue if it were to trade in line with the average US wireless company. If mmO2's value is in the neighborhood of about £10-12 billion, and we take the average of £11 billion it would value each mmO2 share around £1.28 per ordinary share.

BT has become a leaner company over the last six months. BT has reduced its debt level by over 37% since March, reducing its net debt level to £17.5 billion from £27.5 billion. BT raised approximately £5.9 billion in a rights issue and sold its directory businesses (Yell) for about £2 billion. Pro-forma revenue for BT Group ending March 2001 was £17.3 billion. BT Group is expected to generate £6.1 billion EBITDA for 2002 or £0.71 per share and have an estimated £15 billion in net debt at the time of the spin-off. BT Group will continue to pay a dividend post spin-off, but management has not determined the amount. BT Group currently trades around £3.69 per share. If we back out the estimated value of mmO2 of £1.28 per share than we can derive the implied value for BT Group of about £2.41 per share. At this implied level, BT Group would trade at 5.85x 2002 EV/EBITDA estimate ( $2.41 * 8,600 = 20,726$  |  $20,726 + 15,000 = 35,726$  |  $35,726 / 6,100 = 5.85x$ ). In addition, if BT Group has zero growth for 2002 (based on 2001 pro-forma sales) their EV/Sales would result in a 2.0x multiple.

## Company Update

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### Enterasys to Spin-Off Aprisma

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Enterasys Networks, Inc (NYSE: ETS) revealed that it is going to spin-off its 98% stake in Aprisma Management Technologies to its common and preferred shareholders. Form 10 was filed with the SEC on September 18, 2001. Enterasys has not finalized the timing or the terms of the distribution, but they hope complete the spin by year-end. The company will request a private letter ruling from the IRS so that the distribution will be tax-free to Enterasys and to ETS shareholders. **Aprisma applied to trade on the NASDAQ under the symbol "APRM."** Enterasys will not own any Aprisma common stock following the spin-off. After the spin-off, Aprisma will benefit from greater strategic focus, increased partnership opportunities with competitors of Enterasys, better incentives for employees and greater accountability; and direct access to capital markets.

Aprisma is a provider of service assurance software that enables enterprises and service providers to ensure high levels of information technology infrastructure availability and performance to end users who rely upon their infrastructure for mission-critical business applications. The company's software, the SPECTRUM suite, enables its customers to monitor, analyze and repair large, complex information technology infrastructures in real-time, allowing them to quickly identify and remedy infrastructure performance and availability problems.

The increased use of information technology in the core business practices of enterprises and service providers has significantly increased the volume of voice, video and data traffic that crosses information technology infrastructures. In addition to increased volume, the critical importance of information to day-to-day business operations has increased dramatically. Enterprises and service providers have expanded their infrastructures to accommodate this increased traffic by adding new devices and software to their existing infrastructures, creating a complex, heterogeneous mix of vendors and technologies. Aprisma's service assurance solution enables enterprises and service providers to increase the performance and

availability of their information technology infrastructures. The company's software provides service assurance more efficiently and with less human intervention than rules-based approaches. The company's service assurance solution provides real-time monitoring, root-cause analysis, impact analysis, corrective action, and unified presentation. The SPECTRUM suite provides rapid deployment and automation of information technology operations, scalability and management of complex infrastructures, and stronger and more flexible service level guarantees.

For the quarter ended May 31, 2001, Aprisma generated revenues of \$22.3 million, an increase of \$7.2 million (48%) over the same quarter in 2000. The company went from a net loss of \$4.3 million in 1999 to net income of \$1.1 million in 2001. Aprisma is still generating negative operating cash flow. The company's negative operating cash flow narrowed from negative \$11.3 million in 2000 to negative \$5.2 million in 2001.

**Enterasys** designs, develops, markets and supports comprehensive network communications solutions for enterprises. Enterasys was originally a subsidiary of Cabletron. On August 6, 2001, Enterasys became a public company by merging into its parent holding company, Cabletron, and naming the resulting entity "Enterasys." Enterasys supplies full solution enterprise networking including gigabit switching, wireless LANs and security/VPN offering. Enterasys strategy revolves around providing enterprise IT managers the ability to extend their service offering and achieve an accelerated payback on their equipment investment. We feel the recent economic turmoil and general loss of visibility has caused investor confidence in the next generation networking companies to become overly pessimistic- creating perhaps an opportunity to for investors. **Enterasys is a major switching player, and should appreciate to the valuation of its peers over time (Extreme, Foundry and Riverstone) and reward investors at current levels. Enterasys Networks has 204 million shares out for a current market cap of \$1.7 billion.**

## Company Update

### Thermo Electron to Spin-Off Viasys in November

On October 11, Thermo Electron (NYSE: TMO) announced that its board of directors has approved the spin-off of its wholly owned Viasys Healthcare subsidiary as a dividend to Thermo Electron shareholders. **On November 15, 2001, Thermo Electron will distribute all of its shares of Viasys Healthcare to Thermo Electron shareholders of record on November 7, 2001.** Thermo Electron expects to distribute approximately 0.1428 shares of Viasys Healthcare common stock for each share of Thermo Electron common stock. The final ratio will be based on the actual number of Thermo Electron shares outstanding on the November 7 record date. **Thermo Electron has received a ruling from the Internal Revenue Service that the dividend of Viasys Healthcare shares will qualify as a tax-free distribution.** Viasys will trade on the American Stock Exchange under the ticker VSS. **For our estimate of the Viasys valuation see our September issue.**

**Viasys Healthcare** designs, manufactures, and markets a variety of medical devices, instruments, and specialty products for use in a range of healthcare services. It operates through three divisions. The Respiratory Care group makes instruments and equipment for the diagnosis and treatment of respiratory, circulatory, and sleep-related disorders. The Neuro-Care group makes diagnostic and monitoring devices for nerve, brain, hearing, and other disorders. The Medical/Surgical Products group manufactures surgical implant components; critical care tube-feeding systems, and medical-grade polyurethanes, surgical barrier-control systems, as well as a line of wireless patient- monitoring systems. Products in development address solutions for the diagnosis



and treatment of asthma, stroke rehabilitation, advanced respiratory distress syndrome, and systems used in the critical care and surgical arenas. Headquartered in Philadelphia, Pennsylvania, Viasys Healthcare has operations in California, Illinois, Massachusetts, Wisconsin, and Germany, and markets its products worldwide. In 2000, it had revenues of approximately \$346 million.

**Thermo Electron** is trimming its family tree to focus on its measurement and detection instruments business. Instruments made by Thermo Electron are used in numerous industries, including food and beverage production, life sciences research, and telecommunications. As part of its reorganization, Thermo Electron has bought back shares in its formerly publicly traded subsidiaries and moved to sell noncore businesses. The company's stake in Kadant (NYSE: KAI- formerly Thermo Fibertek), which makes machinery for the paper recycling and papermaking industries, was recently spun-off to shareholders.

#### Thermo Electron (NYSE: TMO)

Price (10/10/01)	\$20.69	Debt to Capital	38.94%
52 Week Range	\$30.12 – 16.55	Book / Share	\$13.52
Shares Outstanding	181.7 M	Dividend / Yield	\$0.00 / 0%
Market Capitalization	\$3.8 B	Fiscal Year	December
TTM Sales / Share	\$12.33	FY 02 EPS, P/E	\$0.91, 23.4x

# ANNOUNCEMENT CALENDAR

Announced					
Company	Symbol	Date	Spin-Off	Symbol	Type
ACACIA RESEARCH	ACRI	11/22/00	COMBIMATRIX	CBMX	
ADAPTEC	ADPT		ROXIO	ROXI	SP
AETNA	AET	07/20/00	AETNA HEALTHCARE	AET	SP
ALLEGHENY ENERGY	AYE		ALLEGHENY ENERGY SUPPLY		SP
AMCOL INTL	ACO	12/27/00	NANOCOR UNIT		
AON	AOC	04/20/01	COMBINED SPECIALTY CORP.		SP
APOGENT	AOT	04/24/00	SYBRON DENTAL SPECIALTIES	SYD	SP
AT&T	T	10/25/00	AT&T BROADBAND		SP
AT&T	T	10/25/00	AT&T WIRELESS	AWE	SP
AT&T	T	11/15/00	LIBERTY MEDIA	LMC.A/B	SP
AVENTIS	AVE	11/15/00	AGRICULTURAL BUSINESS		CO
BARNES AND NOBLE	BKS	08/23/01	GAMESTOP		CO
BELLSOUTH	BLS	04/05/00	CINGULAR WIRELESS		CO
BELLSOUTH	BLS	03/29/00	LATIN WIRELESS		IPO/TR
BRISTOL-MYERS SQUIBB	BMY	02/22/01	ZIMMER HOLDINGS	ZMH	SP
BRITISH TELECOM	BTY	11/00/00	nm02		SP
BRITISH TELECOM	BTY	11/00/00	YELL		SOLD
CABLEVISION SYSTEMS	CVC	12/22/99	RAINBOW MEDIA GROUP	RMG	TR
CERIDIAN	CEN	07/18/00	ARBITRON	ARB	SP
CMS ENERGY	CMS	10/03/00	CMS OIL & GAS		CO
COMPUTER ASSOCIATES	CA	08/07/00	SOFTWARE AND SERVICES		SP
CONEXANT SYSTEMS	CNXT		SPINCO –Withdrawn S-1 plan straight spin-off		SP
CONTINENTAL AIRLINES	CAL	07/09/01	EXPRESSJET	XJET	Cancelled
COREL	CORL	01/22/01	LINUX DISTRIBUTION UNIT		SP
DELUXE	DLX	01/31/00	eFUNDS	EFDS	CO/SP
DIAGEO PLC	DEO	06/22/00	BURGER KING		CO
DUN & BRADSTREET	DNB	12/15/99	MOODY'S	MCO	SP
EASTMAN CHEMICAL	EMN	02/05/01	VORIDIAN		SP
EATON CORP.	ETN	02/24/00	AXCELIS TECHNOLOGIES	ACLS	CO/SP
ECI TELECOM	ECIL	08/03/00	MULTIPLE UNITS		
EMC Corp.	EMC	05/31/00	MCDATA	MCDTA	CO/SP
EMMIS COMMUNICATIONS	EMMS	08/21/01	TV ASSETS		SP
ENRON	ENE		NEWPOWER HOLDINGS	NPW	CO
ESS TECHNOLOGY	ESST	07/20/00	VIALTA		CO
ENTERASYS NETWORKS	ETS	02/10/00	RIVERSTONE NETWORKS	RSTN	CO/SP
ENTERASYS NETWORKS	ETS	02/10/00	APRISMA	APRM	SP
FLUOR	FLR	06/08/00	MASSEY ENERGY	MEE	SP
FMC Corp	FMC	10/31/00	FMC TECHNOLOGIES	FTI	CO
GENZYME GENERAL	GENZ		GENZYME BIOSURGERY		TR
GLOBAL CROSSING	GX	05/23/00	ASIA GLOBAL CROSSING	AX	CO
<b>GOODRICH</b>	<b>GR</b>	<b>09/04/01</b>	<b>ENGINEERING AND INDUSTRIAL</b>		<b>SP</b>
GREAT LAKES CHEMICAL	GLK	09/20/99	OSCA	OSCA	CO /SPLIT
GREAT UNIVERSAL	GUS LN	12/05/00	BURBERRY UNIT		CO
HEWLETT-PACKARD	HWP	03/02/99	AGILENT TECHNOLOGIES	A	CO/SP
ICN PHARMACEUTICALS	ICN	06/15/00	RIBAPHARM	RIBA	CO
ICN PHARMACEUTICALS	ICN	06/15/00	INTERNATIONAL OPERATIONS		CO
IMPCO TECHNOLOGY	IMCO	06/14/01	QUANTUM TECHNOLOGY		SP
INNOGY HOLDINGS	IOG	04/02/01	REGENESYS		CO
INSIGHT ENTERPRISES	NSIT	12/13/00	DIRECT ALLIANCE		CO/SP
JOHNSON & JOHNSON	JNJ	05/23/01	INVERNESS MEDICAL	IMA	SP
KANSAS CITY SOUTHERN IND.	KSU	02/03/98	STILWELL FINANCIAL	SV	SP
KINGFISHER	KFG LN		WOOLWORTHS GROUP	WLW LN	SP

# ANNOUNCEMENT CALENDAR

Announced					
Company	Symbol	Date	Spin-Off	Symbol	Type
LUCENT TECHNOLOGIES	LU	03/01/00	AVAYA	AV	SP
LUCENT TECHNOLOGIES	LU	06/00/00	AGERE SYSTEMS	AGR	CO/SPLIT
LUFTHANSA	LHA GR		SKYCHEFS	CO	
LYNCH INTERACTIVE	LYC	08/17/01	MORGAN GROUP	MG	SP
MERCURY AIR	MAX		MERCFUEL	MK	CO/SP
METHODE ELECTRONICS	METHA	02/23/00	STRATOS LIGHTWAVE	STLW	CO/SP
NATIONAL DATA	NDC	12/21/99	GLOBAL PAYMENTS	GPN	SP
NATIONAL SERVICE INDUSTRIES	NSI	06/28/01	LIGHTING & EQUIPMENT	Delayed	SP
NEC	6701 JP		NETWORK CHIP BUSINESS		SP
NEXTEL COMMUNICATIONS	NXTL	08/18/00	NEXTEL INTERNATIONAL	NXTI	CO
<b>NOVO NORDISK</b>	<b>NVO</b>	<b>09/10/01</b>	<b>ZYMOGENETICS</b>	<b>ZGEN</b>	<b>CO</b>
NOVELL	NOVL	02/02/01	VOLERA		SP
XCEL ENERGY	XEL	03/29/00	NRG ENERGY	NRG	CO
PHARMACIA	PHA	08/30/00	MONSANTO	MON	CO
PITNEY BOWES	PBI	12/11/00	OFFICE SOLUTIONS		SP
QUALCOMM	QCOM	07/25/00	SEMICONDUCTOR BUSINESS		SP
RELIANT ENERGY	REI	07/27/00	RELIANT RESOURCES	RRI	CO/SP
REUTERS GROUP PLC	RTR LN	02/08/01	INSTINET GROUP	INET	CO
RPC	RES	01/14/00	MARINE PRODUCTS	MPX	SP
ROCKWELL INTERNATIONAL	ROK	12/08/00	ROCKWELL COLLINS	COL	SP
SARA LEE	SLE	05/30/00	COACH	COH	SPLIT
SONY	SNE	12/06/00	INTERNET UNIT		TR
SOUTHERN COMPANY	SO	04/17/00	MIRANT	MIR	CO/SP
SPHERION	SFN	01/00/01	MICHAEL PAGE INTERNATIONAL	MPI LN	IPO
SPX CORP.	SPW	06/05/00	INRANGE TECHNOLOGIES	INRG	CO
ST. JOE COMPANY	JOE	10/27/99	FLORIDA EAST COAST IND.	FLA	SP
STARBUCKS	SBUX	03/14/01	STARBUCKS JAPAN	2712 JP	CO
SULZER AG	SUN VX		SULZER MEDICA	SMEN SW	SP
TELEFÓNICA	TEF	11/22/00	TELEFÓNICA MÓVILES	TEM	CO
THERMO ELECTRON	TMO	01/31/00	THERMO FIBERTEK	TFT	CO/SP
THERMO ELECTRON	TMO	01/31/00	VIASYS HEALTHCARE	VSS	SP
TITAN CORP	TTN	08/14/00	SUREBEAM	SURE	CO/SP
TV AZTECA	TZA	11/15/00	UNEFON WIRELESS		CO
ULTRAMAR DIAMOND SHAMROCK	UDS	08/14/00	SHAMROCK LOGISTICS	UDL	CO
UNITED PAN-EUROPE	UPCOY	12/ /00	UPC GERMANY		CO
USX – MARATHON OIL GROUP	MRO	04/24/01	USX-US STEEL GROUP	X	TR-SP
UTILICORP UNITED	UCU	12/22/00	AQUILA	ILA	CO/SP
VERIZON COMM.	VZ	04/10/00	GENUITY	GENU	CO
WESTERN RESOURCES	WR	03/29/00	WESTAR ENERGY		SP

{SP} Spin-Off                      {CO} Carve-out                      {TR} Tracking                      {SPLIT} Split-Off

## Calendar Highlights

Price (10/10/01):	\$27.95	<b>Listed</b>			<b>Date</b>	<b>Tax</b>		
Shares Out.	624 M	<b>Parent</b>	<b>Symbol</b>	<b>Options</b>	<b>Spin-Off</b>	<b>Announced</b>	<b>Exempt</b>	<b>Ratio</b>
Market Cap	\$17.5 B	Conoco	COC					
<p><b>Conoco to Collapse Two Class Stock Structure</b></p> <p>Oct. 8, Conoco (NYSE:COC) announced that it has completed the combination of its Class A and Class B common stock into a single class of new common stock, which began trading on the New York Stock Exchange Monday October 8, under the symbol COC. As a result of the combination, each outstanding share of Class A and Class B common stock has been converted into one share of a new class of common stock. The Class A and Class B common stock will no longer be traded. Shareholders approved the combination at Conoco's special meeting on Sept. 21, 2001. Stockholders do not need to send in their stock certificates or take any other action in connection with the combination. All shares of Class A and Class B common stock have been automatically converted into shares of new common stock, and certificates representing shares of Class A and Class B common stock now represent an equal number of shares of new common stock.</p> <p>Formerly a unit of chemical giant DuPont, the integrated oil company explores for oil and gas in 20 countries. It has proved reserves of about 3.7 billion barrels of oil equivalent in Europe, Southeast Asia, and the Americas; it gained reserves of more than 1 billion barrels of oil equivalent in 2001 by buying Gulf Canada Resources. Conoco runs about 6,000 miles of US pipeline and owns or has stakes in nine refineries in the US, Europe, and Asia. The company operates more than 7,000 gas stations in the US, Europe, and Thailand. Its power division also markets and trades electricity and gas and develops and builds power plants.</p>								

Price (10/10/01):	\$17.99	<b>Listed</b>			<b>Date</b>	<b>Spin-Off</b>	<b>Tax</b>		
Shares Out.	54.7 M	<b>Parent</b>	<b>Symbol</b>	<b>Options</b>	<b>Spin-Off</b>	<b>Announced</b>	<b>Date</b>	<b>Exempt</b>	<b>Ratio</b>
Market Cap	\$984 M	Continental	CAL		ExpressJet				
<p>In the wake of the terrorists attacks on the US, Continental Airlines (NYSE: CAL) announced that it will no longer proceed with the IPO of ExpressJet. ExpressJet is the commuter carrier that CAL owns. Originally, CAL wanted to sell 18.75 million shares of ExpressJet in the \$15-\$17 price range.</p> <p><b>Canceled</b></p> <p>On September 15, CAL announced that it will reduce its long-term flight schedule by approximately 20 percent on a systemwide available seat mile basis, and will be forced to furlough approximately 12,000 employees in connection with this reduction. The company is taking these actions in direct response to the current and anticipated adverse effects on the demand for air travel that the terrorist attacks on the US and the operational and financial costs of increased security requirements. Before the attacks, CAL flew over 2,500 flights per day.</p> <p>The federal government arranged for a \$5 billion aid package to help the struggling industry. Already facing losses before last month, the terrorist attacks have pushed the industry deficit to a projected \$10 billion. The entire industry has announced job cuts after the attacks.</p>									

## Calendar Highlights

Price (10/10/01): \$40.80  Shares Out. 527.5 M Market Cap \$21.5 B	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%;">Parent</th> <th style="width: 15%;">Symbol</th> <th style="width: 15%;">Spin-Off</th> <th style="width: 15%;">Symbol</th> <th style="width: 10%;">Date Announced</th> <th style="width: 10%;">Spin-Off Date</th> <th style="width: 10%;">Tax Exempt</th> <th style="width: 5%;">Ratio</th> </tr> </thead> <tbody> <tr> <td></td> <td>Hoffman LaRoche</td> <td>RDG VX</td> <td>Genentech</td> <td>DNA</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>On October 11, Genentech reported that its third quarter earnings per share increased 25% from the year ago period (and up 5% sequentially) thanks to stronger than expected sales from two key drugs. Total revenues came in at \$556 million, up 24% compared to \$447 million in the same quarter a year ago. Product sales were \$449 million, up 34% year over year (up 9% sequentially). The company reported pro forma net income of \$105 million, or 20 cents a share (one cent better than expected), versus \$86 million, or 16 cents a share, in the same period a year ago. The main driver behind Genentech was Rituxan, its cancer treatment drug. Sales of Rituxan, which treats non-hodgkins' lymphoma, increased to \$212.8 million from \$117.9 million, an 80% gain quarter over quarter. Third quarter sales of Herceptin, the company's breast cancer treatment drug, totaled \$83.9 million, a 16% increase quarter over quarter. For the full year, Genentech is expected to earn about \$0.75.</p> <p>Genentech (NYSE: DNA) is one of the world's top biotech firms. More than 70% of sales come from nine products, including Rituxan (a non-Hodgkins lymphoma drug), Activase (post-heart attack treatment), Nutropin and Protropin (human growth hormones), and breast cancer treatment Herceptin. The company has an asthma product awaiting regulatory approval and other drugs in clinical development. Genentech earns royalties for hepatitis B vaccines, human and bovine growth hormones, and other products licensed to major drug companies. Genentech's foreign sales are handled by Hoffman-La Roche, whose parent Roche Holding also owns 58% of Genentech. Hoffman-LaRoche carved out Genentech on July 20, 1999 when it sold 20 million shares at \$97 (raising \$1.94 billion). With 527 million shares outstanding, Genentech is currently valued at \$23.7 billion.</p>		Parent	Symbol	Spin-Off	Symbol	Date Announced	Spin-Off Date	Tax Exempt	Ratio		Hoffman LaRoche	RDG VX	Genentech	DNA				
	Parent	Symbol	Spin-Off	Symbol	Date Announced	Spin-Off Date	Tax Exempt	Ratio											
	Hoffman LaRoche	RDG VX	Genentech	DNA															
Price (10/10/01): \$19.75  Shares Out. 41.20 M Market Cap \$813 M	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%;">Parent</th> <th style="width: 15%;">Listed Symbol</th> <th style="width: 15%;">Options</th> <th style="width: 15%;">Spin-Off</th> <th style="width: 10%;">Date Announced</th> <th style="width: 10%;">Tax Exempt</th> <th style="width: 5%;">Ratio</th> </tr> </thead> <tbody> <tr> <td></td> <td>National Service</td> <td>NSI</td> <td></td> <td>Lighting Equipment &amp; Chemical</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>On October 9, National Service Industries (NYSE: NSI) announced the postponement of the spin-off of its lighting equipment and chemical business pending the selection of a replacement for Robert Jepson, who withdrew his name as the future CEO of the post-spin NSI, which will consist of the textile rental and envelope business. NSI originally set October 31, 2001 as the target date to complete the spin-off. Mr. Jepson withdrew from consideration given the weak economic environment would limit his ability to manage the companies. The company expects to complete the spin-off as soon as possible, pending the selection of a new management team for the post-spin NSI.</p> <p>National Service Industries, Inc. is a diversified service and manufacturing company that operates in the lighting equipment, chemicals, textile, rental, and envelopes industries. The Company manufactures lighting fixtures, specialty chemicals, and custom envelope and office products. National Service also rents linen supplies.</p> <div style="text-align: right; font-size: 2em; font-weight: bold; margin-top: 20px;">Delayed</div>		Parent	Listed Symbol	Options	Spin-Off	Date Announced	Tax Exempt	Ratio		National Service	NSI		Lighting Equipment & Chemical					
	Parent	Listed Symbol	Options	Spin-Off	Date Announced	Tax Exempt	Ratio												
	National Service	NSI		Lighting Equipment & Chemical															

## Calendar Highlights

Price (10/10/01):	\$27.56	<b>Listed</b>			<b>Date</b>	<b>Tax</b>			
Shares Out.	290 M	<b>Parent</b>	<b>Symbol</b>	<b>Options</b>	<b>Spin-Off</b>	<b>Symbol</b>	<b>An- nounced</b>	<b>Exempt</b>	<b>Ratio</b>
Market Cap	\$8.0 B	Reliant Energy	REI	Y	Reliant Resources	RRI			
Price (10/10/01):	\$17.81	<p>On October 10, Industrial Information Resources, Inc. issued an advisory announcing that Reliant Resources, Inc. (NYSE: RRI) is merging with Orion Power Holdings, Inc. (NYSE: ORN) of Baltimore, MD. The merger will increase RRI's generating capacity that the company operates, has under construction, or has in advanced development from 14,100 mega-watts (MW) to 20,600MW. This will also change the type of generation to more equal portions. Currently, Reliant generation has a fuel mix of 52% natural gas, 29% dual fuel (natural gas/oil), 14% coal, 4% oil and 1% hydro. When the acquisition is complete, the new mix will be 47% natural gas, 27% dual fuel, 21% coal, 3% hydro &amp; 2% oil.</p> <p>Reliant has an additional 3,500MW of generation capacity in Europe and will have the option to absorb another 14,000MW of capacity currently held by a regulated division of Reliant when deregulation comes to Texas, potentially increasing generation capacity over 30,000MW. Reliant Energy (NYSE: REI) owns about 80% of RRI. Orion owns and operates power plants and sells electricity and electricity-related products and services to utilities, municipalities, cooperatives, and retail aggregators.</p>							
Shares Out.	298 M								
Market Cap	\$5.3 B								

Price (10/10/01):	E50.30	<b>Listed</b>			<b>Date</b>	<b>Spin-Off</b>	<b>Tax</b>		
Shares Out.	1.09 B	<b>Parent</b>	<b>Symbol</b>	<b>Options</b>	<b>Spin-Off</b>	<b>Announced</b>	<b>Date</b>	<b>Exempt</b>	<b>Ratio</b>
Market Cap	E54.8B	Vivendi Universal	EX FP		Vivendi Environmental				
<h3>Vivendi Environmental ADR's begin NYSE trading</h3> <p>Vivendi Environment's American depositary receipts started trading on the New York Stock Exchange on October 5. The company is a unit of entertainment giant Vivendi Universal. Vivendi Environment, a Paris-based provider of water, waste management, transportation and energy services, trades under the ticker symbol "VE". In Paris, shares of Vivendi Environment fell 36 cents to \$42.70. Shares opened on the New York Stock Exchange at \$39 and rose to \$39.04 at close. Vivendi Environment is offering 100 million ADRs, representing an equal number of Vivendi Environment ordinary shares in Paris. Since its IPO in Paris in July 2000, the stock has gained about 25 percent.</p> <p><b>Vivendi Universal (NYSE: V)</b>, the entertainment conglomerate, counts the U.S. as its second-largest market, with nearly \$6 billion in sales and 45,000 employees here. In 2000 Vivendi bought Canada's Seagram (owner of Universal Music Group and Universal Studios) and the 51% of European pay-TV provider CANAL + (which reaches about 15 million subscribers) that it didn't already own. The firm also owns publisher Vivendi Universal Publishing (formerly Havas), telecom provider Cegetel, 42% of USA Networks, and <b>63% of Vivendi Environment (the world's #1 water distributor), which offers water and waste management services, produces electric power, and provides road and rail transportation.</b> It is selling the Seagram drinks business and most of its construction and real estate holdings. Vivendi Environment has 215,000 employees in more than 100 countries around the world and 2000 revenues of \$25 billion</p>									

## Fresh Spin-Off Situations

### SatCon Distributes Beacon Power

SatCon Technology Corp. (NASDAQ: SATC) distributed 5 million shares of common stock of Beacon Power Corp. (NASDAQ: BCON) that SatCon held in a pro rata distribution to its stockholders. Before the spin-off, SatCon owned 9.7 million shares of Beacon common stock. After the distribution, SatCon owns 4.7 million shares or about 11% of Beacon's common stock. SatCon also owns a warrant to purchase 173,704 shares of Beacon Power's common stock at an exercise price of \$1.25 per share. The record and distribution dates for the transaction were September 24 and September 28, respectively. SatCon began to trade ex-dividend on October 1. After the spin-off, SatCon's and Beacon's strategic supply relationship will continue. Additionally, SatCon's president and CEO will remain on Beacon's Board of Directors.

For US federal tax purposes, the distribution will be treated as a **taxable distribution** for SatCon and its stockholders. Based on the fair market value of the Beacon stock at the time of distribution (\$1.52 per share), SatCon expects that its operating loss for its fiscal year ending September 30, 2001, will be sufficient to offset the entire amount of the tax that SatCon incurred as a result of the distribution. With 42.7 million shares outstanding, Beacon has a market capitalization of \$49.15 million.

**SatCon Technology Corporation** designs, develops, and manufactures electronics products and a variety of standard and custom electric motors to suit specific applications, for businesses and consumers. SatCon also develops flywheel energy storage devices, and integrated suspension and motor system that convert, condition, store and manage uninterruptible power. The company has three business units: SatCon Power Sys-

tems, SatCon Semiconductor Products, and SatCon Applied Technology. SatCon Power Systems manufactures and sells power systems for distributed power generation, power quality and factory automation. SatCon Semiconductor Products manufactures and sells power chip components, power switches, RF devices, amplifiers, telecommunications electronics and hybrid microcircuits for industrial, medical and aerospace applications. SatCon Applied Technology develops advanced technology in digital power electronics, high-efficiency machines and control systems with the strategy of transitioning those technologies into commercial products. After spinning-off 5 million shares of Beacon Power, SatCon will retain 4.7 million shares. Each share of SatCon will have \$0.32 of Beacon embedded in it. This implies that the SatCon stub is \$3.91 per share.

**Beacon Power Corporation** designs and develops energy storage systems. The company's flywheel energy storage systems provide uninterruptible electric power for communications networks, computers, industrial manufacturing, and other generation applications. Beacon Power's flywheel systems draw electrical energy from a power source, such as an electric grid or fuel cell, and store it. It can then be delivered as needed when a primary energy source either fails or is disrupted. The flywheel system offers longer life and is friendlier to the environment than acid battery back-up products.

#### SatCon Technology Corp (NASDAQ: SATC)

Price (10/8/01)	\$4.23	Debt to Capital	0.09%
52 Week Range	\$35.50 – 4.00	Book / Share	\$3.62
Shares Outstanding	16.54 M	Dividend / Yield	\$0.00 / 0%
Market Capitalization	69.96 M	Fiscal Year	September
TTM Sales / Share	\$2.54	FY 02 EPS, P/E	(\$0.60), --x

## Fresh Spin-Off Situations

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### SeraCare Distributes SeraCare Life Sciences

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On September 25, SeraCare Inc. (Bloomberg: SRK) enacted a merger/spin-off where SeraCare spun-off SeraCare Life Sciences to its existing stockholders then merged with a subsidiary of Instituto Grifols, a privately-owned Spanish company. In the spin-off, shareholders of SeraCare received 2 shares of SeraCare Life Sciences common stock for every 5 shares of SeraCare common stock owned. Currently, SeraCare has no direct interest in Life Sciences. SeraCare Life Sciences will trade under the symbol "SRLS" on the OTC Bulletin Board. SRLS has about 5.4 million shares outstanding. Each share has one vote per share.

**SeraCare Life Sciences** manufactures plasma-based diagnostic products and distributes therapeutic products. The company's primary focus is on the sale of plasma-based therapeutic, cell-culture and diagnostic products to domestic and international customers. Many of the company's plasma products are used in the manufacture of diagnostic products to diagnose certain diseases. The company is dependent on strategic alliances with third parties for the development of some of its products. SRLS has entered alliances with Instituto Grifols (for human serum albumin), with Proliant (for bovine serum albumin) and with Quest Diagnostics (for disease state plasma).

Product sectors in which SRLS competes are source plasma, specialty and non-specialty anti-bodies found in source plasma and other specialty biologic components. Currently, most of the company's products are made from source plasma. Plasma derived products can be divided into two groups: **therapeutic** (injectable into humans) and **diagnostic** (non-injectable into humans). Therapeutic products are used as excipients in the manufacture of vaccines. Some of SeraCare Life Science's therapeutic products include normal serum albumin and plasma protein fraction (used to keep vessel walls from collapsing following major injury), immune globulins (strengthen the immune system to fight off diseases), antihemophilic factors, and Rh immune globulins (prevents the incompatibilities between the blood of a fetus and mother). The company's diagnostic products include blood grouping and typing re-

agents (used to match donor blood with recipient), laboratory control reagents (laboratories use them to assure the quality of their tests), and special test kit reagents (used to test the presence of particular antibodies). Diagnostic products also include non-human blood products that are for cell culture, research, manufacturing or in vitro diagnostic use only. Cell culture products are media to grow cells for recombinant protein, monoclonal antibodies, and research and laboratory use. Specialty plasma can be for therapeutic or diagnostic purposes. Generally, specialty plasma contains high concentrations of specific antibodies and is used primarily to manufacture immune globulin therapeutic products that bolster the immunity of patients to fight a particular infection to treat certain immune system disorders.

Life Sciences competes against fractionators, specialty plasma collection companies, and distributors of plasma products. The company's primary competitors include Serological Corp, NABI, and Boston Biomedica. For the year ended February 28, 2001, the company had revenues of \$19.6 million, an increase of \$3.4 million (21%) over the prior year. Net income for February 2001 was \$2.2 million, an increase of \$1.3 million (152%). The company did experience negative operating cash during the year, largely attributed to a sizable increase in inventory. This increase was the result of company's shifting from bulk plasma sales to a more stable and profitable spectrum of products that biotech and bioscience companies use. The company has spent much of fiscal 2001 in assessing product lines and margins so that it may focus on the areas of highest returns. For the three month period ended May 31, 2001, the company's revenues declined when compared to the three month period ending May 31, 2000 from \$3.8 million to \$3.2 million (18% decrease). Net income for three months ending May 2001 was \$379 thousand, an increase of \$48 thousand (15%). Three customers accounted for 49% of the company's net sales in 2001. Additionally, sales internationally represented about 42% of the company's sales in 2001. Life Sciences does not anticipate paying a dividend in the foreseeable future.

**Life Science Industry**

Products in the life science industry are divided into three categories: **therapeutic, diagnostic and cell culture**. Therapeutic products are used for the treatment or prevention of disease conditions, and include products consisting of specialty antibodies, non-specialty antibodies and source plasma. Diagnostic products are used to diagnose specific patient conditions, including infectious disease and blood type, and include products consisting of antibodies that are used to determine blood type or screen for a specific disease. This segment includes non-human derived blood products for cell culture, research, manufacturing or in vitro diagnostic use. The blood resource industry is one of the most heavily regulated in the US. Federal, state, local and international regulators are designed to protect the health of donors as well as the integrity of products. Generally, blood products and in vitro diagnostic products may not be marketed in the US unless they are subject to Food & Drug Administration (FDA) approval. Obtaining this approval is time consuming, expensive and uncertain.

Antibodies are proteins that B cells produce and are designed to control the immune response to extracellular fluids. B cells develop in the bone marrow and are responsible for immunity in the intercellular fluids. Plasma is the liquid part of blood and is collected through a procedure similar to giving blood. The plasma is separated from the rest of the blood at the time of the donation. The process of collecting plasma is called plasmapheresis. Source plasma is the cornerstone for most therapeutic and diagnostic products. The availability of plasma affects the ability to produce therapeutic and diagnostic products Cell culture products are media used to grow cells for a variety of reasons including antibodies.

The demand for plasma products depends in large part on the number and uses of products that require plasma components for their manufacture or production. The supply of plasma has become more constrained recently, mostly because of more rigorous screening procedures required by regulatory authorities and manufacturers of plasma-based products to detect the presence of disease causing organisms. These safety procedures have disqualified a portion of the potential donor population.

## Announced Spin-Off Situations

### Goodrich to Spin-Off Engineered Industrial Products

Goodrich Corp (NYSE: GR), the largest US maker of aircraft landing gear, plans to spin-off its division that makes seals, compressors and bearings. This will separate Goodrich from the unit's asbestos liability. Goodrich expects the spin-off to be tax-free and to complete it early next year. Shareholders will get one share of the new company for every five Goodrich shares they own. Additionally, the spin-off will complete the former tiremaker's transition to an aerospace company. In November 2000, the company sold its chemical business to AEA Investors Inc. for \$1.4 billion.

Currently, Goodrich classifies its operations into two segments: BFGoodrich Aerospace ("Aerospace") and BFGoodrich Engineered Industrial Products ("Engineered Industrial Products"). Aerospace accounted for 84% (\$3.7 billion) of the company's sales; engineered products accounted for 16% (\$690 million). Aerospace consists of four business groups: Aerostructures and Aviation Services; Landing Systems; Engine and Safety Systems; and Electronic Systems. They serve commercial, military, regional, business and general aviation markets. Aerospace's major products are aircraft engine nacelle and pylon systems; aircraft landing gear and wheels and brakes; sensors and sensor-based systems; fuel measurement and management systems; flight attendant and cockpit seats; aircraft evacuation slides and rafts; ice protection systems, and collision warning systems. Aerospace also provides maintenance, repair and overhaul services on commercial airframes and components. Boeing and Airbus accounted for 17% and 11%, respectively, of Goodrich's 2000 sales. Engineered Industrial Products is a single business group. This group manufactures industrial seals; gaskets; packing products; self-lubricating bearings; diesel, gas and dual-fuel engines; air compressors; spray nozzles and vacuum pumps.

Spinning off the industrial products unit relieves Goodrich of all current and future asbestos-related liability. According to a recent regulatory filing, Goodrich has paid \$47.4 million in asbestos claims this year. Other companies (USG Corp., Owens Corning, WR Grace & Co. and Armstrong World Industries Inc.) filed for bankruptcy protection from creditors because of exposure to asbestos liability. At least 25 companies filed for bankruptcy protection since the early 1980s to force settlement of asbestos-related lawsuits and shield themselves from new claims. As of June 30, Garlock, a Goodrich subsidiary, had used about \$216 million of its available \$965 million in asbestos insurance.

Asbestos is an incombustible fibrous mineral that was used for fireproofing and electrical insulation. The new company's exposure to asbestos claims will be inherited from Goodrich's Garlock and Anchor Packaging units. Garlock and Anchor Packaging made sealing products that contained asbestos used to seal pipes and tanks. The mineral has been linked to a type of lung cancer and other ailments that can surface years after exposure.

The new company will also make engines for naval ships, trains and electric power plants. It will compete against Gardner Denver and Ingersoll-Rand in the compressor business, Caterpillar in making engines, Smiths Industries Plc and Klinger's Oilfield Services in the sealing business, and Federal-Mogul Corp in sales of wheel systems. Management expects the company, that Goodrich acquired in 1999 as part of a purchase of Coltec Industries, to have 2002 sales of about \$800 million.

#### Goodrich Corporation (NYSE: GR)

Price	\$19.00	Return on Equity	25.87%
52 Week Range	\$44.50 – 15.91	Book / Share	\$14.24
Shares Outstanding	104.117 M	Dividend / Yield	\$1.10 / 5.79%
Market Capitalization	\$1.978 B	Debt to Capital	60.68%
TTM Sales / Share	\$44.44	FY 12/01 EPS, P/E	\$3.18, 6x

## Announced Spin-Off Situations

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### NovoNordisk to Carve-Out ZymoGenetics

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On September 10, Novo Nordisk (NYSE: NVO-ADR, Bloomberg: NOVOB DC) announced that ZymoGenetics, Inc. has filed for a proposed initial public offering of its common stock. On a fully diluted basis Novo Nordisk holds approximately 47% of the total equity of ZymoGenetics. ZymoGenetics proposed symbol is "ZGEN" and will list on the NASDAQ. The number of shares and offering price have yet to be announced although **ZymoGenetics indicated on its S-1 that it expects to raise \$180 million.**

ZymoGenetics is focused on the discovery, development and commercialization of therapeutic proteins for the treatment of human disease. They have been active in the area of therapeutic proteins for 20 years, including 12 years as a subsidiary of Novo Nordisk, one of the world's largest producers of therapeutic proteins. ZymoGenetics contributed to the discovery or development of five marketed recombinant protein products with aggregate sales in 2000 of over \$2 billion, representing approximately 9% of the \$23 billion market for therapeutic protein-based products. These products are Novolin(R) and NovoRapid(R) (insulin), NovoSeven(R) (Factor VIIa) and GlucaGen(R) (glucagon), marketed by Novo Nordisk, Regranex(R) (platelet-derived growth factor), marketed by Ortho-McNeil Pharmaceuticals, a Johnson & Johnson company, and Cleactor(TM) (tPA analog), marketed by Eisai Ltd.

ZymoGenetics built a core focus on protein chemistry and molecular and cellular biology. More recently, developing an advanced bioinformatics program that now represents the foundation of its discovery efforts. ZymoGenetics was early to recognize the opportunity of genomics and were a pioneer in the use of bioinformatics tools to mine genomic databases. Revenue generated in 2000 was \$32 million and revenues decreased by \$10.4 million, from \$18.9 million in the first six months of 2000 to \$8.5 million in the first six months of 2001. This difference was due primarily to a one-time royalty payment of \$15.2 million from Novo Nordisk made last year.

#### About Novo Nordisk

Novo Nordisk makes and sells various health care products, though diabetes-related products are its chief activity. Revenues are derived from three main divisions in which health care represents of 70%. Novo Nordisk produces injection and monitoring systems for diabetes care, as well as oral diabetes treatment NovoNorm (Prandin in the US). The company also provides diabetes education and training products and services under the name NovoCare. Other core areas include women's hormone-replacement products (most, like Activellev, treating menopause), human growth hormones (Norditropin SimpleXx is used to treat growth hormone deficiency in children and adults), and hemophilia treatments (such as NovoSeven, which acts as a blood-clotting agent).

Novo Nordisk trades on the NYSE under the ADR symbol "NVO". One ADR represents one class B share. Novo Nordisk has about 323 million ADR's with a market cap of \$16 billion. Novo Nordisk effected a significant restructuring in November 2000. As part of this restructuring, ZymoGenetics became an independent company in a transaction that included a \$150 million private placement (Series B shares) and the reduction of Novo Nordisk's ownership to approximately 62% of their outstanding capital stock and less than 50% of their outstanding voting stock. In connection with their separation from Novo Nordisk, they entered into an agreement that provides Novo Nordisk the option to license certain rights to a limited number of proteins in exchange for annual payments as well as up-front, milestone and other payments once an option is exercised. To date, Novo Nordisk has exercised options to license three proteins outside North America pursuant to this agreement. ZymoGenetics will continue to actively collaborate with Novo Nordisk on various projects. However, ZymoGenetics independent status provides them with the opportunity to develop a broad portfolio of therapeutic protein-based products either independently or in collaboration with other companies.

## Announced Foreign Spin-Off Situations

### Kinnevik Sheds Transcom WorldWide

Industriforvaltnings AB Kinnevik (Bloomberg: KINVA SS, KINVB SS) spun-off its Transcom WorldWide division to its shareholders. Each class A share in Industriforvaltnings AB Kinnevik entitled its owner to one A share in Transcom WorldWide S.A. Each B share in Industriforvaltnings AB Kinnevik entitled its owner to 0.65 B share and 0.35 A share in Transcom WorldWide S.A. Transcom WorldWide will be listed on Stockholmborsen's O-list under the symbols TWWA and TWWB and on the NASDAQ National Market in New York as TRCMA and TRCMB. The record date of Transcom WorldWide shares was September 4th, 2001. Trading in Transcom WorldWide S.A. shares began on the NASDAQ and Stockholmborsen's O-list on September 6, 2001.

Transcom WorldWide (Bloomberg: TWWA SS, TWWB SS), with headquarters in Luxembourg, handles Customer Relationship Management (CRM) solutions for companies in various industries like e-commerce, telecommunication, travel & tourism, retail, finance and energy. Transcom WorldWide offers clients a broad array of relationship management services, including inbound and outbound calls, Interactive Voice Response, Internet Services, e-mail processing and broadcast fax. Client programs are tailor made and range from single applications to complex programs, which are offered both on a domestic and international basis in 37 languages. The company operates a total of 26 call centers, is present in Austria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Luxembourg, Morocco, the Netherlands, Norway, Spain, Sweden and Switzerland. The company's class

A shares have 10 votes and trade at about SEK 8.90; the class B shares have 1 vote and trade at SEK 9.5. This gives the company a market capitalization of SEK 578.8 million (\$54.6 million).

Industriforvaltnings AB Kinnevik, through subsidiaries and affiliates, operates packaging materials, telecommunications, agricultural, customer relations, and financial management businesses. The company is not new to spinning-off businesses. Kinnevik distributed shares in NetCom Systems to shareholders in May 1996 and shares of Modern Times Group MTG in September 1997. With its holding company structure, Kinnevik could still spin-off some its remaining businesses as well. For the year ended December 2000, the company had revenues of SEK 7,019 million, an increase of SEK 792 million (13%). Net income for the year increased to SEK 8,777 million, from SEK 518 in 1999. The increase in net income was largely attributed to income from corporate development, where Kinnevik acquired all of Societe Europeenne de Communication SA, a fast growing European telecom provider. The company generated positive cash flows from operations. In 2000, operating cash flow was SEK 486 million. This compares to a negative SEK 1,039 million in 1999. Kinnevik's has two classes of stock. There are 15 million class A shares outstanding. These have 10 votes per share and trade at SEK 123. The company has 47.8 million class B shares. The class B shares have 1 vote per share and trade at SEK 149. This gives the company a market capitalization of SEK 8.98 billion. The company's ADRs trade on the NASDAQ under the symbols KVIKA and KVIKB.

#### Industriforvaltnings AB Kinnevik (Bloomberg: KINVA SS, KINVB SS)

Price	SEK 120	Debt to Capital	35.32%
52 Week Range	SEK 215.26 – 105	Book / Share	SEK 234.61
Shares Outstanding	15.124 M	Dividend / Yield	SEK 1.00 / 0.83%
Market Capitalization	SEK 1.8 B	TTM Sales / Share	SEK 109.15

## Fresh Foreign Spin-Off Situation

### Starbucks Japan Starts Trading on Nasdaq Japan

Starbucks Japan listed on the Nasdaq Japan market (Bloomberg: 2712 JP) on October 10 to raise funds that it would use to expand its operations in Japan. The Japanese unit of the US-based specialty coffee chain operator offered 280,000 shares (220,000 new and 30,000 each from Starbucks and SAZABY) on the NASDAQ Japan market raising ¥17.9bn (\$149 m). Goldman Sachs was the lead manager of the IPO. The offer priced at 64,000 yen (about \$533 a share), and closed at 70,000 yen on October 10. With 1.42 million shares outstanding, the implied market value (based on the IPO price) for Starbucks Japan is about \$756 million. The carveout represents about 19.7% of the shares outstanding. Post IPO, we estimate that Starbucks Corp (in the U.S.) will own about 40% of Starbucks Japan. SAZABY, their partner in the deal, will retain about 40% and the public will own almost 20%. Starbucks Corp is selling 5% (or 30,000 shares) of their stock in the IPO. This will generate about \$16 million in proceeds that will go directly to Starbucks Corp. Post spin, the ratio of ownership is about 0.001445, suggesting each share of Starbucks Corp (SBUX) will have about \$0.75 of Starbucks Japan embedded. The Starbucks Japan carveout follows on the footsteps of another high-profile brand offering by McDonald's Japan, the largest IPO done this year, which generated strong interest from retail investors.

Starbucks has 286 outlets across the country. The company said it wants a total of 500 outlets in the country by the end of March 2004. As part of its expansion, the company said ¥5.45bn of the capital raised in the IPO would fund new outlets, while the remainder of the capital would be used to pay off debts. Based on last year's net profits, ¥64,000 would

give Starbucks shares an earnings per share multiple of roughly 65 times (for the year ended March). The company posted a profit of 1.4 billion yen versus a loss of 112 million yen a year earlier. Sales more than doubled to 29 billion yen (\$241.8 million). This suggests that the deal is priced at slightly more than 3x sales.

**Starbucks (NASDAQ: SBUX -\$16.96) is the US's #1 specialty coffee retailer.** Starbucks operates nearly 4,600 coffee shops in a variety of locations (office buildings, shopping centers, airport terminals, and supermarkets) in some 20 countries worldwide. Starbucks sells coffee drinks and beans, pastries, and other food items and beverages, as well as mugs, coffeemakers, coffee grinders, and storage containers. The company also sells its beans to restaurants, businesses, airlines, and hotels, and it offers mail-order and online catalogs. Starbucks has expanded into coffee ice cream (with Dreyer's) and makes Frappuccino, a bottled coffee drink (with PepsiCo).

#### Recent Results

Starbucks reported September comps of +1%. Revenues rose 18%. Management reaffirmed the FY01 EPS target of \$0.46, +31%. This implies FYQ4 EPS of \$0.14, +27% and \$0.01 above consensus. In addition management maintained its plans to open over 1,200 worldwide system stores in FY02, +12%. The FYQ4 conference call is on November 15. Starbucks also announced the entrance into Germany through a joint venture with KarstadtQuelle Group, the largest department store & mail order company in Europe. The first store is expected to open in spring 2002.

#### Starbucks Corp (SBUX)

Price (10/8/01)	\$16.97	Revenue FY01	\$2.6 B
52 Week Range	26 – 15	Return on Equity	10.5%
Shares Outstanding	394.4 M	Book Value/Share	\$4.43
Market Value	\$6.7 B	Debt to Capital	36%
Dividend/Yield	None	FY01 Consensus EPS	\$0.46 P/E= 37x
Convertible	No	Fiscal Year	September

## Fresh Foreign Spin-Off Situation

### United Pan-Europe Carves-Out Priority Telecom

On September 27, United Pan-Europe Communications NV (Bloomberg: UPC NA, NASDAQ-ADR: UPCOY) completed the IPO of its Priority Telecom unit. The listing had to be completed by October 1, to prevent UPC from paying a \$200 million payment to shareholders of Cignal Communications, from whom it purchased Priority last year. Priority Telecom trades on the Euronext Amsterdam exchange (Bloomberg: PRIOR NA). The IPO resulted in 15% of Priority Telecom floated with UPC retaining the remaining shares. The listing was controversial given present market conditions, but it was a logical step for UPC given that its market capitalization is only \$186 million. Based on Priority Telecoms current price of €9.85, their market capitalization is €66 million or about one third of UPC. Priority Telecom's float is only about one million shares indicating sponsorship will be negligible by institutions.

Priority Telecom offers voice and data services for about 6,650 business customers. The company has been seeking funding for more than a year. They reported revenues of €180 million in 2000, €59 million in the first quarter of 2001 and €71 million in the second quarter. EBITDA losses at Priority Telecom were €26.8 million for the second quarter. The tough environment that Priority Telecom competes in has taken its toll on competitors such as Viatel (declared bankruptcy in Q2) and Global Telesystems (de-listed from NYSE).

United Pan-Europe Communications (UPC) is Europe's largest cable TV operator with operations in 17 European countries and Israel. UPC's systems pass

almost 14 million homes and provide cable TV to more than 7 million subscribers. Besides upgrading its cable systems, the company is rolling out Eurohits, its satellite-based digital distribution platform, to offer more channels, direct-to-home (DTH) video, and interactive programming. It provides high-speed Internet access via cable modem under the chello brand to some 350,000 subscribers.

UPC shares have come under extreme pressure over the last year as its negative cash flow from operations and increasing debt burden have raised questions about the company's viability. Recently, Liberty Media (NYSE: LMC.A and LMC.B) announced plans to buy about \$1.55 billion of UPC's bonds of UPC, in a move to strengthen Liberty Media's European cable TV operation. Liberty plans to buy back at least 30 percent of each of 13 outstanding debt issues. Liberty intends to gain control of UPC's European cable footprint and will have significant influence in a bankruptcy proceeding should it occur. In addition, Liberty announced last month that it will buy six cable television firms from Deutsche Telekom for \$4.94 billion. It also announced plans to take over United GlobalCom (NASDAQ: UCOMA) last spring, which owns 51% of UPC.

UPC shares have fallen by more than 95% in the past year. Shares that once traded as high as €33.20 have recently hit a one year low of €0.23 per share. To make matters worse it appears that UPC is facing possible expulsion from The Dutch benchmark AEX index because its book value may become negative by year end.

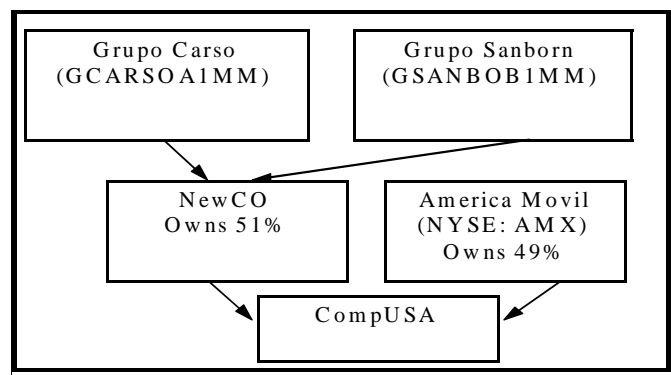
#### United Pan-Europe Communications (Bloomberg: UPC NA, NASDAQ-ADR: UPCOY)

Price (10/10/01)	€0.51	Debt/Total Capital	97%
52 Week Range	€33.20 - €0.23	FY:	December
Shares Outstanding	443 M (Float 205 M)	Book Value	€0.27
Market Value	€226 M	EPS 2001	(€4.95)

## Announced Foreign Spin-Off Situations

### Grupo Carso to Spin-Off CompUSA

On September 4, Grupo Carso, S.A. (Bloomberg: GCARSOA1 MM) and Grupo Sanborns, S.A. (Bloomberg: GSANBOB1 MM) announced that they would spin-off 51% of CompUSA to shareholders in a new holding company. The remaining 49% is owned by America Movil (NYSE: AMX), itself a recent spin-off. The new company will trade on the Mexican Stock Exchange, and start life as a new holding company with the equivalent of US\$200 million and zero debt (however, CompUSA still retains about \$340 million in debt).



#### Grupo Carso

Grupo Carso, owns 79% of Grupo Sanborns, which includes the Sanborns department store chain and an 85% stake in Sears Roebuck de México. Grupo Carso has interests in cigarette maker Cigatam and railway operator Ferrosur, as well as in other retail, industrial, and construction activities. The spin-off has been viewed positive on the street because it will allow transparency in Grupo Carso's Mexican operation that prior to the acquisition of CompUSA was used as a proxy for the Mexican Economy. Grupo Sanborns (and Sanborn) acquired a 14% stake in CompUSA in 1999, and bought the rest of CompUSA in March 2000 for about \$800 million.

#### America Movil

América Móvil is Latin America's top mobile phone company. It was spun-off from Teléfonos de México (Telmex), consisting of Telmex's mobile phone operations and international businesses. America Movil has about 12 million subscribers in 10 countries, its Telcel unit (Mexico's #1 cellular company) accounts for nearly 9 million of its subscribers and most of its sales. América Móvil also holds a 44% stake in Telecom Américas, a consortium with Bell Canada International and Texas-based SBC Communications. Carlos Slim Helú's Carso Global Telecom controls 60% of América Móvil and SBC controls 8%.

America Movile could also benefit from Grupo Carso's decision. America Movil has no strategic reason to retain the stake in CompUSA. The asset was originally folded into America Movil by its former parent Telmex. America Movile has not announced any change in its 49% stake in CompUSA, but it seems logical that they would try to monetize their stake somewhere in the near future.

CompUSA represents about 70% of Grupo Carso's sales or about \$6 billion in annual revenues. CompUSA is a retailer and reseller of personal computers and services, and operates 218 stores in 84 major markets in the US. Comparable companies include Circuit City (NYSE: CC) and Best Buy (NYSE: BBY).

We estimate that the equity value of CompUSA (not the holding company) is worth about \$960 million. CompUSA is expected to generate about \$130 million in EBITDA for 2002 and using there closest comps which trade at about a 10.5 EV/EBITDA, we project a \$960 million equity value for CompUSA ( $130 \times 10.5 = 1300$ ,  $1300 - 340 = 960$ ). We can further breakdown the CompUSA into two values. The new spin-off, which is the holding company for 51% of CompUSA, would be valued at about US\$689 million (\$489 equity plus \$200 million in cash) while the remaining stake controlled by America Movil is worth about \$470 million.

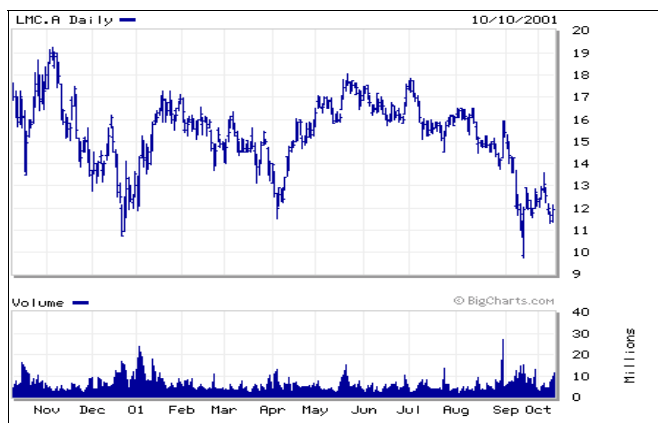
## Potential Spin-Off Situations

### Liberty Media May Create Tracker

In early September, Liberty Media Corp (LMCA: NYSE) disclosed that it might create a separate arm to house its international businesses with its own tracking stock. After three years as a subsidiary of AT&T, which bought Liberty as part of its acquisition of TCI, Liberty has regained its freedom. **Liberty Media was spun-off from AT&T on August 10.** Liberty Media Group (previously a tracking stock) now trades as an asset-backed common stock under the name Liberty Media Corporation. The tickers for the two new classes of stock are now LMCA (for the 2.4 billion lesser voting shares) and LMCB (for the 212 million supervoting shares).

Liberty has assembled a \$28 billion portfolio of public investments that reads like a *Who's Who* of the U.S. media landscape. These include a 4% stake in AOL Time Warner and a 19% holding in News Corp., as well as smaller stakes in Cendant, Viacom, Motorola, and Sprint's Mobile phone division. It's unlisted investments include QVC (42.6% stake), Discovery (the TV group), and Starz Encore, which provides film channels to cable customers in the U.S.

Mr. Malone has made international expansion in cable a top priority. In September, the company announced the definitive purchase of German cable systems from Deutsche Telekom AG for 5.5 billion euros (\$5 billion). The move will make the company the largest cable operator in Europe. Liberty will own stakes in cable systems serving 25 million customers outside the U.S. after pending deals are completed. The company plans to pursue further cable acquisitions that would consolidate the German cable market. Aside from Germany, Liberty's international assets include interests in cable businesses in Japan, the United Kingdom and South America. Liberty Chief Executive Robert Bennett said that the idea of an international company was being actively considered. He noted that a tracking stock could be used to raise cash for acquisitions. Liberty indicated that the tracker (if pursued)



probably would not be publicly traded, but more likely issued to private investors due to the market conditions. They further suggested that the stock could eventually be publicly issued. The company expects to seek shareholder approval for the move.

In the wake of the September 11 terrorist attacks, both Liberty Media and the overall U.S. media group have been under pressure. At the current price level (about \$12), we estimate that Liberty is trading at about a 20% discount to its net asset value. Liberty has declined about 15% since the tragic terrorist attacks. In addition, Liberty actively manages its risk exposure and we believe that the recent market value decline of its largest public holdings has been largely offset by increases in the put-value of their hedging instruments. **We feel the stock is oversold and already reflects a further decline in its public portfolio judging from the large discount from NAV.**

#### NBC Bidding for Telemundo

It was reported on October 8, that General Electric's NBC unit is in heated negotiations to buy Spanish-language television company Telemundo Communications Group from its principal owners, Sony Corp. and Liberty Media Corp., for more than \$2 billion in cash and GE stock. Liberty Media owns 40% of Telemundo. NBC is also offering to assume nearly \$700 million in debt. NBC's bid is reportedly currently larger than the bid from rival Viacom.

### **Liberty Media Launches bid for \$1.5 Billion of UPC Bonds**

On October 9, Liberty Media moved to strengthen his control on United Pan-Europe Communications by launching a tender offer for UPC notes. Liberty is bidding on 13 different classes of UPC's dollar denominated bonds. The offer is conditioned upon receiving at least 30% of either the principal amount or accreted amount in the case of discount notes and will expire Nov 6. Liberty will tender for the bonds through an auction process, which will allow it to pick up bonds for considerably less than their face value of \$1.5 billion. We believe Liberty will spend up to \$250 mill as the bonds are trading on average at \$0.15 on the dollar (with full-face amount of \$1.55 bill). Liberty will either use its current cash position or monetize further Sprint PCS holdings. This sets the stage for a recapitalization of UPC and we believe Liberty's position at the bargaining table is reassured. UPC, a troubled cable operator, has about \$7.4 billion in debt. The company has been pushed to the brink of bankruptcy by the financial constraints of upgrading its cable systems. Liberty already has indirect control via its stake in United Globalcom, the Denver-based parent of UPC. Some sort of financial restructuring appears to be inevitable.

**United Pan-Europe Communications** (NASDAQ: UPCOY-ADR) is Europe's leading cable TV company serves more than 7 million subscribers in 17 European countries and Israel. UPC is installing fiber-optic lines and upgrading its cable networks to provide two-way broadband services such as Internet access (chello), interactive TV, and cable-based telephony, offered through its majority-owned Priority Telecom unit. The company has combined its UPctv programming unit and its stake in SBS Broadcasting, with chello with to create UPC Media. US-based UnitedGlobalCom owns about 55% of UPC; Microsoft owns a 9% stake. Shares of UPC have lost more than 95% of their value in the past 18 months, while the company's bonds have recently

been trading at 15 cents on the dollar.

**UnitedGlobalCom** (NASDAQ: UCOMA) in more than 20 countries. The company operates in Europe (through United Pan-Europe Communications), the Asia/Pacific region (through Austar United Communications), and Latin America (through Chile's VTR Global Com). Its main business is cable TV, which it provides to some 10.6 million subscribers. UnitedGlobalCom also uses its cable lines to provide phone service to about 630,000 subscribers and high-speed Internet access to about 578,000 customers. The company is trading a stake in itself to Liberty Media for Liberty's cable assets in Europe and Latin America. **Liberty Media effectively controls United Global by owning 45% economic interest and 82% voting power.**



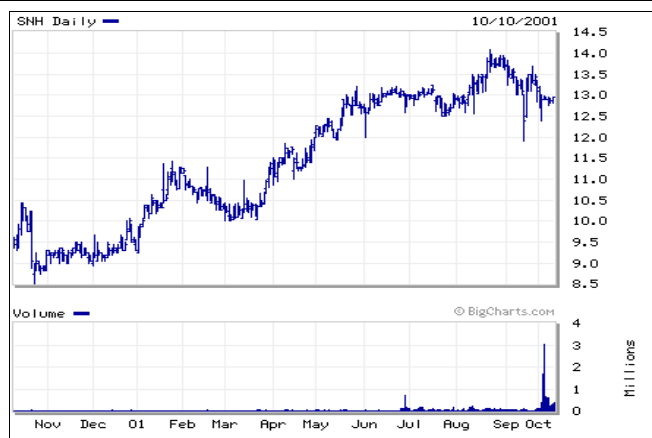
## Potential Spin-Off Situations

### SNH Announces Possible Spin-Off of Subsidiary

On September 21, Five Star Quality Care, Inc., a subsidiary of Senior Housing Properties Trust (NYSE: SNH), a real estate investment trust, announced that it has filed a registration statement for its common shares with the Securities and Exchange Commission. Five Star filed this registration statement in anticipation of future possible actions which include the spin-off of Five Star shares by SNH resulting in Five Star becoming a separately listed public company. Five Star, which will not be a REIT, is expected to lease 56 properties currently owned by SNH and the 31 senior living communities SNH has agreed to acquire from Crestline Capital Corporation (NYSE: CLJ).

**Senior Housing Properties Trust (NYSE: SNH)** is a real estate investment trust (REIT) that deals exclusively in senior living properties. The REIT has over 80 properties in about 25 states which offer housing options for the elderly at various levels of independence. Marriott International's senior living division is the SHPT's largest tenant, but two others -- Integrated Health Services and Mariner Post-Acute Network (which together provided almost half of revenues) -- filed for bankruptcy in 2000. SHPT established a subsidiary to operate most of their nursing homes until new third-party tenants can be found. The company was spun-off from HRPT Properties Trust, which still owns about 45% of SHPT.

HRPT Properties Trust (NYSE:HRP) is a real estate investment trust (REIT). The former Health and Retirement Properties Trust spun-off Senior Housing Properties Trust, and now concentrates on commercial real estate. The REIT owns almost 190 office properties (about 60% in central business districts) in 27 states and Washington, DC; over half are in Massachusetts, Texas, Pennsylvania, and California. Leases to the US government provide over 15% of revenue.



On October 3, Senior Housing Properties Trust (NYSE: SNH) priced a public offering of 13 million common shares of beneficial interest at a price of \$12.90 per share. SNH intends to use the net proceeds of this offering to partially fund the previously announced acquisition of 31 senior living properties (containing 7,478 units) from Crestline Capital Corporation (NYSE: CLJ), for \$600 million (or \$80,000 per unit). The acquisition of the properties from CLJ is subject to various closing conditions and regulatory approvals, but is expected to close in early 2002. The 31 facilities are comprised of about 53% independent living facilities (i.e., senior apartments with common dining areas for relatively healthy seniors), 22% assisted living facilities, and 25% nursing homes. About 90% of the tenants in these facilities are private pay (i.e., SNH is not exposed to adverse changes in Medicare payments).

## Potential Spin-Off Situations

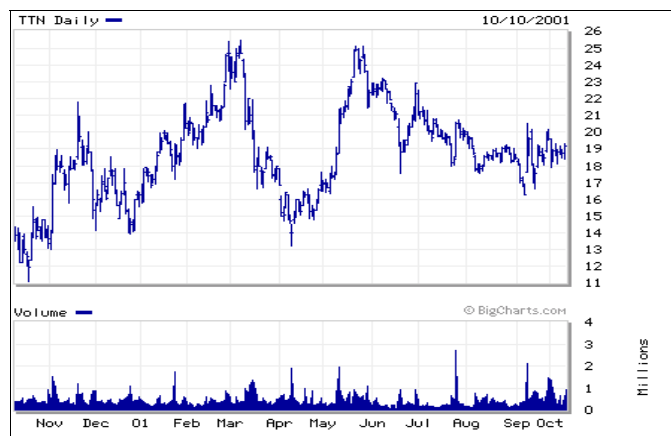
### Titan May Spin-Off Its Defense Unit

Titan Corp. may consider spinning-off its defense unit according to a recent *Business Week* article. The magazine said in its "Inside Wall Street" column, citing Michael Lauer of hedge fund Lancer Management Group LLC. The defense unit is expected to account for about 78% of the company's 2001 forecast sales of \$1.16 billion. Lauer believes that the defense business is worth "\$30 a share on its own". We would point out Mr. Lauer's fund owns about 5% of Titan.

#### Titan Overview

The Titan Corporation (NYSE: TTN) is a leading supplier of satellite communication systems and information technology services. The company provides systems design and engineering services to defense related government agencies. Titan is a technology rich company in the defense, communications and computer markets. TTN is continuously looking to commercialize technologies, which may have been developed for Department of Defense (DOD) applications.

Its Titan Systems unit provides computer and communication systems and related services to the military. This unit is well positioned to benefit from the proposed \$20 billion increase in government spending of surveillance, reconnaissance and intelligence, SRI. Titan Systems currently has a very solid backlog of over \$2.2 billion, which does not include classified contracts. Its Titan Wireless unit produces and installs satellite ground terminals and communication systems, modems, and networking systems. This unit was directly affected by the events of September 11. Titan Wireless has a switch located two blocks from WTC, which is used to route calls into the U.S. phone system. The business impacted could cost \$500,000 of sales in Q301. Titan's Cayenta subsidiary provides application development, consulting, and hosting services. The



company also offers electronic pasteurization systems and services for the food industry through its SureBeam subsidiary. In 2001 the company acquired communication equipment maker Datron Systems (which was folded into Titan Systems).

#### Recent Acquisition

On September 20, Titan announced a definitive agreement to acquire BTG, Inc (NASDAQ: BTGI), a provider of IT solutions and services primarily to the U.S. military and other government agencies for \$13.35 per BTG share or about \$115 million in Titan common stock and \$27 million in cash. BTG has over 400 active contracts. The mix of contracts are 50% time and material, 30% fixed price and 20% cost plus. BTG has an estimated backlog of \$500 million. Potential synergies achieved by combining BTG with Titan Systems (as suggested by Titan's COO) should allow Titan to increase BTG's operating margins (which are currently under 5% versus over 9% for Titan Systems). The purchase price, which includes the assumption of about \$32 million in debt, represents about .68x BTG's calendar 2001 expected sales of \$255 million. The transaction is expected to close by the end of 2001 and to be a few pennies accretive to Titan's earnings in 2002.

**SureBeam Corporation (NASDAQ: SURE)** was carved out in an IPO last spring by Titan Corporation. SureBeam uses an electronic pasteurization process utilizing an electron beam to destroy bacteria such as *E. coli*, salmonella, and listeria in meats and produce. The process also kills fruit flies and other pests. By eliminating microbial activity in food products, electronic pasteurization reduces spoilage and increases shelf life. SureBeam installs its systems as components of customers' production lines, or charges by the pound to process products sent to its service centers. Customers include Huisken Meats, Cargill, Tyson Foods, and Kraft. Titan still controls about 84% of SureBeam. SureBeam went public on March 16, 2001 at \$10 per share, when it offered 6.7 million shares to the public. SureBeam has stated its intention to do a tax-free spin-off of the remaining shares of SureBeam to shareholders with two years of the SureBeam IPO date. **With SureBeam trading at \$4.80 (52% below the IPO price), we believe it is just as likely to be merged back into Titan.** Each share of Titan has 0.7623 shares of SureBeam embedded, or about \$3.65 of SureBeam per Titan share. This means the Titan "stub" is now trading at

\$15.31 versus just \$5.59 on July 10, 2001. The spread has narrowed (as we predicted) almost \$10 in three months.

SureBeam has been on a death spiral since topping out at \$18 at the end of June. The market appears to be concerned with two issues. One concern is the lack of regulatory approval both from APHIS and for irradiation technology and its application to processed meats. Another potential concern is that the \$50 million contract between SureBeam and Saudi Arabia may be delayed. SureBeam is now expected to generate about \$30 million in revenue in 2001 and lose around \$1.30 a share. With 58 million shares outstanding, SureBeam now has a market value of just \$278 million versus \$1.15 billion three months ago.

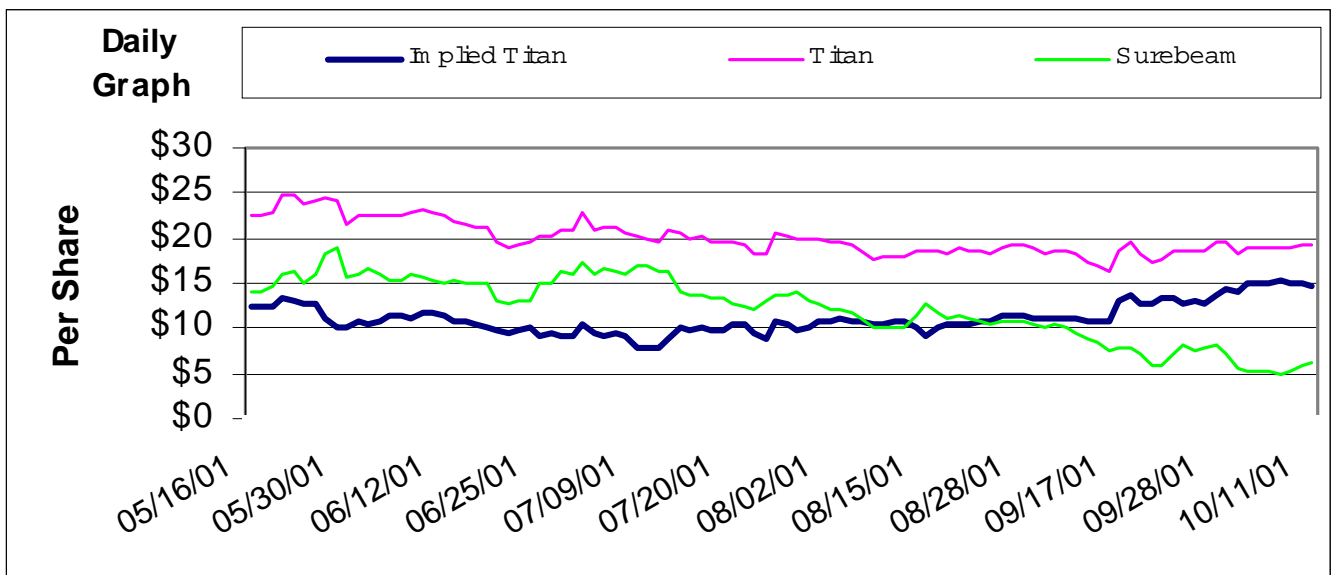


Chart reflects a Secondary Offering by Titan in July of 2001

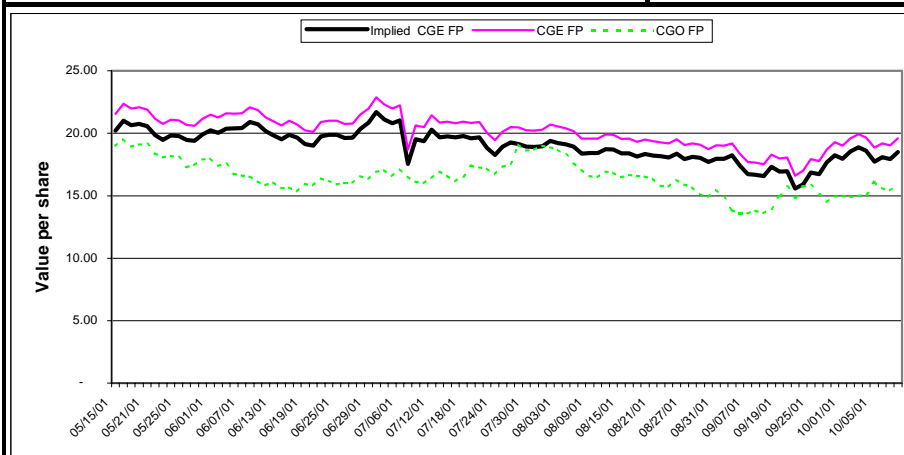
## Potential Spin-Off Watch List

Parent	Symbol	Potential Spin-Off	Report Date
3COM	COMS	CommWorks	Feb-01
Ambassadors International	AMIE	Education Group	May-01
Assicurazione Generali	G IM	Real Estate	August-01
Boeing	BA	Satellite Business	Dec-00
Bright Station	BSTN	4 units	June-00
British Telecom	BTY	Azure	August-01
Canary Wharf Group	CWG LN	Canary Wharf II	April-01
Delphi Automotive	DPH	High Tech supplier business	April-00
Degussa	DGX GR	Dental Unit	June-00
Elcor	ELK	Cybershield	April-00
Enron	ENE	Wind Unit	August-01
Halliburton	HAL	Engineering and Construction	Jan-01
Hilton Group Plc.	HLTGY	Betting and Gambling Business	Mar-00
Invensys Plc.	ISYS LN	Power Systems	November-00
ION Beam	IBAB	Food Safety Unit	June-01
<b>Liberty Media</b>	<b>LMC.A</b>	<b>International Tracker</b>	<b>Oct-01</b>
Kvaerner ASA	KVI NO	Oil & Gas	Feb-01
Matsushita Electric	6991 JP	Information Technology	August-01
Motorola	MOT	Semiconductor Unit	Sept-01
Omnicom Group	OMC	Career Mosaic	Jan-00
Pall Corporation	PLL	Life Sciences Group	June-01
Palm	PALM	Operating Software	August-01
Reuters Group Plc.	RTRSY	Web Security Financial Network	Mar-00
Reynolds and Reynolds	REY	Document Services	May-00
Rohm & Haas	ROH	CMP Slurry Division	March-01
Qwest Communications	Q	CyberSolutions	August-00
<b>Senior Housing</b>	<b>SNH</b>	<b>Five Star Quality</b>	<b>Oct-01</b>
Targeted Genetics	TGEN	Cell Therapy Division	Sept-00
Techtronic Ltd.	TTNDY	Vacuum Cleaner Unit	May-01
Telenor ASA	TELN	Directory Services	Feb-01
<b>Titan</b>	<b>TTN</b>	<b>Defense Operations</b>	<b>Oct-01</b>
United Technologies	UTX	Fuel Cell Division	April-00
U.S. Plastics Lumber	USPL	Environmental Services Unit	Jan-00
USX – Steel	X	Tubular Division	Sept-01
Volt Information Sciences	VOL	Break-Up	Feb-01
Westell Technologies	WSTL	Conference Plus	Jan-00
WorkFlow Management	WORK	iGetSmart	June-00

# Valuation Snapshot

## ALCATEL SA / ALCATEL OPTRONICS

ALCATEL SA (CGE FP)		33-1-40-76-10-10	ALCATEL OPTRONICS (CGO FP)		33-01-64-49-44-39
Current Price (Euros)	13.75		Current Price   01-EPS est.	5.75	E0.4   14.52 X
Shares Out (000)	1,214,503		Shares Out / Float	103,880	
Market Cap (000) (Euros)	16,699,416		Market Cap (000)	597,310	
Enterprise Value (000) (Euros)	21,464,416		Enterprise Value	\$ 584,210	
Sales 12 Month Trailing (000)	31,408,000		TTM Sales   Price / Sales	\$ 432,300	1.38 X
Book Per Share (Euros)	12.70		Book Value   Price / Book	3.34	1.72 X
Insider / Inst. Held	2 %	9 %	Insider / Inst. Held	0 %	1 %
Short Int. / Ratio			Short Int. / Ratio		
52 Week Range	\$11.34 - \$81.1		52 Week Range	\$4.5 - \$90	
CGE FP ownership of CGO FP		With CGO FP   multiple		Without CGO FP per share   multiple	
Shares owned (000)	85,182	Price-to-Sales	\$25.86   0.53 X	Price-to-Sales	\$25.5   0.52 X
Ratio per CGE FP share	0.0701	Price-to-Book	\$12.7   1.08 X	Price-to-Book	\$12.02   1.11 X
Value per CGE FP share	\$0.4	Price/Earnings	-\$1.06   -- X	Price/Earnings	-\$1.09   -- X
CGE FP Stub Value	\$13.35	Price/EBITDA	\$2.85   4.82 X	Price/EBITDA	\$2.74   4.87 X
Economic/Voting Interest	82% / 82%	Enterpr./EBITDA	6.2 X	Enterpr./EBITDA	6.31 X
CGE FP Relationship with CGO FP		Comparables		JDSU	GLW
Intend to Spin	No	Price-to-Sales	3.07 X	0.89 X	
IRS Tax Free Ruling		Price-to-Book	0.92 X	1.17 X	
Record Date / Distr. Date		Price/Earnings	0 X	13.61 X	
CGO FP IPO Date /Price	10/20/2000 \$ 85.00	Price/EBITDA	-749 X	3.73 X	
IPO Lockup Expires		Enterpr./EBITDA	-820.1 X	5.42 X	
Shares to Distribute / Float	4.6 X				



Spread Relationship	
40 Day Average	\$ 17.80
40 Day Variance	0.62
40 Day St. Dev	\$ 0.79
40 Day Correlation	0.54
20 Day Average	\$ 17.42
20 Day Variance	0.90
20 Day St. Dev	\$ 0.94
20 Day Correlation	0.28
10 Day Average	\$ 18.22
10 Day Variance	0.16
10 Day St. Dev	\$ 0.40
10 Day Correlation	(0.06)

**Alcatel SA** develops, produces, and distributes telecommunications equipment and cables, and offers telecommunications services. The company manufactures and markets mobile telephones, microwave radio systems, switching equipment and underwater networks, printed circuit boards, inductive components, converters, and optronics and solutions for utilities, cable TV operators, and the Internet.

**Alcatel Optronics** manufactures electronic components. The company produces lasers, pump lasers, optical amplifier modules, optical interface modules, optical routing modules, and passive devices which create, extend, receive, or process optical signals traveling through an optical fiber. Alcatel Optronics manufactures its components in France, the United States, and Canada.

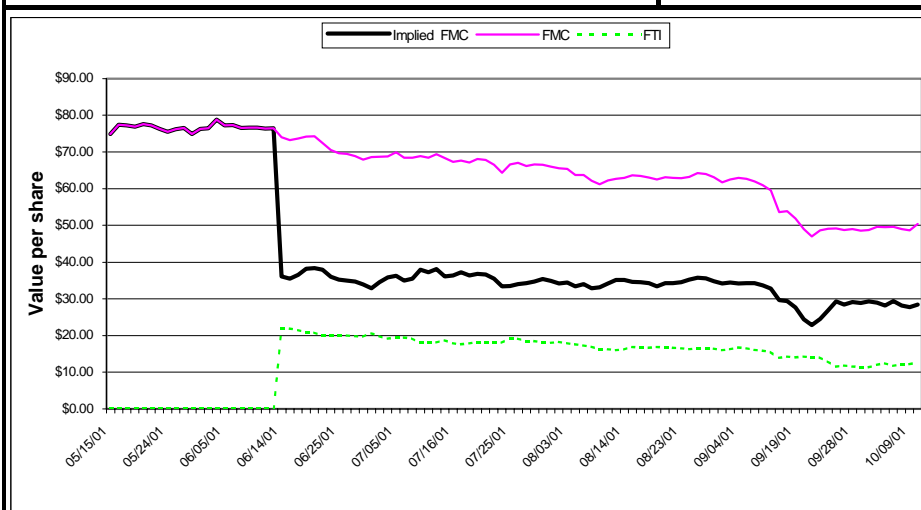
## Valuation Snapshot

APOLLO GROUP / UNIV PHOENIX ONLINE							
APOLLO GROUP (APOL)		480-966-5394	UNIV PHOENIX ONLINE (UOPX)		800-765-4922		
Current Price	\$ 43.12		Current Price   01-EPS est.	\$ 30.42	\$0.32   94.77 X		
Shares Out (000)	116,240		Shares Out / Float	79,991			
Market Cap (000)	\$ 5,012,269		Market Cap (000)	\$ 2,433,326			
Enterprise Value (000)	\$ 4,745,219		Enterprise Value	\$ 2,433,326			
Sales 12 Month Trailing (000)	\$ 719,370		TTM Sales   Price / Sales	\$ 75,400	32.36 X		
Book Per Share	\$ 3.80		Book Value   Price / Book	\$ 1.23	24.73 X		
Insider / Inst. Held	56 %	66 %	Insider / Inst. Held	90 %	138 %		
Short Int. / Ratio	2.0549	1.9200	Short Int. / Ratio				
52 Week Range	\$21.63 - \$46.89		52 Week Range	\$13.92 - \$40.13			
APOL ownership of UOPX		With UOPX   multiple		Without UOPX per share   multiple			
Shares owned (000)	71,250	Price-to-Sales	\$6.19   6.97 X		Price-to-Sales	\$5.54   4.42 X	
Ratio per APOL share	0.6130	Price-to-Book	\$3.8   11.35 X		Price-to-Book	\$2.9   8.44 X	
Value per APOL share	\$18.65	Price/Earnings	\$0.9   48.18 X		Price/Earnings	\$0.7   34.96 X	
APOL Stub Value	\$24.47	Price/EBITDA	\$1.55   27.82 X		Price/EBITDA		
Economic/Voting Interest	89% / 89%		Enterpr./EBITDA	26.4 X		Enterpr./EBITDA	
APOL Relationship with UOPX			Comparables				
Intend to Spin	Tracking Stock			ESI	DV		
IRS Tax Free Ruling	N/A		Price-to-Sales	2.38 X	4.43 X		
Record Date / Distr. Date	N/A		Price-to-Book	11.01 X	8.82 X		
UOPX IPO Date / Price	9/27/2000	\$ 14.00	Price/Earnings	27.13 X	36.34 X		
IPO Lockup Expires	3/26/2001		Price/EBITDA	14.5 X	19.77 X		
Shares to Distribute / Float	8.2 X		Enterpr./EBITDA	13.36 X	19.51 X		
			Spread Relationship				
			40 Day Average	\$ 20.85			
			40 Day Variance	4.29			
			40 Day St. Dev	\$ 2.07			
			40 Day Correlation	0.62			
20 Day Average	\$ 21.95						
20 Day Variance	11.18						
20 Day St. Dev	\$ 1.93						
20 Day Correlation	0.96						
10 Day Average	\$ 23.71						
10 Day Variance	2.64						
10 Day St. Dev	\$ 0.77						
10 Day Correlation	0.92						
<p><b>Apollo Group, Inc.</b> provides higher education programs for working adults. The company's subsidiaries include the University of Phoenix, the Institute for Professional Development, the College for Financial Planning, and Western International University. Apollo offers accredited degree programs, certificate programs, and customized training at campuses in the United States and Canada.</p> <p><b>University of Phoenix Online</b> is a division of the University of Phoenix, Inc., a wholly owned subsidiary of the Apollo Group. The company is an online provider of accessible, accredited education programs for working adults.</p>							

## Valuation Snapshot

### FMC CORP / FMC TECHNOLOGIES

FMC CORP (FMC)		312-861-6000	FMC TECHNOLOGIES (FTI)		312-861-6000
Current Price	\$	50.35	Current Price   01-EPS est.	\$	12.71   \$0.86   14.73 X
Shares Out (000)		31,116	Shares Out / Float		65,000
Market Cap (000)	\$	1,566,690	Market Cap (000)	\$	826,150
Enterprise Value (000)	\$	2,810,290	Enterprise Value	\$	1,081,150
Sales 12 Month Trailing (000)	\$	3,788,900	TTM Sales   Price / Sales	\$	1,875,200   0.44 X
Book Per Share	\$	19.33	Book Value   Price / Book	\$	5.57   2.28 X
Insider / Inst. Held	30 %	73 %	Insider / Inst. Held	0 %	15 %
Short Int. / Ratio	0.6005	1.8700	Short Int. / Ratio	2.4472	
52 Week Range	\$45.65 - \$84		52 Week Range	\$10.99 - \$22.48	
FMC ownership of FTI		With FTI   multiple		Without FTI per share   multiple	
Shares owned (000)	53,685	Price-to-Sales	\$121.77   0.41 X	Price-to-Sales	\$61.5   0.46 X
Ratio per FMC share	1.7253	Price-to-Book	\$19.33   2.6 X	Price-to-Book	\$7.7   3.69 X
Value per FMC share	\$21.93	Price/Earnings	\$4.77   10.56 X	Price/Earnings	\$3.28   8.66 X
FMC Stub Value	\$28.42	Price/EBITDA	\$16.51   3.05 X	Price/EBITDA	\$11.56   2.46 X
Economic/Voting Interest	83% / 83%	Enterpr./EBITDA	5.47 X	Enterpr./EBITDA	5.21 X
FMC Relationship with FTI		Comparables		DOW	HPC
Intend to Spin	Yes	Price-to-Sales	1.16 X	0.3 X	
IRS Tax Free Ruling	Pending	Price-to-Book	2.87 X	1.13 X	
Record Date / Distr. Date	██████████ 4Q-01	Price/Earnings	47.12 X	140.86 X	
FTI IPO Date / Price	6/13/2001 \$ 20.00	Price/EBITDA	10.03 X	1.79 X	
IPO Lockup Expires	██████████	Enterpr./EBITDA	14.21 X	7.44 X	
Shares to Distribute / Float	4.7 X				



Spread Relationship	
40 Day Average	\$ 31.43
40 Day Variance	12.85
40 Day St. Dev	\$ 3.58
40 Day Correlation	0.94
20 Day Average	\$ 28.37
20 Day Variance	13.48
20 Day St. Dev	\$ 2.48
20 Day Correlation	0.74
10 Day Average	\$ 28.64
10 Day Variance	0.34
10 Day St. Dev	\$ 0.55
10 Day Correlation	0.71

**FMC Corporation** produces chemicals and machinery for industry and agriculture. The company's principal business segments are industrial chemicals, specialty chemicals, energy systems, food and transportation systems, and agricultural products.

**FMC Technologies, Inc.**, designs, manufactures, and services systems and products used in offshore, particularly deepwater, exploration and production of crude oil and natural gas. The company also provides advanced handling and processing systems to industrial customers. FMC Technologies' subsea products include drilling and production systems, subsea tree systems, and fluid control systems.

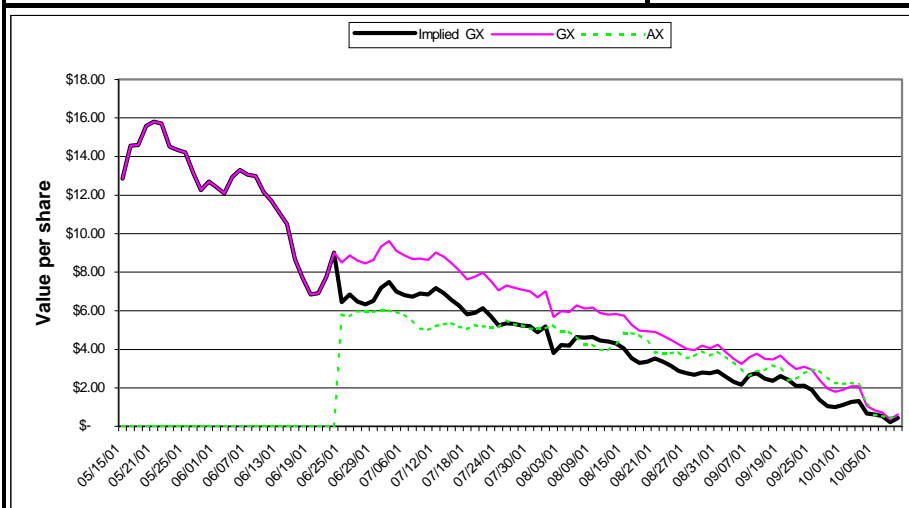
## Valuation Snapshot

GEN MOTORS CORP / HUGHES ELECTRONICS							
GEN MOTORS CORP (GM)		313-556-5000	HUGHES ELECTRONICS (GMH)		310-662-9688		
Current Price	\$ 42.96		Current Price   01-EPS est.	\$ 12.90	\$-0.46   -- X		
Shares Out (000)	559,000		Shares Out / Float	1,290,900			
Market Cap (000)	\$ 24,014,640		Market Cap (000)	\$ 16,652,610			
Enterprise Value (000)	\$ 147,975,640		Enterprise Value	\$ 19,499,210			
Sales 12 Month Trailing (000)	\$ 177,866,000		TTM Sales   Price / Sales	\$ 7,625,600	2.18 X		
Book Per Share	\$ 53.97		Book Value   Price / Book	\$ 12.01	1.07 X		
Insider / Inst. Held	21 %	58 %	Insider / Inst. Held	8 %	79 %		
Short Int. / Ratio	8.1149	3.0400	Short Int. / Ratio				
52 Week Range	\$39.17 - \$67.8		52 Week Range	\$11.5 - \$33.5			
GM ownership of GMH		With GMH   multiple		Without GMH per share   multiple			
Shares owned (000)	415,020	Price-to-Sales	\$318.19   0.14 X		Price-to-Sales	\$304.54   0.11 X	
Ratio per GM share	0.7424	Price-to-Book	\$53.97   0.8 X		Price-to-Book	\$34.24   0.97 X	
Value per GM share	\$9.58	Price/Earnings	\$3.4   12.64 X		Price/Earnings	\$3.74   8.93 X	
GM Stub Value	\$33.38	Price/EBITDA			Price/EBITDA		
Economic/Voting Interest	32% / 32%		Enterpr./EBITDA			Enterpr./EBITDA	
GM Relationship with GMH			Comparables				
Intend to Spin	?			F	DCX GR		
IRS Tax Free Ruling	[REDACTED]		Price-to-Sales	0.19 X	0.25 X		
Record Date / Distr. Date	[REDACTED]		Price-to-Book	2.39 X	0.97 X		
GMH IPO Date / Price	[REDACTED]		Price/Earnings	167.87 X	34.24 X		
IPO Lockup Expires	[REDACTED]		Price/EBITDA	1.51 X	2.73 X		
Shares to Distribute / Float	0.5 X		Enterpr./EBITDA	8.99 X	8.48 X		
			Spread Relationship				
			40 Day Average	\$ 38.45			
			40 Day Variance	35.75			
			40 Day St. Dev	\$ 5.98			
40 Day Correlation	0.97						
20 Day Average	\$ 33.23						
20 Day Variance	9.75						
20 Day St. Dev	\$ 2.35						
20 Day Correlation	0.90						
10 Day Average	\$ 32.39						
10 Day Variance	0.79						
10 Day St. Dev	\$ 0.83						
10 Day Correlation	0.36						
<p><b>General Motors Corporation</b> manufactures and sells vehicles worldwide under the Chevrolet, Buick, Cadillac, Oldsmobile, Pontiac, Saturn, and GMC names. The company also has financing and insurance operations. In addition, General Motors produces products and provides services in other industries such as satellite and wireless communications.</p> <p><b>General Motors Corporation - Class H</b> stock represents Hughes Electronics Corporation. Hughes Electronics designs, manufactures, and markets advanced electronic systems, including building communications satellites, providing telecommunications equipment, offering digital television entertainment and information programming via satellite, and operating a network of satellites.</p>							

## Valuation Snapshot

### GLOBAL CROSSING / ASIA GLOBAL CROSSING

GLOBAL CROSSING (GX)		441-296-8600	ASIA GLOBAL CROSSING (AX)		441-296-8600
Current Price	\$ 0.62		Current Price   01-EPS est.	\$ 0.53	\$-0.61   -- X
Shares Out (000)	887,323		Shares Out / Float	581,948	
Market Cap (000)	\$ 550,141		Market Cap (000)	\$ 308,432	
Enterprise Value (000)	\$ 8,769,141		Enterprise Value	\$ 951,432	
Sales 12 Month Trailing (000)	\$ 4,161,040		TTM Sales   Price / Sales	\$ 72,350	4.42 X
Book Per Share	\$ 9.94		Book Value   Price / Book	\$ 2.81	0.19 X
Insider / Inst. Held	40 %	35 %	Insider / Inst. Held	91 %	52 %
Short Int. / Ratio	114.2172	9.1700	Short Int. / Ratio	0.4440	1.9800
52 Week Range	\$0.38 - \$26.94		52 Week Range	\$0.41 - \$11.69	
GX ownership of AX		With AX   multiple		Without AX per share   multiple	
Shares owned (000)	315,625	Price-to-Sales	\$4.69   0.13 X	Price-to-Sales	\$4.61   0.09 X
Ratio per GX share	0.3557	Price-to-Book	\$9.94   0.06 X	Price-to-Book	\$8.09   0.05 X
Value per GX share	\$0.19	Price/Earnings	\$-3.09   -- X	Price/Earnings	\$-2.87   -- X
GX Stub Value	\$0.43	Price/EBITDA	\$-0.19   -3.26 X	Price/EBITDA	\$-0.06   -7.17 X
Economic/Voting Interest	54% / 54%	Enterpr./EBITDA	-52.88 X	Enterpr./EBITDA	-161.27 X
GX Relationship with AX			Comparables	TCM	Q
Intend to Spin	No		Price-to-Sales	3.17 X	1.53 X
IRS Tax Free Ruling			Price-to-Book	3.4 X	0.82 X
Record Date / Distr. Date			Price/Earnings	18.55 X	67.94 X
AX IPO Date / Price	10/5/2000	\$ 7.00	Price/EBITDA	13.88 X	
IPO Lockup Expires	4/3/2001		Enterpr./EBITDA	13.84 X	
Shares to Distribute / Float	1.2 X				



Spread Relationship	
40 Day Average	\$ 2.42
40 Day Variance	1.39
40 Day St. Dev	\$ 1.18
40 Day Correlation	0.94
20 Day Average	\$ 1.55
20 Day Variance	1.28
20 Day St. Dev	\$ 0.84
20 Day Correlation	0.91
10 Day Average	\$ 0.82
10 Day Variance	0.46
10 Day St. Dev	\$ 0.38
10 Day Correlation	0.98

**Global Crossing Ltd.** provides integrated telecommunications solutions over an Internet protocol-based fiber optic network. The company offers a variety of managed data and voice products and services. Global Crossing operates throughout the Americas, Europe, and the Asia/Pacific region.

**Asia Global Crossing Ltd.**, a telecommunications carrier, provides integrated Internet, data, voice, and Web-hosting services to wholesale and business customers. The company is building an end-to-end network across Asia that will include subsea cables, backhaul connections to our landing sites, national networks, city fiber rings, telehouses, and Web-hosting centers.

## Valuation Snapshot

LIMITED INC / INTIMATE BRANDS																															
LIMITED INC (LTD)		614-415-7000	INTIMATE BRANDS (IBI)		614-415-6900																										
Current Price	\$ 12.05		Current Price   01-EPS est.	\$ 11.63	\$0.66   17.76 X																										
Shares Out (000)	435,832		Shares Out / Float	475,200																											
Market Cap (000)	\$ 5,251,776		Market Cap (000)	\$ 5,526,576																											
Enterprise Value (000)	\$ 5,465,006		Enterprise Value	\$ 5,610,926																											
Sales 12 Month Trailing (000)	\$ 10,010,080		TTM Sales   Price / Sales	\$ 5,134,020	1.08 X																										
Book Per Share	\$ 5.57		Book Value   Price / Book	\$ 1.45	8.02 X																										
Insider / Inst. Held	43 %	69 %	Insider / Inst. Held	86 %	83 %																										
Short Int. / Ratio	4.0362	1.9900	Short Int. / Ratio	7.0583	11.7000																										
52 Week Range	\$9 - \$27.88		52 Week Range	\$8.5 - \$24.31																											
LTD ownership of IBI		With IBI   multiple		Without IBI per share   multiple																											
Shares owned (000)	394,416	Price-to-Sales	\$22.97   0.52 X		Price-to-Sales																										
Ratio per LTD share	0.9050	Price-to-Book	\$5.57   2.16 X		\$11.19   0.14 X																										
Value per LTD share	\$10.52	Price/Earnings	\$0.65   18.45 X		\$3.85   0.4 X																										
LTD Stub Value	\$1.53	Price/EBITDA	\$2.3   5.24 X		\$0.06   25.5 X																										
Economic/Voting Interest	83% / 83%		Enterpr./EBITDA	5.44 X		39.93 X																									
LTD Relationship with IBI			Comparables																												
Intend to Spin	No		Price-to-Sales	GPS	ANN																										
IRS Tax Free Ruling	[REDACTED]		Price-to-Book	0.81 X	0.57 X																										
Record Date / Distr. Date	[REDACTED]		Price-to-Earnings	3.6 X	1.2 X																										
IBI IPO Date / Price	10/23/1995	\$ 17.00	Price/EBITDA	25.24 X	13.65 X																										
IPO Lockup Expires	[REDACTED]		Enterpr./EBITDA	6.38 X	5.29 X																										
Shares to Distribute / Float	4.9 X			7.18 X	5.94 X																										
			<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left; padding: 2px;">Spread Relationship</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">40 Day Average</td> <td style="padding: 2px;">\$ 1.66</td> </tr> <tr> <td style="padding: 2px;">40 Day Variance</td> <td style="padding: 2px;">0.10</td> </tr> <tr> <td style="padding: 2px;">40 Day St. Dev</td> <td style="padding: 2px;">\$ 0.31</td> </tr> <tr> <td style="padding: 2px;">40 Day Correlation</td> <td style="padding: 2px;">1.00</td> </tr> <tr> <td style="padding: 2px;">20 Day Average</td> <td style="padding: 2px;">\$ 1.43</td> </tr> <tr> <td style="padding: 2px;">20 Day Variance</td> <td style="padding: 2px;">0.80</td> </tr> <tr> <td style="padding: 2px;">20 Day St. Dev</td> <td style="padding: 2px;">\$ 0.17</td> </tr> <tr> <td style="padding: 2px;">20 Day Correlation</td> <td style="padding: 2px;">0.98</td> </tr> <tr> <td style="padding: 2px;">10 Day Average</td> <td style="padding: 2px;">\$ 1.34</td> </tr> <tr> <td style="padding: 2px;">10 Day Variance</td> <td style="padding: 2px;">0.67</td> </tr> <tr> <td style="padding: 2px;">10 Day St. Dev</td> <td style="padding: 2px;">\$ 0.17</td> </tr> <tr> <td style="padding: 2px;">10 Day Correlation</td> <td style="padding: 2px;">0.98</td> </tr> </tbody> </table>			Spread Relationship		40 Day Average	\$ 1.66	40 Day Variance	0.10	40 Day St. Dev	\$ 0.31	40 Day Correlation	1.00	20 Day Average	\$ 1.43	20 Day Variance	0.80	20 Day St. Dev	\$ 0.17	20 Day Correlation	0.98	10 Day Average	\$ 1.34	10 Day Variance	0.67	10 Day St. Dev	\$ 0.17	10 Day Correlation	0.98
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<p><b>The Limited, Inc.</b> is a specialty retailer. The company operates stores under the Lerner New York, Express, The Limited, Henri Bendel, Structure, and The Limited Too. The Limited also owns approximately 84% of Intimate Brands, Inc. which operates Victoria's Secret and Bath &amp; Body Works stores, and 26% of Galyan's Trading Co.</p> <p><b>Intimate Brands, Inc.</b> retails intimate apparel, beauty, and personal care products through the Victoria's Secret and Bath &amp; Body Works brands. The company provides Victoria's Secret products through lingerie and beauty stores, catalogs, and the Internet. Intimate offers personal care, home fragrance, and decor products through Bath &amp; Body Works and White Barn Candle Company stores.</p>																															

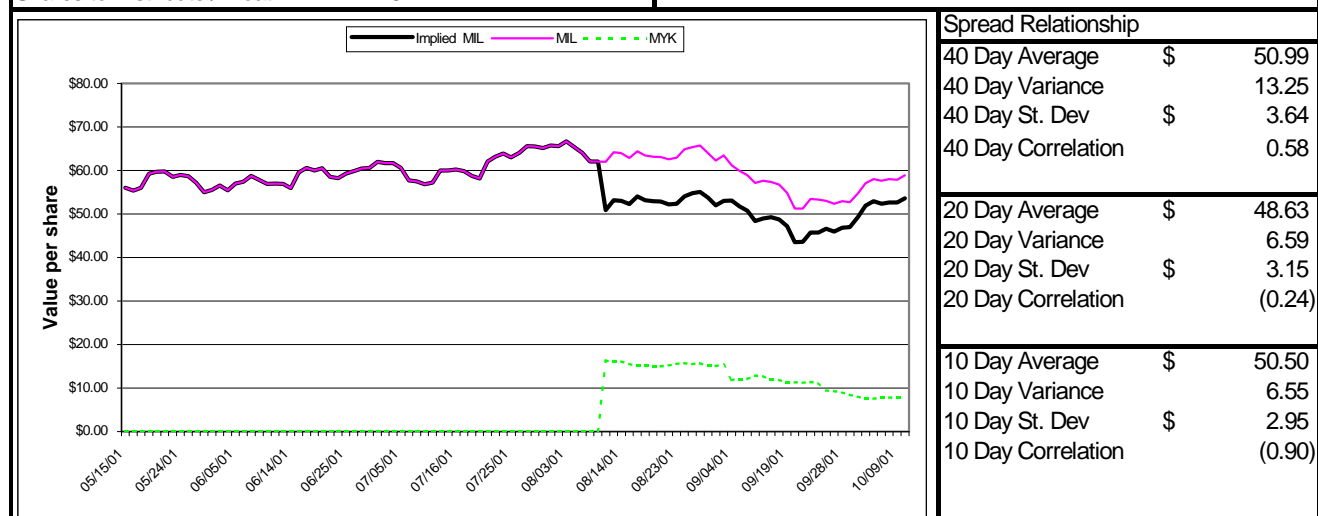
## Valuation Snapshot

### MILLIPORE CORP / MYKROLIS CORP

MILLIPORE CORP (MIL)		781-533-6000	MYKROLIS CORP (MYK)		877-695-7654
Current Price	\$ 58.87		Current Price   01-EPS est.	\$ 7.75	
Shares Out (000)	47,628		Shares Out / Float	39,500	
Market Cap (000)	\$ 2,803,887		Market Cap (000)	\$ 306,125	
Enterprise Value (000)	\$ 3,102,817		Enterprise Value	\$ 319,935	
Sales 12 Month Trailing (000)	\$ 820,470		TTM Sales   Price / Sales		
Book Per Share	\$ 6.25		Book Value   Price / Book	\$ 6.27	1.24 X
Insider / Inst. Held	14 %	90 %	Insider / Inst. Held	83 %	
Short Int. / Ratio	1.3108	4.4100	Short Int. / Ratio	0.0867	0.4500
52 Week Range	\$42.56 - \$66.85		52 Week Range	\$7.2 - \$17.25	

MIL ownership of MYK		With MYK   multiple		Without MYK per share   multiple	
Shares owned (000)	32,500	Price-to-Sales	\$17.23   3.42 X	Price-to-Sales	
Ratio per MIL share	0.6824	Price-to-Book	\$6.25   9.42 X	Price-to-Book	\$1.97   27.2 X
Value per MIL share	\$5.29	Price/Earnings	\$1.704   34.55 X	Price/Earnings	
MIL Stub Value	\$53.58	Price/EBITDA	\$4   14.72 X	Price/EBITDA	
Economic/Voting Interest	82% / 82%	Enterpr./EBITDA	16.28 X	Enterpr./EBITDA	

MIL Relationship with MYK		Comparables		
			WAT	PKI
Intend to Spin	Yes	Price-to-Sales	5.85 X	1.69 X
IRS Tax Free Ruling	Pending	Price-to-Book	9.13 X	3.66 X
Record Date / Distr. Date		Price/Earnings	29.52 X	19.2 X
MYK IPO Date /Price	8/9/2001 \$ 15.00	Price/EBITDA	19.52 X	10 X
IPO Lockup Expires	2/5/2002	Enterpr./EBITDA	18.97 X	12.4 X
Shares to Distribute / Float	4.6 X			



**Millipore Corporation** develops, manufactures, and sells products that are used primarily for the analysis, identification, monitoring, and purification of liquids and gases. The company also sells products to control aspects of the manufacturing process for integrated circuits. Millipore operates around the world.

**Mykrolis Corporation** develops, manufactures, and supplies liquid and gas delivery systems, components, and consumables. The Company's products are used to measure, deliver, control, and purify the process liquids, gases, and chemicals, as well as the deionized water, photoresists, and vacuum systems, that are utilized in the semiconductor manufacturing process.

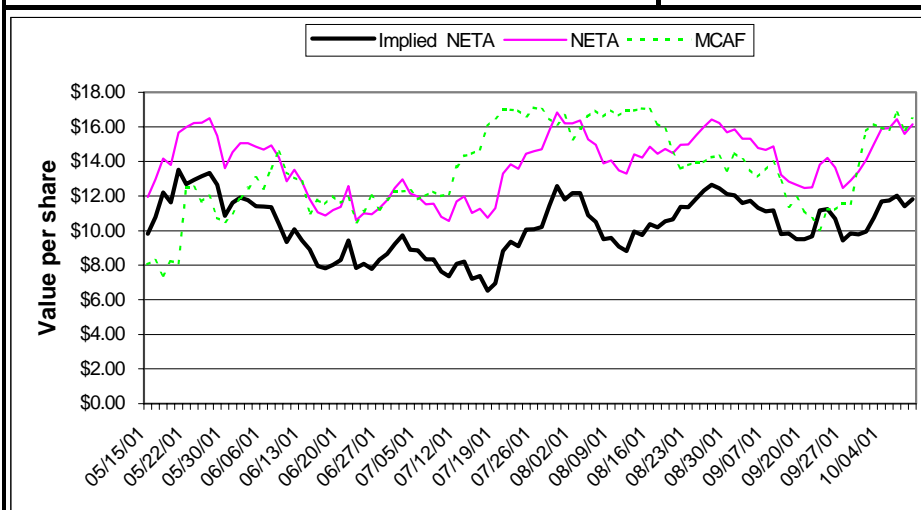
## Valuation Snapshot

MRV COMM / LUMINENT INC							
MRV COMM (MRVC)		818-773-0900	LUMINENT INC (LMNE)		818-773-9044		
Current Price	\$ 3.68		Current Price   01-EPS est.	\$ 1.60	\$0.05   30.19 X		
Shares Out (000)	80,362		Shares Out / Float	156,000			
Market Cap (000)	\$ 295,731		Market Cap (000)	\$ 249,600			
Enterprise Value (000)	\$ 271,241		Enterprise Value	\$ 180,380			
Sales 12 Month Trailing (000)	\$ 370,020		TTM Sales   Price / Sales				
Book Per Share	\$ 9.19		Book Value   Price / Book	\$ 3.05	0.52 X		
Insider / Inst. Held	16 %	26 %	Insider / Inst. Held	7 %	8 %		
Short Int. / Ratio	6.1471	4.8200	Short Int. / Ratio	6.1201	15.2000		
52 Week Range	\$2.25 - \$52.06		52 Week Range	\$1.14 - \$13.13			
MRVC ownership of LMNE		With LMNE   multiple		Without LMNE per share   multiple			
Shares owned (000)	144,000	Price-to-Sales	\$4.6   0.8 X		Price-to-Sales		
Ratio per MRVC share	1.7919	Price-to-Book	\$9.19   0.4 X		Price-to-Book		
Value per MRVC share	\$2.87	Price/Earnings	\$0.09   40.89 X		Price/Earnings		
MRVC Stub Value	\$0.81	Price/EBITDA	\$-0.15   -24.53 X		Price/EBITDA		
Economic/Voting Interest	92% / 92%		Enterpr./EBITDA	-23.06 X		Enterpr./EBITDA	
MRVC Relationship with LMNE			Comparables				
Intend to Spin	No - merge with parent			JDSU	CIEN		
IRS Tax Free Ruling			Price-to-Sales	3.07 X	2.68 X		
Record Date / Distr. Date			Price-to-Book	0.92 X	1.05 X		
LMNE IPO Date / Price	11/9/2000	\$ 12.00	Price/Earnings	0 X	20.97 X		
IPO Lockup Expires	5/8/2001		Price/EBITDA				
Shares to Distribute / Float	12 X		Enterpr./EBITDA	9.01 X			
			Spread Relationship				
			40 Day Average	\$ 0.27			
			40 Day Variance	0.34			
			40 Day St. Dev	\$ 0.59			
			40 Day Correlation	0.86			
20 Day Average	\$ (0.15)						
20 Day Variance	0.09						
20 Day St. Dev	\$ 0.54						
20 Day Correlation	0.13						
10 Day Average	\$ (0.22)						
10 Day Variance	0.07						
10 Day St. Dev	\$ 0.58						
10 Day Correlation	(0.02)						
<p><b>MRV Communications, Inc.</b> provides high-speed optical-networks, integrating switching, routing, remote access, and fiber-optic-transmission systems that enhance performance of existing telecommunications networks. The company's solutions enhance the functionality of LANs and WANs. MRV's fiber-optic-transmission products send voice, data, and video to carriers and residential networks.</p> <p><b>Luminent, Inc.</b> designs, manufactures, and sells a line of fiber optic components that enable communications equipment manufacturers to provide optical networking solutions. The company specializes in singlemode fiber optic components and subsystems for high-capacity data transmission for long-reach applications in the metropolitan and access markets.</p>							

## Valuation Snapshot

### NETWORK ASSOC / MCAFEE.COM CORP

NETWORK ASSOC (NETA)		408-988-3832	MCAFEE.COM CORP (MCAF)		408-992-8100
Current Price	\$	16.15	Current Price   01-EPS est.	\$	16.45   \$0.06   299.09 X
Shares Out (000)		136,879	Shares Out / Float		46,542
Market Cap (000)	\$	2,210,596	Market Cap (000)	\$	765,616
Enterprise Value (000)	\$	2,194,976	Enterprise Value	\$	706,856
Sales 12 Month Trailing (000)	\$	663,820	TTM Sales   Price / Sales	\$	51,930   14.69 X
Book Per Share	\$	2.85	Book Value   Price / Book	\$	1.18   13.94 X
Insider / Inst. Held		4 %	Insider / Inst. Held		64 %   79 %   90 %
Short Int. / Ratio		9.3309	Short Int. / Ratio		0.4091   3.9600
52 Week Range		\$3.25 - \$22.06	52 Week Range		\$1.81 - \$17.85
NETA ownership of MCAF		With MCAF   multiple		Without MCAF per share   multiple	
Shares owned (000)		36,100	Price-to-Sales		\$4.85   3.33 X   \$4.47   2.64 X
Ratio per NETA share		0.2637	Price-to-Book		\$2.85   5.67 X   \$2.47   4.78 X
Value per NETA share		\$4.34	Price/Earnings		\$-0.13   -- X   \$-0.14   -- X
NETA Stub Value		\$11.81	Price/EBITDA		\$-1.35   -11.96 X   \$-1.27   -9.3 X
Economic/Voting Interest		78% / 78%	Enterpr./EBITDA		-11.89 X   -9.57 X
NETA Relationship with MCAF			Comparables		
Intend to Spin			CA		
IRS Tax Free Ruling			SYMC		
Record Date / Distr. Date			Price-to-Sales		4.44 X   3.87 X
MCAF IPO Date /Price			Price-to-Book		3.08 X   2.4 X
IPO Lockup Expires			Price/Earnings		13.89 X   21.75 X
Shares to Distribute / Float			Price/EBITDA		60.46 X   14.55 X
			Enterpr./EBITDA		73.05 X   11.9 X



Spread Relationship	
40 Day Average	\$ 10.80
40 Day Variance	1.09
40 Day St. Dev	\$ 1.04
40 Day Correlation	0.49
20 Day Average	\$ 10.61
20 Day Variance	1.83
20 Day St. Dev	\$ 0.90
20 Day Correlation	0.85
10 Day Average	\$ 10.84
10 Day Variance	2.14
10 Day St. Dev	\$ 1.01
10 Day Correlation	0.91

**Network Associates, Inc.** supplies security and availability solutions for e-business. The company's products focus on network security and network management. Network Associates products are marketed under the McAfee and Sniffer names.

**McAfee.com Corporation** provides personal computer management solutions. The company's Web site allows consumers to secure, repair, update, and upgrade their personal computers (PCs) online. McAfee's applications allow consumers to check PCs for viruses, eliminate viruses, repair PCs, and check for Year 2000 compliance.

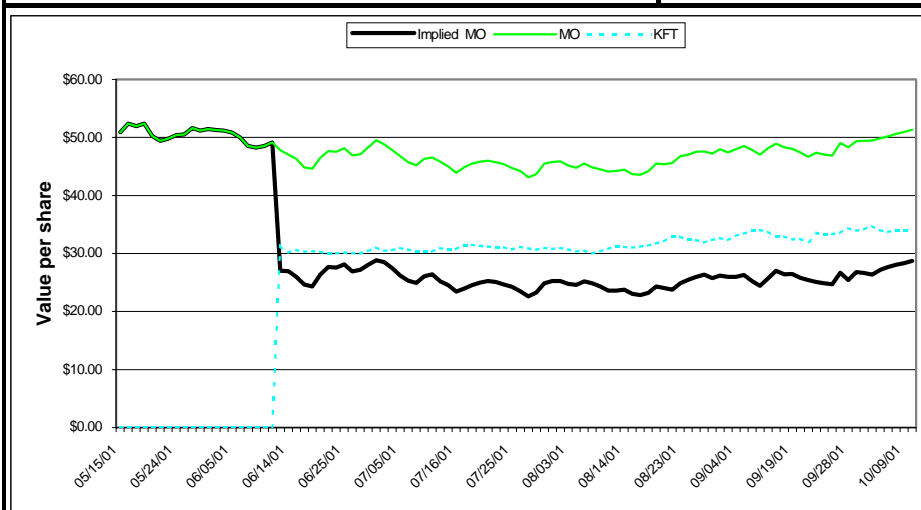
## Valuation Snapshot

RELIANT ENERGY / RELIANT RES INC								
RELIANT ENERGY (REI)		713-207-3000	RELIANT RES INC (RRI)		713-207-3000			
Current Price	\$	27.56	Current Price   01-EPS est.	\$	17.81   \$1.65   10.77 X			
Shares Out (000)		290,270	Shares Out / Float		298,964			
Market Cap (000)	\$	7,999,841	Market Cap (000)	\$	5,324,548			
Enterprise Value (000)	\$	18,681,771	Enterprise Value	\$	6,323,398			
Sales 12 Month Trailing (000)	\$	44,630,090	TTM Sales   Price / Sales					
Book Per Share	\$	23.17	Book Value   Price / Book	\$	21.41   0.83 X			
Insider / Inst. Held		19 %	Insider / Inst. Held		83 %   18 %			
Short Int. / Ratio		2.1949	Short Int. / Ratio		0.4607   0.8000			
52 Week Range		\$25.5 - \$50.45	52 Week Range		\$14.45 - \$37.5			
REI ownership of RRI		With RRI   multiple		Without RRI per share   multiple				
Shares owned (000)		238,574	Price-to-Sales		\$153.75   0.18 X			
Ratio per REI share		0.8219	Price-to-Book		\$23.17   1.19 X			
Value per REI share		\$14.64	Price/Earnings		\$3.211   8.58 X			
REI Stub Value		\$12.92	Price/EBITDA		\$10.04   2.75 X			
Economic/Voting Interest		80% / 80%	Enterpr./EBITDA		6.41 X			
REI Relationship with RRI			Comparables					
Intend to Spin		Yes	XEL		AEP			
IRS Tax Free Ruling		Pending	Price-to-Sales		0.66 X   0.38 X			
Record Date / Distr. Date			Price-to-Book		1.66 X   1.75 X			
RRI IPO Date /Price		4/30/2001   \$ 30.00	Price/Earnings		12.66 X   12.41 X			
IPO Lockup Expires		10/27/2001	Price/EBITDA		3.51 X   3.62 X			
Shares to Distribute / Float		4 X	Enterpr./EBITDA		8.37 X   7.66 X			
			Spread Relationship					
			40 Day Average	\$	14.06	40 Day Variance		0.37
			40 Day St. Dev	\$	0.61	40 Day Correlation		0.92
			20 Day Average	\$	14.02	20 Day Variance		1.41
			20 Day St. Dev	\$	0.77	20 Day Correlation		0.77
10 Day Average	\$	13.54	10 Day Variance		0.86			
10 Day St. Dev	\$	0.44	10 Day Correlation		0.88			
<p><b>Reliant Energy, Inc.</b> is an international energy services company. The company's retail group consists of three natural gas utilities and one electric utility, as well as a retail marketing group which provides unregulated retail energy products and services. Reliant's wholesale group invests in power generation projects and provides wholesale trading and marketing services.</p> <p><b>Reliant Resources, Inc.</b> provides electricity and energy services, focusing on the electric power industry in the United States and Europe. The company acquires, develops, and operates electric power generation facilities that are not subject to traditional cost-based regulation. Reliant also trades and markets power, natural gas, and other energy-related commodities.</p>								

# Valuation Snapshot

## PHILIP MORRIS CO / KRAFT FOODS INC

PHILIP MORRIS CO (MO)		917-663-5000	KRAFT FOODS INC (KFT)		847-646-2000
Current Price	\$	51.31	Current Price   01-EPS est.	\$	33.97 \$1.19   28.67 X
Shares Out (000)		2,184,758	Shares Out / Float		1,735,000
Market Cap (000)	\$	112,099,936	Market Cap (000)	\$	58,937,950
Enterprise Value (000)	\$	136,020,936	Enterprise Value	\$	61,779,950
Sales 12 Month Trailing (000)	\$	68,114,000	TTM Sales   Price / Sales	\$	30,157,000 1.95 X
Book Per Share	\$	8.92	Book Value   Price / Book	\$	13.26 2.56 X
Insider / Inst. Held		8 % 65 %	Insider / Inst. Held		84 % 28 %
Short Int. / Ratio		14.7087 2.7600	Short Int. / Ratio		8.2275 4.4100
52 Week Range		\$30.06 - \$53.88	52 Week Range		\$29.5 - \$34.93
MO ownership of KFT		With KFT   multiple		Without KFT per share   multiple	
Shares owned (000)		1,455,000	Price-to-Sales		\$31.18   1.65 X
Ratio per MO share		0.6660	Price-to-Book		\$8.92   5.75 X
Value per MO share		\$22.62	Price/Earnings		\$4.046   12.68 X
MO Stub Value		\$28.69	Price/EBITDA		\$7.78   6.6 X
Economic/Voting Interest		84% / 98%	Enterpr./EBITDA		8 X
MO Relationship with KFT		Comparables		RJR	BATS LN
Intend to Spin		No	Price-to-Sales		0.71 X 1.19 X
IRS Tax Free Ruling			Price-to-Book		0.72 X 3.11 X
Record Date / Distr. Date			Price/Earnings		13.58 X 0.1 X
KFT IPO Date /Price		6/12/2001 \$ 31.00	Price/EBITDA		4.2 X 4.56 X
IPO Lockup Expires		12/9/2001	Enterpr./EBITDA		3.56 X 6.49 X
Shares to Distribute / Float		5.2 X			



Spread Relationship	
40 Day Average	\$ 25.55
40 Day Variance	2.15
40 Day St. Dev	\$ 1.47
40 Day Correlation	0.85
20 Day Average	\$ 26.38
20 Day Variance	2.01
20 Day St. Dev	\$ 1.23
20 Day Correlation	0.54
10 Day Average	\$ 27.19
10 Day Variance	0.87
10 Day St. Dev	\$ 1.01
10 Day Correlation	(0.26)

**Philip Morris Companies Inc.**, through its subsidiaries, manufactures and sells a variety of consumer products. The company provides tobacco products, as well as packaged foods such as cheese, processed meat products, coffee, and grocery products. Philip Morris also provides a variety of beer and brewed non-alcohol beverages. The company's products are sold worldwide.

**Kraft Foods, Inc.** is a holding company. Its principle subsidiaries are Kraft Foods North America, Inc., which conducts their food business in the United States, Canada and Mexico, and Kraft Foods International, Inc., which conducts their food business in the rest of the world.

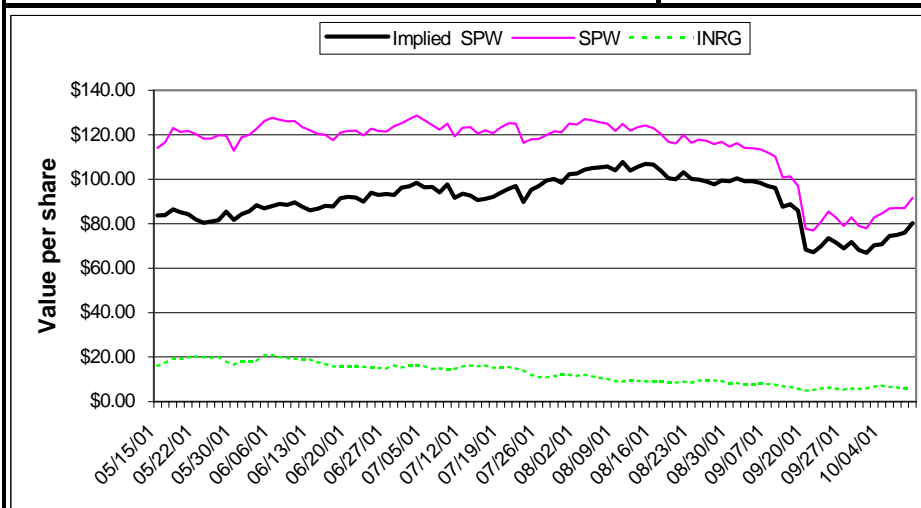
## Valuation Snapshot

SEA CONTAINERS-A / ORIENT EXPRESS HOTELS																															
SEA CONTAINERS-A (SCR/A)		212-302-5066	ORIENT EXPRESS HOTELS (OEH)		441-295-2244																										
Current Price	\$ 8.40		Current Price   01-EPS est.	\$ 13.25	\$1.57   8.43 X																										
Shares Out (000)	19,008		Shares Out / Float	30,901																											
Market Cap (000)	\$ 159,667		Market Cap (000)	\$ 409,438																											
Enterprise Value (000)	\$ 1,854,627		Enterprise Value	\$ 698,748																											
Sales 12 Month Trailing (000)	\$ 1,349,290		TTM Sales   Price / Sales	\$ 276,400	1.48 X																										
Book Per Share	\$ 26.36		Book Value   Price / Book	\$ 12.59	1.05 X																										
Insider / Inst. Held	33 %	54 %	Insider / Inst. Held	75 %	42 %																										
Short Int. / Ratio	0.6961	13.1900	Short Int. / Ratio	2.4916	77.8800																										
52 Week Range	\$7.51 - \$25.15		52 Week Range	\$10.6 - \$23.6																											
SCR/A ownership of OEH		With OEH   multiple		Without OEH per share   multiple																											
Shares owned (000)	19,400	Price-to-Sales	\$70.99   0.12 X	Price-to-Sales	\$56.44   -0.09 X																										
Ratio per SCR/A share	1.0206	Price-to-Book	\$26.36   0.32 X	Price-to-Book	\$5.23   -0.98 X																										
Value per SCR/A share	\$13.52	Price/Earnings	\$-0.42   -- X	Price/Earnings	\$-2.02   -- X																										
SCR/A Stub Value	\$-5.12	Price/EBITDA	\$15.73   0.53 X	Price/EBITDA																											
Economic/Voting Interest	63% / 78%	Enterpr./EBITDA	6.2 X	Enterpr./EBITDA																											
SCR/A Relationship with OEH			Comparables	PO/ LN	NOL SP																										
Intend to Spin	Yes		Price-to-Sales	51.63 X	0.2 X																										
IRS Tax Free Ruling	Opinion		Price-to-Book	84.26 X	0.96 X																										
Record Date / Distr. Date		Pending Lawsuit	Price/Earnings	9.46 X	37.14 X																										
OEH IPO Date /Price	8/9/2000	\$ 19.00	Price/EBITDA	294.92 X	1.56 X																										
IPO Lockup Expires	2/5/2001		Enterpr./EBITDA	299.21 X	4.26 X																										
Shares to Distribute / Float	1.7 X																														
			<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left; padding: 2px;">Spread Relationship</th> </tr> </thead> <tbody> <tr> <td style="padding: 2px;">40 Day Average</td> <td style="padding: 2px;">\$ (4.19)</td> </tr> <tr> <td style="padding: 2px;">40 Day Variance</td> <td style="padding: 2px;">0.49</td> </tr> <tr> <td style="padding: 2px;">40 Day St. Dev</td> <td style="padding: 2px;">\$ 0.70</td> </tr> <tr> <td style="padding: 2px;">40 Day Correlation</td> <td style="padding: 2px;">0.98</td> </tr> <tr> <td style="padding: 2px;">20 Day Average</td> <td style="padding: 2px;">\$ (4.34)</td> </tr> <tr> <td style="padding: 2px;">20 Day Variance</td> <td style="padding: 2px;">5.51</td> </tr> <tr> <td style="padding: 2px;">20 Day St. Dev</td> <td style="padding: 2px;">\$ 0.85</td> </tr> <tr> <td style="padding: 2px;">20 Day Correlation</td> <td style="padding: 2px;">0.94</td> </tr> <tr> <td style="padding: 2px;">10 Day Average</td> <td style="padding: 2px;">\$ (5.00)</td> </tr> <tr> <td style="padding: 2px;">10 Day Variance</td> <td style="padding: 2px;">0.08</td> </tr> <tr> <td style="padding: 2px;">10 Day St. Dev</td> <td style="padding: 2px;">\$ 0.28</td> </tr> <tr> <td style="padding: 2px;">10 Day Correlation</td> <td style="padding: 2px;">0.76</td> </tr> </tbody> </table>			Spread Relationship		40 Day Average	\$ (4.19)	40 Day Variance	0.49	40 Day St. Dev	\$ 0.70	40 Day Correlation	0.98	20 Day Average	\$ (4.34)	20 Day Variance	5.51	20 Day St. Dev	\$ 0.85	20 Day Correlation	0.94	10 Day Average	\$ (5.00)	10 Day Variance	0.08	10 Day St. Dev	\$ 0.28	10 Day Correlation	0.76
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<p><b>Sea Containers Limited</b> leases and sells cargo containers to liner ship operators worldwide and operates ferry and rail services. The company is also involved in the ownership and management of luxury hotels and resort properties, restaurants located in New York City and London, tourist trains, and a river cruiseship.</p> <p><b>Orient-Express Hotel Ltd.</b> owns and operates luxury hotels, tourist trains, a river cruise ship, and restaurants. The company's properties include Hotel Cipriani in Venice, Italy, Reid's Palace in Madeira, Portugal, Copacabana Palace in Rio de Janeiro, Brazil, and the 21 Club in New York City, in the United States.</p>																															

## Valuation Snapshot

### SPX CORP / INRANGE TECH-B

SPX CORP (SPW)		231-724-5000	INRANGE TECH-B (INRG)		609-518-4000
Current Price	\$	91.60	Current Price   01-EPS est.	\$	6.04 \$0.06   104.14 X
Shares Out (000)		40,019	Shares Out / Float		84,488
Market Cap (000)	\$	3,665,724	Market Cap (000)	\$	510,308
Enterprise Value (000)	\$	5,845,624	Enterprise Value	\$	496,058
Sales 12 Month Trailing (000)	\$	2,946,500	TTM Sales   Price / Sales	\$	268,500 1.9 X
Book Per Share	\$	40.40	Book Value   Price / Book	\$	2.69 2.25 X
Insider / Inst. Held		22 % 88 %	Insider / Inst. Held		95 % 92 %
Short Int. / Ratio		2.6159 10.6800	Short Int. / Ratio		1.6670 9.5500
52 Week Range		\$75 - \$137.06	52 Week Range		\$4.65 - \$47.5
SPW ownership of INRG		With INRG   multiple		Without INRG per share   multiple	
Shares owned (000)		75,633	Price-to-Sales	\$73.63   1.24 X	Price-to-Sales \$66.92   1.2 X
Ratio per SPW share		1.8899	Price-to-Book	\$40.4   2.27 X	Price-to-Book \$34.73   2.31 X
Value per SPW share	\$	\$11.42	Price/Earnings	\$6.38   14.36 X	Price/Earnings \$6.27   12.79 X
SPW Stub Value	\$	\$80.18	Price/EBITDA	\$12.33   7.43 X	Price/EBITDA \$11.36   7.06 X
Economic/Voting Interest		90% / 99%	Enterpr./EBITDA	11.84 X	Enterpr./EBITDA 11.89 X
SPW Relationship with INRG			Comparables		
Intend to Spin	No		UTX	EMR	
IRS Tax Free Ruling			Price-to-Sales	0.91 X	1.27 X
Record Date / Distr. Date			Price-to-Book	3.02 X	3.02 X
INRG IPO Date /Price	9/21/2000	\$ 16.00	Price/Earnings	13.72 X	15.29 X
IPO Lockup Expires	3/21/2001		Price/EBITDA	6.32 X	6.13 X
Shares to Distribute / Float	8.5 X		Enterpr./EBITDA	7.46 X	7.45 X



Spread Relationship	
40 Day Average	\$ 89.04
40 Day Variance	213.54
40 Day St. Dev	\$ 14.61
40 Day Correlation	0.94
20 Day Average	\$ 76.38
20 Day Variance	113.33
20 Day St. Dev	\$ 9.54
20 Day Correlation	0.79
10 Day Average	\$ 72.23
10 Day Variance	19.51
10 Day St. Dev	\$ 4.11
10 Day Correlation	0.40

**SPX Corporation** is a global provider of technical products and systems, industrial products and services, service solutions, and vehicle components. The company designs, manufactures, and markets data networking equipment, fire detection equipment, power transformers, TV and radio broadcast equipment, and a variety of specialty tools, equipment, and services.

**Inrange Technologies Corporation** designs, manufactures, markets, and services switching and networking products for storage, data, and telecommunications networks. The company's products are compatible with various vendors' products and multiple communication standards and protocols. Inrange serves Fortune 1000 businesses and other enterprises that operate large-scale systems.

## Valuation Snapshot

TITAN CORP / SUREBEAM CORP -A							
TITAN CORP (TTN)		858-552-9500	SUREBEAM CORP -A (SURE)		858-552-9500		
Current Price	\$	19.17	Current Price   01-EPS est.	\$	5.74		
Shares Out (000)		63,919	Shares Out / Float		58,000		
Market Cap (000)	\$	1,225,327	Market Cap (000)	\$	332,920		
Enterprise Value (000)	\$	1,767,957	Enterprise Value	\$	364,810		
Sales 12 Month Trailing (000)	\$	1,099,350	TTM Sales   Price / Sales	#VALUE!	#VALUE!		
Book Per Share	\$	3.69	Book Value   Price / Book	\$	0.71		
Insider / Inst. Held		23 %	Insider / Inst. Held		84 %		
Short Int. / Ratio		4.5382	Short Int. / Ratio		4.0185		
52 Week Range		\$11.13 - \$25.49	52 Week Range		\$4.69 - \$19.45		
TTN ownership of SURE		With SURE   multiple		Without SURE per share   multiple			
Shares owned (000)		46,500	Price-to-Sales	\$17.2   1.11 X	Price-to-Sales	#VALUE!	
Ratio per TTN share		0.7275	Price-to-Book	\$3.69   5.2 X	Price-to-Book	\$2.48   6.04 X	
Value per TTN share	\$	\$4.18	Price/Earnings	\$0.331   57.92 X	Price/Earnings	\$1.26   11.9 X	
TTN Stub Value	\$	\$14.99	Price/EBITDA	\$0.83   23.1 X	Price/EBITDA	#VALUE!	
Economic/Voting Interest		80% / 98%	Enterpr./EBITDA	33.52 X	Enterpr./EBITDA	#VALUE!	
TTN Relationship with SURE			Comparables				
Intend to Spin		Yes	Price-to-Sales		CSC	CACI	
IRS Tax Free Ruling		Pending	Price-to-Book		0.53 X	1.19 X	
Record Date / Distr. Date		██████████ 2002	Price/Earnings		1.73 X	4.16 X	
SURE IPO Date / Price		3/15/2001 \$ 10.00	Price/EBITDA		18.04 X	27.37 X	
IPO Lockup Expires		9/11/2001	Enterpr./EBITDA		4.31 X	13 X	
Shares to Distribute / Float		4 X			6.3 X	13.65 X	
			Spread Relationship				
			40 Day Average	\$	12.15		
			40 Day Variance		3.13		
			40 Day St. Dev	\$	1.77		
			40 Day Correlation		0.03		
			20 Day Average	\$	13.59		
			20 Day Variance		0.81		
20 Day St. Dev	\$	1.34					
20 Day Correlation		(0.11)					
10 Day Average	\$	14.54					
10 Day Variance		0.19					
10 Day St. Dev	\$	0.81					
10 Day Correlation		0.43					

The **Titan Corporation** creates, builds, and launches technology-based businesses offering technical solutions. Titan provides information technology, communications and electron beam food pasteurization and medical product sterilization systems and services. Three of Titan's five segments develop and deploy communications and information technology solutions and services.

**SureBeam Corporation** provides patented and proprietary electronic pasteurization systems and services for the food industry. The company's systems are sold to food growers, packers, processors, and retailers.

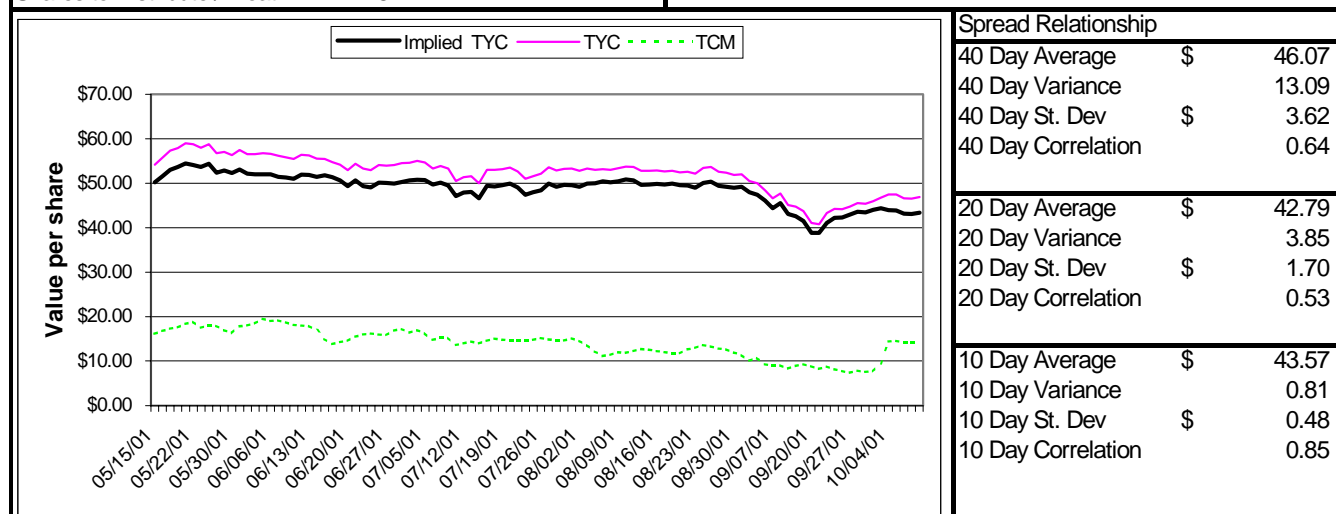
## Valuation Snapshot

### TYCO INTL LTD / TYCOM LTD

TYCO INTL LTD (TYC)		441-292-8674	TYCOM LTD (TCM)		441-298-9770
Current Price	\$	46.87	Current Price   01-EPS est.	\$	14.30 \$0.7   20.31 X
Shares Out (000)		1,834,100	Shares Out / Float		504,774
Market Cap (000)	\$	85,964,267	Market Cap (000)	\$	7,218,270
Enterprise Value (000)	\$	140,017,367	Enterprise Value	\$	7,186,070
Sales 12 Month Trailing (000)	\$	33,948,500	TTM Sales   Price / Sales	\$	2,277,600 3.17 X
Book Per Share	\$	17.25	Book Value   Price / Book	\$	4.20 3.4 X
Insider / Inst. Held		8 % 80 %	Insider / Inst. Held		87 % 10 %
Short Int. / Ratio		42.3735 5.6200	Short Int. / Ratio		12.1544 10.0100
52 Week Range		\$39.24 - \$63.21	52 Week Range		\$7.14 - \$35.5

TYC ownership of TCM		With TCM   multiple		Without TCM per share   multiple	
Shares owned (000)	450,000	Price-to-Sales	\$18.51   2.53 X	Price-to-Sales	\$17.27   2.51 X
Ratio per TYC share	0.2454	Price-to-Book	\$17.25   2.72 X	Price-to-Book	\$15.81   2.74 X
Value per TYC share	\$3.51	Price/Earnings	\$2.78   16.86 X	Price/Earnings	\$2.61   16.61 X
TYC Stub Value	\$43.36	Price/EBITDA	\$4.93   9.51 X	Price/EBITDA	\$4.64   9.34 X
Economic/Voting Interest	89% / 89%	Enterpr./EBITDA	15.5 X	Enterpr./EBITDA	15.69 X

TYC Relationship with TCM		Comparables		GE	ETN
Intend to Spin	Verge with Parent	Price-to-Sales		2.92 X	0.6 X
IRS Tax Free Ruling		Price-to-Book		7.21 X	1.92 X
Record Date / Distr. Date		Price/Earnings		26.64 X	21 X
TCM IPO Date /Price	7/26/2000 \$ 32.00	Price/EBITDA		13.89 X	5.08 X
IPO Lockup Expires	1/22/2001	Enterpr./EBITDA		17.7 X	7.71 X
Shares to Distribute / Float	8.2 X				



**Tyco International Ltd.** is a diversified manufacturing and service company with operations around the world. The company manufactures, services, and installs electrical and electronic components, undersea telecommunications systems, and fire protection and security systems. The company also manufactures flow control valves, healthcare and specialty products, and plastics.

**TyCom** is a provider of undersea fiber optic networks and services. The company plans to design, operate and sell bandwidth capacity on a global undersea fiber optic network, called the TyCom Global Network, which the company believes will be the largest and most technologically advanced network in the world. TyCom will provide bandwidth solutions to telecommunications providers, Internet and application service providers, and to other customers who require significant bandwidth capacity. Ultimately, the company plans on transforming itself into a provider of undersea bandwidth services and on delivering customer-driven network solutions.

## Valuation Snapshot

UTILICORP UNITED / AQUILA INC						
UTILICORP UNITED (UCU)		816-421-6600	AQUILA INC (ILA)		816-527-1000	
Current Price	\$ 30.25		Current Price   01-EPS est.	\$ 24.65	\$2.32   10.65 X	
Shares Out (000)	115,275		Shares Out / Float	100,025		
Market Cap (000)	\$ 3,487,058		Market Cap (000)	\$ 2,465,616		
Enterprise Value (000)	\$ 6,096,858		Enterprise Value	\$ 1,978,816		
Sales 12 Month Trailing (000)	\$ 40,875,700		TTM Sales   Price / Sales			
Book Per Share	\$ 22.45		Book Value   Price / Book	\$ 7.22	3.41 X	
Insider / Inst. Held	25 %	46 %	Insider / Inst. Held	86 %	112 %	
Short Int. / Ratio	5.3927	9.9200	Short Int. / Ratio	2.9243	15.9700	
52 Week Range	\$24 - \$37.85		52 Week Range	\$17.75 - \$35		
UCU ownership of ILA		With ILA   multiple		Without ILA per share   multiple		
Shares owned (000)	77,520	Price-to-Sales	\$354.59   0.09 X		Price-to-Sales	
Ratio per UCU share	0.6725	Price-to-Book	\$22.45   1.35 X		Price-to-Book	
Value per UCU share	\$16.58	Price/Earnings	\$2.525   11.98 X		Price/Earnings	
UCU Stub Value	\$13.67	Price/EBITDA	\$6.64   4.56 X		Price/EBITDA	
Economic/Voting Interest	78% / 97%	Enterpr./EBITDA	7.97 X		Enterpr./EBITDA	
UCU Relationship with ILA			Comparables		XEL      AEP	
Intend to Spin	Yes		Price-to-Sales	0.66 X	0.38 X	
IRS Tax Free Ruling	Pending		Price-to-Book	1.66 X	1.75 X	
Record Date / Distr. Date		2002	Price/Earnings	12.66 X	12.41 X	
ILA IPO Date /Price	4/23/2001	\$ 24.00	Price/EBITDA	3.51 X	3.62 X	
IPO Lockup Expires	10/20/2001		Enterpr./EBITDA	8.37 X	7.66 X	
Shares to Distribute / Float	3.4 X					
			Spread Relationship			
			40 Day Average	\$ 14.25		
			40 Day Variance	0.36		
			40 Day St. Dev	\$ 0.60		
			40 Day Correlation	0.92		
20 Day Average	\$ 14.36					
20 Day Variance	2.02					
20 Day St. Dev	\$ 0.75					
20 Day Correlation	0.85					
10 Day Average	\$ 13.90					
10 Day Variance	1.52					
10 Day St. Dev	\$ 0.34					
10 Day Correlation	0.97					
<p><b>UtiliCorp United Inc.</b> is a multinational energy solutions provider. The company's network segment includes network generation, distribution and transmission businesses, as well as appliance repair. The energy merchant segment includes energy marketing and trading businesses, natural gas gathering, processing and transportation, and independent power projects.</p> <p><b>Aquila, Inc.,</b> is a wholesale energy merchant whose activities include electric generation, natural gas gathering and processing, natural gas storage, and coal blending and storage. The company markets and trades commodities such as natural gas, electricity, coal, bandwidth capacity, and emissions allowances. Aquila also offers risk management products and services.</p>						

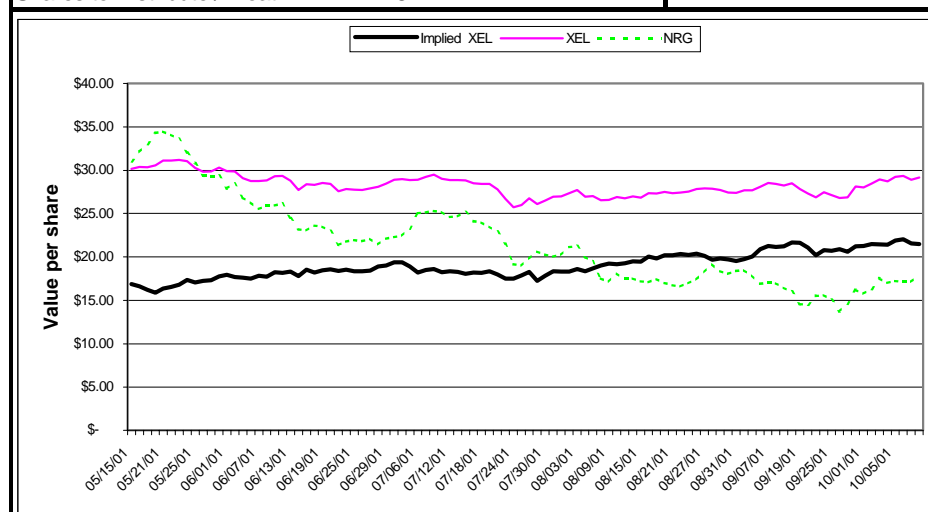
## Valuation Snapshot

### XCEL ENERGY INC / NRG ENERGY INC

XCEL ENERGY INC (XEL)		612-330-5500	NRG ENERGY INC (NRG)		612-373-5300
Current Price	\$	29.14	Current Price   01-EPS est.	\$	17.90   \$1.36   13.13 X
Shares Out (000)		344,698	Shares Out / Float		200,277
Market Cap (000)	\$	10,044,496	Market Cap (000)	\$	3,584,958
Enterprise Value (000)	\$	23,936,806	Enterprise Value	\$	10,898,348
Sales 12 Month Trailing (000)	\$	15,275,240	TTM Sales   Price / Sales	\$	2,449,510   1.46 X
Book Per Share	\$	17.51	Book Value   Price / Book	\$	10.32   1.73 X
Insider / Inst. Held		1 %   42 %	Insider / Inst. Held		76 %   97 %
Short Int. / Ratio		2.5539   4.0400	Short Int. / Ratio		3.2573   5.0300
52 Week Range		\$24.19 - \$31.85	52 Week Range		\$13.1 - \$37.7

XEL ownership of NRG		With NRG   multiple		Without NRG per share   multiple	
Shares owned (000)	147,605	Price-to-Sales	\$44.31   0.66 X	Price-to-Sales	\$37.21   0.58 X
Ratio per XEL share	0.4282	Price-to-Book	\$17.51   1.66 X	Price-to-Book	\$11.53   1.86 X
Value per XEL share	\$7.67	Price/Earnings	\$2.3   12.66 X	Price/Earnings	\$1.72   12.48 X
XEL Stub Value	\$21.47	Price/EBITDA	\$8.3   3.51 X	Price/EBITDA	\$6.67   3.22 X
Economic/Voting Interest	74% / 74%	Enterpr./EBITDA	8.37 X	Enterpr./EBITDA	6.08 X

XEL Relationship with NRG		Comparables		AEP	SO
Intend to Spin	No	Price-to-Sales		0.38 X	1.67 X
IRS Tax Free Ruling		Price-to-Book		1.75 X	2.28 X
Record Date / Distr. Date		Price/Earnings		12.41 X	15.41 X
NRG IPO Date / Price	5/30/2000   \$ 15.00	Price/EBITDA		3.62 X	4.72 X
IPO Lockup Expires	11/26/2000	Enterpr./EBITDA		7.66 X	8.28 X
Shares to Distribute / Float	2.8 X				



Spread Relationship	
40 Day Average	\$ 20.55
40 Day Variance	0.68
40 Day St. Dev	\$ 0.83
40 Day Correlation	0.19
20 Day Average	\$ 21.25
20 Day Variance	0.69
20 Day St. Dev	\$ 0.44
20 Day Correlation	0.90
10 Day Average	\$ 21.44
10 Day Variance	0.57
10 Day St. Dev	\$ 0.38
10 Day Correlation	0.95

**Xcel Energy, Inc.** provides electric and natural gas services. The company offers a variety of energy-related services, including generation, transmission, and distribution of electricity and natural gas throughout the United States.

**NRG Energy, Inc.**, a global energy company, acquires, develops, constructs, owns, and operates power generation facilities. The company's operations utilize such diverse fuel sources as natural gas, oil, coal, and refuse derived fuel.

# Implied Value of Stubs

Parent Company	Symbol	Price	Carve-Out/Holding	Symbol	Price	Ratio (1)	Intend To Spin (2)	Economic % Owned (3)	Embedded Value	Residual Stub Value
ADV LIGHTING TEC	ADLT	\$ 1.52	FIBERSTARS INC	FBST	\$ 4.04	0.0442		23.83%	\$ 0.18	\$ 1.34
ALPINE GROUP INC	AGI	\$ 1.59	SUPERIOR TELECOM	SUT	\$ 1.05	0.7538		50.54%	\$ 0.79	\$ 0.80
AMER HOME PRODS	AHP	\$ 58.92	IMMUNEX CORP	IMNX	\$ 22.65	0.1695		41.82%	\$ 3.84	\$ 55.08
MOTIENT CORP	MTNT	\$ 0.07	XM SATELLITE -A	XMSR	\$ 5.86	0.0171		1.91%	\$ 0.10	\$ (0.03)
AMER BILTRITE	ABL	\$ 10.75	CONGOLEUM CORP	CGM	\$ 2.00	0.0439		4.14%	\$ 0.09	\$ 10.66
AMER INTL GROUP	AIG	\$ 82.40	21ST CENTURY INS TRANSATLANTIC HL	TW TRH	\$ 17.70 \$ 87.20	0.0204 0.0119		62.73% 59.83%	\$ 0.36 \$ 1.04	\$ 82.04 \$ 81.36
AMER SOFTWARE -A	AMSWA	\$ 1.29	LOGILITY INC	LGTY	\$ 2.21	0.4960		85.29%	\$ 1.10	\$ 0.19
APOLLO GROUP-A	APOL	\$ 43.11	UNIVERSITY OF PH	UOPX	\$ 30.05	0.6214		1176.91%	\$ 18.67	\$ 24.44
ARC INTL CORP	ATVL	\$ 0.00	BALLANTYNE OMAHA CABLETEL COMM	BTNE TTV	\$ 0.50 \$ 0.72	0.1680 0.1955		23.34% 48.07%	\$ 0.08 \$ 0.14	\$ (0.22) \$ (0.08)
AT&T CORP	T	\$ 19.72	RAINBOW MEDIA GR CABLEVISION SYS	RMG CVC	\$ 21.19 \$ 40.78	0.0069 0.0139		36.79% 36.76%	\$ 0.15 \$ 0.56	\$ 19.01 \$ 19.57
EPRESENCE INC	EPRE	\$ 2.77	SWITCHBOARD INC	SWBD	\$ 2.57	0.4178		38.11%	\$ 1.07	\$ 1.70
BANCO SANTAN-ADR	STD	\$ 8.15	SANTANDER BANCOR	SBP	\$ 19.20	0.0075		81.10%	\$ 0.14	\$ 8.01
BARNES & NOBLE	BKS	\$ 37.56	BARNESANDNOBLE	BNNB	\$ 0.91	0.8739		36.90%	\$ 0.80	\$ 36.76
BOWNE & CO INC	BNE	\$ 10.37	EDGAR ONLINE INC	EDGR	\$ 1.13	0.0302		6.71%	\$ 0.03	\$ 10.33
BROOKTROUT INC	BRKT	\$ 3.75	INTERSPEED INC	ISPD	\$ 0.03	0.4889		56.05%	\$ 0.01	\$ 3.74
CABLEVISION SYS	CVC	\$ 40.78	RAINBOW MEDIA GR	RMG	\$ 21.19	0.6577		63.27%	\$ 13.94	\$ 26.84
CELL GENESYS	CEGE	\$ 17.55	ABGENIX INC	ABGX	\$ 28.93	0.2591		11.18%	\$ 7.50	\$ 10.05
CENDANT CORP	CD	\$ 13.11	HOMESTORE.COM	HOMS	\$ 6.34	0.0144		12.83%	\$ 0.09	\$ 13.02
CENTEX CORP	CTX	\$ 39.15	CENTEX CONSTRUCT	CXP	\$ 28.77	0.1971		65.17%	\$ 5.67	\$ 33.48
CHEVRONTEXACO	CVX	\$ 92.35	DYNEGY INC-A	DYN	\$ 43.55	0.0810		26.50%	\$ 3.53	\$ 88.82
CINCINNATI FIN	CINF	\$ 39.24	FIFTH THIRD BANC	FTB	\$ 56.31	0.4483		15.22%	\$ 25.25	\$ 13.99
CIRCUIT CITY	CC	\$ 13.95	CARMAX GROUP	KMX	\$ 16.00	0.0980		74.80%	\$ 1.57	\$ 12.38
CISCO SYSTEMS	CSCO	\$ 15.85	TIBCO SOFTWARE	TIBX	\$ 8.52	0.0018		7.11%	\$ 0.02	\$ 15.83
CITIZENS COMM CO	CZN	\$ 9.60	ELEC LIGHTWAVE	ELIX	\$ 0.30	0.1410		81.61%	\$ 0.04	\$ 9.56
COCA-COLA CO	KO	\$ 46.38	COCA-COLA BOTTLI COCA-COLA ENTER	COKE CCE	\$ 38.30 \$ 16.35	0.0008 0.0679		31.04% 37.97%	\$ 0.03 \$ 1.11	\$ 46.35 \$ 45.27
COMVERSE TECH	CMVT	\$ 19.84	ULTICOM INC	ULCM	\$ 8.90	0.1685		76.78%	\$ 1.50	\$ 18.34
CONSTELLAT ENER	CEG	\$ 27.02	ORION POWER HLDG	ORN	\$ 25.52	0.1069		27.16%	\$ 2.73	\$ 24.29
CONTEL AIR-B	CAL	\$ 18.70	EXPRESSJET	XJT	\$ 16.00	0.7205		70.70%	\$ 11.53	\$ 7.17
INTERACTIVE DATA	IDCO	\$ 12.85	MARKETWATCH.COM	MKTW	\$ 1.75	0.0617		36.00%	\$ 0.11	\$ 12.74
DTE ENERGY CO	DTE	\$ 43.76	PLUG POWER INC	PLUG	\$ 9.64	0.0868		28.56%	\$ 0.84	\$ 42.92
DU PONT (EI)	DD	\$ 40.27	DUPONT PHOTOMASK	DPMI	\$ 35.20	0.0035		19.55%	\$ 0.12	\$ 40.15
EASTMAN CHEMICAL	EMN	\$ 37.28	GENENCOR INTL	GCOR	\$ 10.50	0.3249		43.97%	\$ 3.41	\$ 33.87
ECITELECOM	ECIL	\$ 2.35	ECELTD	ECTX	\$ 12.80	0.1320		70.49%	\$ 1.69	\$ 0.66
ENRON CORP	ENE	\$ 37.31	NEWPOWER HLDGS	NPW	\$ 2.24	0.0182		0.00%	\$ 0.04	\$ 37.27
FIRST ALBANY COM	FACT	\$ 6.40	MECHANICAL TECH	MKTY	\$ 3.31	1.4441		33.72%	\$ 4.78	\$ 1.62
FMC CORP	FMC	\$ 50.93	FMC TECHNOLOGIES	FTI	\$ 13.11	1.7253	Y	82.59%	\$ 22.62	\$ 28.31
GEN MOTORS CORP	GM	\$ 44.75	HUGHES ELECTRONICS PANAMSAT CORP	GMH SPOT	\$ 13.38 \$ 20.31	0.7545 0.2200		47.38% 80.77%	\$ 10.10 \$ 4.47	\$ 34.65 \$ 40.28
GLOBAL CROSSING	GX	\$ 0.85	ASIA GLOBAL-A	AX	\$ 0.58	0.3832		58.47%	\$ 0.22	\$ 0.63
GLOBAL TELESYS	GTLS	\$ 0.05	GOLDEN TELECOM	GLDN	\$ 8.70	0.0023		2.63%	\$ 0.02	\$ 0.03
GREAT LAKES CHEM	GLK	\$ 22.87	OSCA INC	OSCA	\$ 16.65	0.1671		71.02%	\$ 2.78	\$ 20.09

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New Arb Listing  
Expected IPO Price

# Implied Value of Stubs

Parent Company	Symbol	Price	Carve-Out/Holding	Symbol	Price	Ratio (f)	Intend To Spin (2)	Economic % Owned (3)	Embedded Value	Residual Stub Value
ICN PHARM INC	ICN	\$ 27.08	RIBAPHARM	RIBA	\$ 14.00	1.5328	Y	87.40%	\$ 21.46	\$ 5.62
IDT CORP	IDT	\$ 11.05	NETPHONE INC	NTOP	\$ 3.10	0.1298		19.33%	\$ 1.35	\$ 9.70
IMS HEALTH INC	RX	\$ 26.77	COGNIZANT TECH	CTSH	\$ 23.65	0.2335		34.56%	\$ 0.56	\$ 26.21
			TRIZETTO GROUP	TZIX	\$ 10.00	0.0408		27.35%	\$ 0.41	\$ 26.36
			GARTNER INC-A	IT	\$ 9.06	0.0232		7.75%	\$ 0.21	\$ 26.56
WORLDCOM INC-WOR	WCOM	\$ 13.75	DIGEX INC	DIGX	\$ 1.78	0.0133		62.06%	\$ 0.02	\$ 13.73
KUSHNER-LOCKE CO	KLOC	\$ 0.09	US SEARCH.COM	SRCH	\$ 1.15	0.4369		33.89%	\$ 0.50	\$ (0.42)
LIMITED INC	LTD	\$ 12.60	INTIMATE BRANDS	IBI	\$ 12.18	0.9604		82.41%	\$ 11.70	\$ 0.90
			GALYAN'S TRADING	GLYN	\$ 10.22	0.0052		13.21%	\$ 0.05	\$ 12.55
			ALLIANCE DATA	ADS	\$ 14.50	0.0342		19.86%	\$ 0.50	\$ 12.10
LOEWS CORP	LTR	\$ 45.99	DIAMOND OFFSHORE	DO	\$ 26.08	0.3562		52.58%	\$ 9.29	\$ 36.70
			CNA FINL CORP	CNA	\$ 28.00	0.8264		87.79%	\$ 23.14	\$ 22.85
LORAL SPACE&COMM	LOR	\$ 1.22	GLOBALSTAR TELECOM	GSTRF	\$ 0.27	0.0443		13.38%	\$ 0.01	\$ 1.21
LUCENT TECH INC	LU	\$ 6.56	AGERE SYSTEMS-A	AGRA	\$ 4.93	0.2769	Y	57.80%	\$ 1.37	\$ 5.19
MAXXAM INC	MXM	\$ 18.10	KAISER ALUMINUM	KLU	\$ 3.10	7.6593		61.85%	\$ 23.74	\$ (5.64)
MCSI INC	MCSI	\$ 16.56	ZENGINE INC	ZNGN	\$ 3.67	0.6685		58.48%	\$ 2.45	\$ 14.11
MECHANICAL TECH	MKTY	\$ 3.31	PLUG POWER INC	PLUG	\$ 9.64	0.3398		24.08%	\$ 3.28	\$ 0.03
			SATCON TECH	SATC	\$ 4.18	0.0507		10.88%	\$ 0.21	\$ 3.10
			BEACON POWER	BCON	\$ 1.15	0.1090		9.05%	\$ 0.13	\$ 3.18
MOTOROLA INC	MOT	\$ 17.60	NEXTEL COMM-A	NXTL	\$ 8.20	0.0327		9.59%	\$ 0.27	\$ 17.33
			NEXT LEVEL COMM	NXTV	\$ 4.27	0.0289		75.00%	\$ 0.12	\$ 17.48
			NEXTEL PARTNER-A	NXTP	\$ 7.97	0.0059		6.42%	\$ 0.05	\$ 17.55
			BROADCOM CORP-A	BRCM	\$ 28.85	0.0039		3.92%	\$ 0.11	\$ 17.49
MRV COMM	MRVC	\$ 3.93	LUMINENT INC	LMNE	\$ 1.75	1.8614	Y	92.31%	\$ 3.26	\$ 0.67
			OPTICAL ACCESS	OPXS	\$ -	0.5394		89.30%	\$ -	\$ 3.93
NATL CITY CORP	NCC	\$ 27.34	NATL PROCESSING	NAP	\$ 27.42	0.0736		86.41%	\$ 2.02	\$ 25.32
NETWORK ASSOC	NETA	\$ 16.84	MCAFEE.COM CORP	MCAF	\$ 18.69	0.2621		81.70%	\$ 4.90	\$ 11.94
NEXTEL COMM-A	NXTL	\$ 8.20	NEXTEL INTL INC	NXTI	\$ -	0.1094		18.92%	\$ -	\$ 8.20
			NEXTEL PARTNER-A	NXTP	\$ 7.97	0.1068		32.39%	\$ 0.85	\$ 7.35
NEWS CORP-ADR	NWS	\$ 28.20	FOX ENTERTAIN	FOX	\$ 21.08	0.4765		82.77%	\$ 12.15	\$ 16.05
NORTEL NETWORKS	NT	\$ 5.70	ENTRUST INC	ENTU	\$ 3.80	0.0051		25.48%	\$ 0.02	\$ 5.68
XCEL ENERGY INC	XEL	\$ 29.13	NRG ENERGY INC	NRG	\$ 18.22	0.4282		74.35%	\$ 7.80	\$ 21.33
SORRENTO NETWORK	FIBR	\$ 2.14	NETSILICON INC	NSIL	\$ 2.17	0.5271		54.85%	\$ 1.14	\$ 1.00
PEPSICO INC	PEP	\$ 49.70	PEPSIBOTTTLING	PBG	\$ 49.40	0.0302		36.86%	\$ 1.49	\$ 48.21
PFIZER INC	PFE	\$ 40.89	NEUROGEN CORP	NRGN	\$ 16.32	0.0005		17.26%	\$ 0.01	\$ 40.88
PHOENIX TECH LTD	PTEC	\$ 11.41	INSILICON CORP	INSI	\$ 1.60	0.4126	N	72.22%	\$ 0.66	\$ 10.75
PHARMACIA CORP	PHA	\$ 40.21	MONSANTO CO	MON	\$ 35.99	0.1690		85.11%	\$ 6.08	\$ 34.13
PHILIP MORRIS CO	MO	\$ 51.40	KRAFT FOODS INC	KFT	\$ 33.50	0.6660		83.86%	\$ 22.31	\$ 29.09
PICO HOLDINGS	PICO	\$ 10.90	HYPERFEEDTECH	HYPR	\$ 0.94	0.6593		38.46%	\$ 0.62	\$ 10.28
PLAINS RESOURCES	PLX	\$ 25.00	PLAINS ALL AMER	PAA	\$ 26.91	0.4672		36.06%	\$ 12.57	\$ 12.43
PSINET INC	PSIX	\$ 0.02	XPEDIOR INC	XPDR	\$ 0.01	0.2068		78.31%	\$ 0.00	\$ 0.02
RALCORP HLDGS	RAH	\$ 19.69	VAU RESORTS	MTN	\$ 15.96	0.2567		22.08%	\$ 4.10	\$ 15.59
RALSTON PURINA	RAL	\$ 32.64	DU PONT (EI)	DD	\$ 40.27	0.0476		1.42%	\$ 1.92	\$ 30.72
			CONOCO INC-A	COC/A	\$ 26.18	-		0.00%	\$ 7.63	\$ 32.64
			INTERSTATE BAKER	IBC	\$ 24.01	0.0478		29.49%	\$ 1.15	\$ 31.49
					\$ -	\$ -		\$ -	\$ 3.07	\$ 29.57

New Arb Listing  
Expected IPO Price

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## Implied Value of Stubs

Parent Company	Symbol	Price	Carve-Out/Holding	Symbol	Price	Ratio (f)	Intend To Spin (2)	Economic % Owned (3)	Embedded Value	Residual Stub Value
RELIANT ENERGY	REI	\$ 28.05	RELIANT RES INC	REI	\$ 18.11	0.8219	Y	79.80%	\$ 14.88	\$ 13.17
REUTERS GRP-ADR	RTRSY	\$ 61.38	TIBCO SOFTWARE INSTINET GROUP	TIBX	\$ 8.52	0.4606		55.15%	\$ 3.92	\$ 57.46
				INET	\$ 10.05	0.8693		84.89%	\$ 8.74	\$ 52.64
									\$ 12.66	\$ 48.72
									#REF!	#REF!
SABRE HOLDINGS	TSG	\$ 28.75	TRAVELOCITY.COM	DDCC	#REF!	#REF!		39.72%	\$ 4.65	\$ 24.10
SATCON TECH	SATC	\$ 4.18	BEACON POWER	TVLY	\$ 18.62	0.2499	Y	67.84%	\$ 0.33	\$ 3.85
SBC COMMUNICATIO	SBC	\$ 46.52	PRODIGY COMM-A	BCON	\$ 1.15	0.2845	Y	11.01%	\$ 0.09	\$ 46.43
SEA CONTAINERS-A	SCRIA	\$ 8.59	ORIENT EXPRESS H	PRGY	\$ 6.10	0.0150	Y	71.66%	\$ 11.88	\$ (3.29)
SEPRACOR INC	SEPR	\$ 42.31	BIOSPHERE MED	OEH	\$ 13.01	0.9135	Y	54.82%	\$ 0.30	\$ 42.01
SPX CORP	SPW	\$ 94.75	INRANGE TECH-B	BSPD	\$ 7.32	0.0414	Y	25.35%	\$ 11.98	\$ 82.77
STILWELL FINL	SV	\$ 24.20	DST SYSTEMS INC	INRG	\$ 6.34	1.8899		89.52%	\$ 7.66	\$ 16.54
ST PAUL COS	SPC	\$ 50.20	JOHN NUVEEN-CLA	DST	\$ 41.66	0.1839		31.35%	\$ 0.92	\$ 49.28
SYNOVUS FINL	SNV	\$ 25.51	TOTAL SYS SERVS	JNC	\$ 46.95	0.0197		8.64%	\$ 14.22	\$ 11.29
TORONTO DOM BANK	TD	\$ 23.97	TD WATERHOUSE GR KNIGHT TRADING	TSS	\$ 26.25	0.5416		80.64%	\$ 4.31	\$ 19.66
				TWE	\$ 9.11	0.4734		78.50%	\$ 0.15	\$ 23.82
				NITE	\$ 10.73	0.0143		7.09%	\$ 4.47	\$ 19.50
TELEPHONE & DATA	TDS	\$ 97.55	US CELLULAR CORP	USM	\$ 45.84	1.2048	N	77.90%	\$ 55.23	\$ 42.32
			DEUTSCHE TEL-ADR	DT	\$ 16.60	2.2374	N	3.13%	\$ 37.14	\$ 60.41
			VODAFONE GRP-ADR	VOD	\$ 24.07	0.0460	N	0.04%	\$ 1.11	\$ 96.44
TITAN CORP	TTN	\$ 19.69	SUREBEAM CORP-A	SURE	\$ 6.25	0.7288	Y	72.79%	\$ 4.55	\$ 15.14
TREMONT CORP	TRE	\$ 27.60	TITANIUM METALS	TIE	\$ 3.95	1.9113		33.32%	\$ 7.55	\$ 20.05
TRIBUNE CO	TRB	\$ 30.72	AOL TIME WARNER	AOL	\$ 33.80	0.0212		0.14%	\$ 0.72	\$ 30.00
TRW INC	TRW	\$ 34.16	E-SYNC NETWORKS	ESNI	\$ 0.40	0.0245		41.61%	\$ 33.76	\$ 1.00
			CELERA GENOMICS	CRA	\$ 26.39	0.0042		0.84%	\$ 0.11	\$ 34.05
			RF MICRO DEVICES	RFMD	\$ 22.01	0.1361		10.39%	\$ 2.99	\$ 31.17
									\$ 3.11	\$ 31.05
									#REF!	#REF!
TYCO INTLLTD	TYC	\$ 48.06	TYCOM LTD	TCM	\$ 14.60	0.2323		86.49%	\$ 3.39	\$ 44.67
UCR	UCR	#REF!	#REF!	GRAF	\$ 16.50	#REF!		#REF!	#REF!	#REF!
ULTRAMAR DIAMOND	UDS	\$ 49.91	SHAMROCK LOGISTI	UDL	\$ 36.90	0.2241		85.55%	\$ 8.27	\$ 41.64
UNITEDGLOBALCO-A	UCOMA	\$ 1.10	UNITED PAN-A ADR	UPCOY	\$ 0.54	2.3349		52.39%	\$ 1.26	\$ (0.16)
UNITRIN INC	UTR	\$ 39.38	NORTHROP GRUMMAN UNOVA INC	NOC	\$ 105.61	0.1133		8.98%	\$ 11.97	\$ 27.41
				UNA	\$ 4.00	0.1871		22.08%	\$ 0.75	\$ 38.63
									\$ 12.71	\$ 26.67
USA NETWORKS INC	USAI	\$ 20.52	HOTEL RES INC -A	ROOM	\$ 31.47	0.0506		67.53%	\$ 1.59	\$ 18.93
			TICKETMASTER-B	TMCS	\$ 14.21	0.0723		37.67%	\$ 1.03	\$ 19.49
				PWR	\$ 17.89	0.2381		45.90%	\$ 4.26	\$ 25.91
UTILICORP UNITED	UCU	\$ 30.17	QUANTA SERVICES	ILA	\$ 24.40	0.6725		77.52%	\$ 16.41	\$ 13.76
			AQUILA INC						\$ 20.67	\$ 9.50
VERIZON COMMUNIC	VZ	\$ 53.64	GENUITY INC-A	GENU	\$ 1.63	0.0392		10.70%	\$ 0.04	\$ 53.58
			NTL INC	NLI	\$ 4.18	0.0090		8.85%	\$ 0.06	\$ 53.60
				BBI	\$ 25.03	0.0808	N	82.29%	\$ 2.02	\$ 34.35
VIA COM INC-A	VIA	\$ 36.37	BLOCKBUSTER -A	WHC	\$ 12.52	0.7989		56.99%	\$ 10.00	\$ 12.65
WACKENHUT CORP-A	WAK	\$ 22.65	WACKENHUT CORREC	POI	\$ 1.74	1.2815		90.31%	\$ 16.30	\$ 0.87
WESTERN RES INC	WR	\$ 17.17	PROTECTION ONE ONEOK INC	OKE	\$ 18.00	0.0613		7.27%	\$ 1.10	\$ 16.07
									\$ 3.33	\$ 13.84
WILLIAMS COS INC	WMB	\$ 30.23	WILLIAMS COMMUNI	WCG	\$ 1.31	0.0412		4.32%	\$ 29.23	\$ 1.00
			WILLIAMS ENERGY	WEG	\$ 40.35	0.0120		54.14%	\$ 0.48	\$ 29.75
				DIGX	\$ 1.78	0.0133		62.06%	\$ 0.02	\$ 13.73
WORLDCOM INC-WOR	WCOM	\$ 13.75	DIGEX INC	OME	\$ 2.01	6.0648		60.67%	\$ 12.19	\$ 5.96
ZAPATA CORP	ZAP	\$ 18.15	OMEGA PROTEIN CP	VCIC	\$ 0.04	2.4580		38.36%	\$ 0.10	\$ 18.05
			VISKASE COMPANIE						\$ 12.29	\$ 5.86

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New Arb Listing  
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# Foreign Implied Value of Stubs

Parent Company	Exchange	ADR's	Bloomberg Symbol	Price (in \$)	Carve-Out / Holding	Exchange	Bloomberg Symbol	Price (in \$)	Ratio (1)	Intent To Spin (2)	Economic % owned (3)	Embedded Value (4)	Residual Stub Value (5)
Alcatel A	EN Paris	CGE FP	ALSC	12.52	Alcatel O (Optronics)	EN Paris	CGO FP	5.23	0.062	N	80.00%	\$ 0.33	\$ 12.19
Alliance Semiconductor	NASDAQ N-Mkt		ALSC	7.79	Broadcom Corp	NASDAQ N-Mkt	BRCM	26.70	0.012		0.22%	\$ 0.32	
					Chartered Semiconductor	NASDAQ N-Mkt	CHRT	17.55	0.052		1.55%	\$ 0.91	
					Chartered Semiconductor-S	Singapore	CSM SP	1.72	0.518		1.57%	\$ 0.89	
					United Microelectronics-S	Taipei	2303 TT	0.78	8.193		2.54%	\$ 6.38	
					Vitesse Semiconductor	NASDAQ N-Mkt	VTSS	9.17	0.021		0.45%	\$ 0.19	
												\$ 8.68	\$ (0.89)
Allianz AG	Frankfurt	ALV GR		233.65	Dresdner Bank AG	Frankfurt	DRB GR	36.43	0.460	N	21.84%	\$ 16.75	
					Bayerische Hypo-Und Vereinsb. Frankfurt	Frankfurt	HVM GR	28.68	0.342	N	17.40%	\$ 9.80	\$ 207.10
Australian Gas Light Co	ASX	AGL AU		17.16	Australian Pipeline Trust	ASX	APA AU	4.86	0.208		30.00%	\$ 1.01	\$ 16.15
Aventis SA	EN Paris	AVE FP		79.02	Rhodia SA	EN Paris	RHA FP	6.60	0.057		25.23%	\$ 0.38	\$ 78.64
BNP Paribas	EN Paris	BNP FP		84.49	Bancwest Corporation	New York	BWE	34.93	0.070		45.00%	\$ 2.44	\$ 82.05
Banco Santander Central Hk Continuous	London	SCH SM		7.92	Santander Bancorp	New York	SBP	19.00	0.007		85.63%	\$ 0.14	\$ 7.78
Cable & Wireless plc	London	CW/ LN		4.27	NTL Inc.	New York	NLI	4.04	0.011		11.23%	\$ 0.05	\$ 4.22
Commerzbank AG	Frankfurt	CBK GR		16.31	ComDirect Bank AG	Berlin	COM GR	5.33	0.159	N	58.65%	\$ 0.85	\$ 15.47
Dixons Group Plc	London	DXNS LN		2.86	Freemove Plc	#N/A N Ap	FRE LN	#VALUE!	0.416		78.92%	#VALUE!	#VALUE!
Formula Systems	Tel Aviv	FORT IT		1,334.87	Crystal Systems Solutions	NASDAQ N-Mkt	CRYS	2.90	0.436		39.24%	\$ 1.26	
					Magic Software Enterprises	NASDAQ N-Mkt	MGIC	1.74	1.560		51.96%	\$ 2.71	
					Sintec Advanced Technologies	Tel Aviv	SYTC	71.91	0.754		50.20%	\$ 54.21	
					Mashov Computers Ltd	Tel Aviv	MSHV	41.54	1.477		53.12%	\$ 61.34	
												\$ 119.53	\$ 1,215.33
France Telecom SA	EN Paris	FTE FP		34.19	Wanadoo	EN Paris	NAD FP	4.05	0.851	N	68.08%	\$ 3.45	
					Orange SA	EN Paris	OGE FP	7.91	2.810	N	84.14%	\$ 22.23	
					NTL Inc.	New York	NLI	4.04	0.011	N	18.33%	\$ 0.04	
												\$ 25.72	\$ 8.48
Global Light Telecom Inc	American	GBT		2.45	Netvue Communications	Venture	NTU/UCN	0.38	0.186		40.00%	\$ 0.07	
					Highpoint Communications	Venture	HGP CN	0.01	0.348		45.00%	\$ 0.00	\$ 2.37
Groupe Bruxelles Lambert (EN Brussels)	EN Brussels	GBLBB		49.25	TotalFinaElf SA	EN Paris	FP FP	144.94	0.174		3.39%	\$ 25.15	
					Suez	EN Paris	SZE FP	33.20	0.535		6.73%	\$ 17.77	
					Imelys SA	EN Paris	NK FP	90.45	0.030		25.28%	\$ 2.74	
					Rhodia SA	EN Paris	RHA FP	6.60	0.071		5.51%	\$ 0.47	
												\$ 46.13	\$ 3.13

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# Foreign Implied Value of Stubs

Parent Company	Exchange	ADR's	Bloomberg Symbol	Price (in \$)	Carve-Out / Holding	Exchange	Bloomberg Symbol	Price (in \$)	Ratio (1)	Intent To Spin (2)	0 % owned (3)	Embedded Value (4)	Residual Stub Value (5)
Herkel KGAA-Vorzug	Frankfurt		HEK9 GR	58.67	Clorox Company	New York	CLX	37.00	1.076		26.55%	\$ 39.82	\$ 18.85
iGate Capital Corp	NASDAQ NMkt		IGTE	2.15	Mesco Systems Ltd	Bombay	MSCTIN	1.70	0.476		88.80%	\$ 0.81	\$ 1.34
Kingfisher Plc	London		KGF LN	5.14	Castorama Dubois Investisse	EN Paris	CYFP	48.71	0.070		56.17%	\$ 3.39	\$ 1.75
Lafarge SA	EN Paris		LGFP	86.94	Lafarge Corp	New York	LAF	37.70	0.297		57.11%	\$ 11.21	\$ 75.73
MDC Corporation	Toronto		MDZ/AGN	1.84	Mexcom	Toronto	MXCN	1.37	1.251	N	77.80%	\$ 1.72	\$ 0.13
Novartis SA	Virt-x		NOVN VX	38.23	Chiron Corp	NASDAQ NMkt	CHIR	45.81	0.030		41.77%	\$ 1.39	\$ 36.84
NTT Corp	Tokyo		9432 JP	4,288.66	NTT Docomo Inc	Tokyo	9437 JP	12,804.52	0.388		64.06%	\$ 5,101.97	\$ (803.31)
NTT Docomo Inc	Tokyo		9437 JP	12,804.52	NTT Data	Tokyo	9613 JP	4,464.95	0.151		54.19%	\$ 676.24	\$ 12,128.28
Pearson Plc	London		PSO NLN	11.03	Recoltas Compania Editorial	Continuous	REC SM	3.91	0.128		71.92%	\$ 0.50	\$ 10.53
Philips Electronics NV	EN Amsterdam		PHIA NA	21.51	Taiwan Semiconductor	Taipei	2330 TT	1.42	0.262		1.98%	\$ 0.37	
Prudential Plc	London		PRU LN	10.64	Egg Plc	London	EGGLN	2.06	0.331	N	79.53%	\$ 0.68	\$ 9.95
Reuters Group Plc	London		RTRL LN	9.40	Iristnet	NASDAQ NMkt	INET	9.97	0.145		84.89%	\$ 1.44	
Roche Holding AG-Genuss Virt-x	Frankfurt		ROG VX	109.02	Tibco Software Inc	NASDAQ NMkt	TIBX	8.14	0.077		59.49%	\$ 0.62	\$ 7.33
Siemens AG	Frankfurt		SIE GR	43.24	Laboratory Corp of Amer Hold	New York	LH	82.03	0.031		30.53%	\$ 2.58	\$ 106.44
Sonera Corp	Helsinki		SRA1V FH	3.48	Irfirecon Technologies AG	Frankfurt	IFX GR	14.21	0.499		63.96%	\$ 7.09	\$ 36.15
Sulzer AG	Virt-x		SUN VX	141.87	Sulzer Medica	Frankfurt	DTE GR	16.86	0.070		1.24%	\$ 1.18	\$ 2.30
Telephone & Data Systems American			TDS	97.35	US Cellular Corp	SWX Elec	SMEN SW	44.83	2.133	Y	74.00%	\$ 95.64	\$ 46.24
Telefonica SA	Continuous		TEF SM	11.09	Terra Networks	Continuous	TRR SM	5.96	0.056		35.70%	\$ 0.33	\$ 10.75
Terra Networks	Continuous		TRR SM	7.19	Lyccos Europe N.V.	Berlin	LCY GR	0.86	0.161	N	44.00%	\$ 0.14	\$ 7.06
UtiliCorp United	New York		UCU	30.25	Quanta Services	New York	PWR	17.37	0.230		34.64%	\$ 4.00	
					Aquila	New York	ILA	24.65	0.672		77.52%	\$ 16.58	
					United Networks Limited	NZSE	UNL NZ	20.32	0.739		56.25%	\$ 15.02	
					United Energy Limited	ASX	UEL AU	5.50	1.234		33.91%	\$ 6.78	
												\$ 42.38	\$ (12.13)
Vivendi Universal	EN Paris		EX FP	45.79	Vivendi Environment	EN Paris	VE FP	38.28	0.230		72.39%	\$ 8.80	\$ 36.99
Weston (George) Ltd	Toronto		WNO CN	62.04	Loblaw Companies Ltd	Toronto	LON	31.07	1.320		62.81%	\$ 41.00	\$ 21.03
WorldCom Inc	NASDAQ NMkt		WCOM	62.04	Embratel Participacoes	Sao Paulo	EBTP4 BZ	2.53	13.608		19.00%	\$ 34.49	\$ 27.55

■ New Arb Listing  
■ Expected IPO Price

1) Shares held of (Carve-Out or Holding by Parent Company) divided by shares outstanding of the Parent Company.

2) Company has announced intent to distribute shares of carve-out to parent shareholders.

3) Parents economic ownership value of carve-out. This column does not include consideration for voting rights.

4) Embedded Value = (Carve-Out or Holding price) multiplied by the Ratio.

5) Residual Stub Value = Parent Price less Embedded Value.

6) Parent P/E = Parent price divided by First Call Estimate

7) Residual P/E = First Call estimates of the parent company less the holding company's contribution, if the parent consolidates the holding.

## Stub Monitor

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Parent	Sub.	Ticker Par. / Sub.	Parent Price	Sub. Price	Stub Ratio	Current Stub		
						Value	Min.	Max.
Apollo Group	Phoenix Online	APOL - UOPX	\$ 43.37	\$ 30.33	0.650436497	\$ 23.64	\$ 10.87	\$ 28.21
Citizens Comm.	Electric Lightwave	CZN - ELIX	\$ 9.61	\$ 0.36	0.140854468	\$ 9.56	\$ 9.31	\$ 15.14
Comverse Tech.	Ulticom	CMVT - ULCM	\$ 19.92	\$ 9.45	0.176558431	\$ 18.25	\$ 16.16	\$ 114.14
FMC Corp.	FMC Technologies	FMC - FTI	\$ 51.39	\$ 13.65	1.724193341	\$ 27.85	\$ 22.86	\$ 38.43
General Motors	GM-Hughes	GM - GMH	\$ 45.37	\$ 13.69	0.754540661	\$ 35.04	\$ 30.83	\$ 52.81
Global Crossing Limited	Asia Global Intimate Brands	GX - AX LTD - IBI	\$ 1.02 \$ 12.31	\$ 0.70 \$ 11.98	0.354999977 0.920244798	\$ 0.77 \$ 1.29	\$ 0.38 \$ 0.81	\$ 21.78 \$ 6.38
Lucent	Agere	LU - AGR.A	\$ 6.62	\$ 4.86	0.276920733	\$ 5.27	\$ 3.90	\$ 9.06
MCSi	Zengine	MCSI - ZNGN	\$ 16.85	\$ 3.67	0.579524871	\$ 14.72	\$ 9.32	\$ 23.66
MRV Comm	Luminent	MRVC - LMNE	\$ 3.85	\$ 1.70	1.708955401	\$ 0.94	\$ (0.53)	\$ 8.28
Network Assoc.	McAfee.com	NETA - MCAF	\$ 17.80	\$ 21.05	0.262056415	\$ 12.28	\$ 2.55	\$ 19.19
Xcel	NRG	XEL - NRG	\$ 29.06	\$ 18.34	0.428213973	\$ 21.21	\$ 12.79	\$ 22.02
Sorrento Networks	NetSilicon	FIBR - NSIL	\$ 2.15	\$ 2.40	0.527092557	\$ 0.88	\$ 0.54	\$ 36.65
News Corp.	FOX	NWS - FOX	\$ 28.22	\$ 21.76	0.573728354	\$ 15.74	\$ 13.07	\$ 34.63
Pharmacia	Monsanto	PHA - MON	\$ 40.39	\$ 36.12	0.16903313	\$ 34.28	\$ 32.12	\$ 56.76
Philip Morris	Kraft	MO - KFT	\$ 50.84	\$ 32.51	0.110767315	\$ 47.24	\$ 39.74	\$ 47.55
Reuters	Tibco Software	RTRSY - TIBX	\$ 50.84	\$ 8.85	0.482561591	\$ 46.57	\$ 42.96	\$ 89.95
Sea Containers	Orient Express	SCR - OEH	\$ 8.89	\$ 13.25	0.914247167	\$ (3.22)	\$ (3.76)	\$ 6.51
Synovus	Total Systems	SNV - TSS	\$ 25.50	\$ 25.21	0.541100226	\$ 11.86	\$ 10.42	\$ 18.19
St. Paul	John Nuveen	SPC - JNC	\$ 50.24	\$ 47.05	0.117879876	\$ 44.69	\$ 30.53	\$ 52.38
SPX Corp.	Inrange Tech.	SPW - INRG	\$ 95.10	\$ 6.10	1.889102676	\$ 83.58	\$ 41.93	\$ 107.73
Stilwell Financial	DST Systems	SV - DST	\$ 23.81	\$ 41.79	0.183648483	\$ 16.14	\$ 11.12	\$ 38.99
Telephone & Data	U.S. Cellular	TDS - USM	\$ 97.10	\$ 45.26	1.203556777	\$ 42.63	\$ 15.81	\$ 42.63
Titan	Surebeam	TTN - SURE	\$ 19.23	\$ 6.25	0.727494602	\$ 14.68	\$ 7.76	\$ 15.48
Toronto Dominion	TD Waterhouse	TD - TWE	\$ 23.75	\$ 9.06	0.514085628	\$ 19.09	\$ 16.10	\$ 23.73
TYCO	TYCOM	TYC - TCM	\$ 47.71	\$ 14.52	0.240512432	\$ 44.22	\$ 38.21	\$ 55.99
UnitedGlobalCom	United Pan-Europe	UCOMA - UPCOY	\$ 1.18	\$ 0.51	1.057440072	\$ 0.64	\$ 0.45	\$ 12.51
UtiliCorp	Aquila	UCU - ILA	\$ 30.28	\$ 24.59	0.672305357	\$ 13.75	\$ 12.71	\$ 16.18

## Spin-Off Calendar by Date

Parent	Symbol	Listed		Symbol	Announce	Record	Spin-Off	Report	Tax	
		Options	Spin-Off		Date	Date	Date	Date	Exempt	Ratio
SGI	SGI	Y	MIPS Technology	MIPS	02/26/99		06/20/00	June-00		.135:1
Hewlett-Packard	HWP	Y	Agilent	A	03/02/99		06/02/00	June-00	Y	.37:1
iGate	IGTE		Mascot	MSCT	03/07/00		06/12/00	April-00		CO
Great Lakes Chemical	GLK	Y	OSCA	OSCA	09/20/99		06/15/00	July-00		CO
Deluxe Corp.	DLX	Y	eFunds	EFDS	01/31/00		06/26/00	June-00		CO/SP
Methode Electronics	METHA	Y	Stratos Lightwave	STLW	02/23/00		06/26/00	June-U		CO/SP
Ford	F	Y	Visteon	VC	04/14/00		06/28/00	June-00	Y	1:7.637
Verizon	VZ	Y	Genuity	GENU	04/10/00		06/28/00	May-00		CO
AutoNation	AN	Y	ANC Rental Corp.	ANCX	08/02/99		06/30/00	June-00	Y	1:8
Delta Woodside	DLW		Duck Head	DHA	02/09/99	06/19/00	06/30/00	July-00	Y	1:10
			Delta Apparel	DLA	02/09/99	06/19/00	06/30/00	July-00	Y	1:10
Orckit	ORCT		Tioga Technologies	TIGA	02/10/00	06/28/00	07/03/00	July-00	Y	1:1
Intelligroup	ITIG		Seranova	SERA	11/04/99	05/12/00	07/06/00	July-00	Y	1:1
Daisytek	DZTK	Y	PFSweb	PFSW	09/21/99	06/19/00	07/07/00	July-00	Y	.81:1
Eaton	ETN	Y	Axcelis Technologies	ACLS	02/24/00		07/10/00	July-00		CO/SP
Kansas City Southern	KSU	Y	Stilwell Financial	SV	02/03/98	6/28/00	07/12/00	July-00	Y	2:1   1:2
3Com	COMS	Y	Palm	PALM	09/14/99	07/11/00	07/27/00	July-00	Y	1.5:1
Tyco Int.	TYC	Y	Tycom	TCM	03/10/00		07/27/00	August-00		CO
Actuant	ATU	Y	APW Ltd	APW	01/27/00		07/31/00	August-00	Y	1:1
America Online	AOL	Y	America Online Latin	AOLA	07/06/00		08/07/00	August-00		CO
EMC	EMC	Y	McDATA	MCDT	05/31/00		08/09/00	August-00		CO/SP
Sea Containers	SCR.A		Orient Express Hotels	OEH			08/10/00	August-00		CO/SP
BRE Properties	BRE		VelocityHSI	VHSI	03/16/00	08/07/00	08/15/00	August-00	N	1:5
Ziff-Davis	ZD		Key3Media	KME			08/21/00	Sept-00		1:2
IMS Health	RX	Y	Synavant	SNVT	03/28/00	07/28/00	09/01/00	Sept-00	Y-Opin	1:20
MCSi	MCSI		Zengine	ZNGN	08/22/00		09/22/00	Sept-00		CO
SPX	SPW	Y	Inrange Technologies	INRG	06/05/00		09/22/00	Sept-00		CO
Southern Company	SO	Y	Mirant	MIR	04/17/00		09/27/00	Oct-00	Y	CO/SP
HNC Software	HNCS	Y	Retek	RETK		09/15/00	09/29/00	August-00	Y	~1.24:1
Cabot Corp.	CBT	Y	Cabot Micro-Electonics	CCMP	07/29/99	09/13/00	09/29/00	Sept-00	Y	1:3.7
Lucent Tech.	LU	Y	Avaya	AV	03/01/00	09/20/00	09/30/00	Sept-00	Y	1:12
Dun & Bradstreet	DNB	Y	Moody's	MCO	12/15/99	09/20/00	09/30/00	Sept-00	Y	1:2
Apollo Group	APOL	Y	Phoenix Online	UOPX	03/28/00		09/28/00	Oct-00		CO/TR
Enron	ENE	Y	New Power Holding	NPW			10/05/00	Oct-00		CO
SARA LEE	SLE	Y	Coach	COH	05/30/00		10/05/00	Oct-00		CO/SP
St. Joe	JOE	Y	Florida East Coast	FLA	10/27/99	9/18/00	10/09/00	Oct-00	Y	.23:1
Global Crossing	GX	Y	Asia Global Crossing	AGCX			10/06/00	Oct-00		CO
Pharmacia	PHA	Y	Monsanto	MON	08/30/00		10/18/00	Oct-00		CO
MRV Communications	MRVC	Y	Luminent	LMNE	07/29/00		11/10/00	Nov-00		CO/SP
BEI Technologies	BEIQ		OpticNet		08/24/00	10/30/00	11/21/00	Sept-00	N	1:10
Sybron (Apogent-AOT)	SYB		Sybron Dental Special	SYD	04/24/00	11/30/00	12/11/00	Dec-00	Y	1:3
Aetna	AET	Y	Aetna Health Services		07/20/00	12/13/00	12/14/00	Dec-00		1:1
Fluor	FLR	Y	Massey Energy	MEE	06/08/00	11/30/00	12/21/00	Dec-00	Y	1:1
Eaton	ETN	Y	Axcelis Technologies	ACLS	02/24/00	12/06/00	12/29/00	Dec-00	Y	1.15:1
Deluxe Corp.	DLX	Y	eFunds	EFDS	01/31/00	12/11/00	12/29/00		Y	.55:1

## Spin-Off Calendar by Date

Parent	Listed			Symbol	Announce Date	Record Date	Spin-Off Date	Report Date	Tax	
	Symbol	Options	Spin-Off						Exempt	Ratio
National Data	NDC	Y	Global Payments	GPN	12/21/99	01/19/00	01/31/00	Jan-00	Y	.8:1
EMC	EMC	Y	McDATA	MCDT	05/31/00	01/24/01	02/08/01	February	Y	~1:36
Williams	WMB	Y	Williams Energy LP	WEG	10/ /00		02/06/01	February		CO
Cabletron	CS	Y	Riverstone Networks	RSTN	2/00/00		02/15/01	February	Y	CO/SP
RPC	RES		Marine Products	MPX	01/14/00	02/16/01	03/01/01	March-00	Y	.6:1
Lucent	LU	Y	Agere Systems	AGR	06/ /00	03/23/01	March	March-00		CO/SP
Titan	TTN	Y	Surebeam	SURE	08/14/00	03/16/01	March	March-00		CO
Cablevision	CVC	Y	Rainbow Media Group	RMG		03/15/01	03/30/01	March-00		1:2
Ceridian	CEN	Y	Arbitron	ARB	07/18/00	03/16/01	04/01/01	March-00	Y	1:5
Sara Lee	SLE	Y	Coach	COH	05/30/00		04/05/01	March-U	Y	Split
Southern Company	SO	Y	Mirant	MIR	04/17/00	03/21/01	04/02/00	April-01	Y	.397:1
Ultramar Diamond Sham.	UDS	Y	Shamrock Logistics	UDL	08/14/00		04/10/01	Nov-00		CO
Williams Companies	WMB	Y	Williams Comm.	WCG		04/09/01	04/23/01	April-01	Y	.82:1
UtiliCorp	UCU	Y	Aquila	ILA	12/13/00		04/23/01	April-U		CO/SP
Methode Electronics	METHA	Y	Stratos Lightwave	STLW	02/23/00	04/05/01	04/30/01	April-01	Y	~1.5 : 1
Reliant Energy	REI	Y	Reliant Resources	RRI	07/27/00		04/30/01	May-01		CO/SP
Adaptec	ADPT	Y	Roxio	ROXI	02/21/01	04/30/01	05/11/01	May-01		~1:6
AT&T	T	Y	AT&T Wireless	AWE	12/06/99		05/25/01	May-01		SPLIT
Reuters	RTR LN	Y	Instinet	INET	02/08/01		05/28/01	May-01		CO
WorldCom	WCOM	Y	MCI-Tracker	MCIT	11/01/00		06/08/01	June-01		1:25
Philip Morris	MO	Y	Kraft	KFT			06/12/01	June-01		CO
FMC	FMC	Y	FMC Technology	FTI	10/31/00		06/14/01	June-01		CO/SP
Rockwell	ROK	Y	Rockwell Collins	COL	12/08/00	06/15/01	07/01/01	June-01		1:1
Equifax	EFX	Y	Certegy	CEY	10/02/00	06/27/01	07/07/01	July-01	Y	1:2
AT&T	T	Y	AT&T Wireless	AWE	12/06/99	06/22/01	07/09/01	May-01	Y	.3218:1
Cabletron / Enterasys	CS-ETS	Y	Riverstone Networks	RSTN	2/00/00	07/27/01	08/06/01	July-01	Y	.51 : 1
Bristol-Myers Squibb	BMJ	Y	Zimmer Holdings	ZMH	02/22/01	07/27/01	08/07/01	July-01	Y	1:10
Thermo Electron	TMO	Y	Kadant	KAI	01/31/00	07/30/01	08/08/01	July-01	Y	.061 : 1
AT&T	T	Y	Liberty Media	LMC.A/B	11/15/00		08/10/01	July-01	Y	1:1
ESS Technologies	ESST	Y	ViAlta	VLTA	07/20/00	07/23/01	08/10/01	August-01		1.208 : 1
Millipore	MIL	Y	Mykrolis	MYK	10/03/00		08/09/01	August-01	Y	CO/SP
<b>SatCon</b>	<b>SATC</b>		<b>Beacon Power</b>	<b>BCON</b>		<b>09/21/01</b>	<b>09/24/01</b>	<b>October-01</b>	<b>T</b>	<b>.117:1</b>
<b>SeraCare</b>			<b>SeraCare Life Sciences</b>	<b>SRLS</b>			<b>09/25/01</b>	<b>October-01</b>		<b>2:5</b>
Pitney Bowes	PBI	Y	Office Systems	PBO	12/11/00		Oct/Nov	August-01	Y	1:12.5
Unitrin	UNIT		Curtiss-Wright	CW	11/06/00		Oct/Nov	Nov-00		.065:1
Thermo Electron	TMO	Y	Viasys Healthcare	VSS	01/00/01	11/07/01	11/15/01	Sept-01		.1428:1
Eastman Chemical	EMN	Y	Voridian		02/05/01		Dec-01	Feb-01		SP
USX	MRO	Y	US Steel	X	04/24/01		12/31/01	May-01		1:1
Allegheny Energy	AYE	Y	Allegheny Energy Supply		07/23/01		Dec-01	August-01		CO/SP
Enterasys Networks	ETS	Y	Aprisma Technology		02/01/00		4th-qtr-01	Oct-01		1:2
FMC	FMC	Y	FMC Technology	FTI	10/31/00		4th-qtr-01	June-01		1.72 : 1
Great Lakes Chemical	GLK	Y	OSCA /	OSCA OSCA.B	06/01/01		4th Qtr-01	June-01		CO Split
Mercury Air	MAX		Mercfuel		03/07/01		4th-qtr-01	August-01		CO
Barnes and Noble	BKS	Y	GameStop		08/23/01		4th-qtr-01	Sept-01		CO
IMPCO TECH	IMCO	Y	Quantum Technology		06/14/01		4th-qtr-01	August-01		
Lynch Interactive	LIC		Morgan Group	MG	08/17/01		4th-qtr-01	Sept-01		SP
Novo Nordisk	NVO		ZymoGenetics		09/04/01		4th-qtr-01	October-01		CO
MRV Communications	MRVC	Y	Luminent	LMNE	07/29/00		Buy-IN			
Tyco Int.	TYC	Y	Tycom	TCM	03/10/00		Buy-IN			
Global Crossing	GX	Y	Asia Global Crossing	AGCX			Buy-IN			

## Spin-Off Calendar by Date

Parent	Symbol	Listed		Symbol	Announce Date	Record Date	Spin-Off Date	Report Date	Tax Exempt	Ratio
		Options	Spin-Off							
Millipore	MIL	Y	Mykrolis	MYK	10/03/00		1st-qtr-02	August-01	Y	CO/SP
American Electric Pwr	AEP	Y	Independent Power				1st-qtr-02			
Reliant Energy	REI	Y	Reliant Resources	RRI	07/27/00		1st qtr-02	May-01		SP
Lucent	LU	Y	Agere Systems	AGR	06/ /00		2002	March-01		Split
Diageo	DEO	Y	Burger King		06/22/00		2002	July-00		CO
Emmis Comm.	EMMS	Y	TV Assets		08/21/01		2002	Sept-01	T	SP
Novell	NOVL	Y	Volera		02/02/01		2002	Feb-01		CO/SP
AON	AOC	Y	Underwriting Business		04/20/01		2002	May-01		SP
Titan	TTN	Y	Surebeam	SURE	08/14/00		2002	March-00		SP
UtiliCorp	UCU	Y	Aquila	ILA	12/13/00		2002	April-U		0.68:1
Western Resources	WR	Y	Westar Industries		03/29/00			April-00		SP
Constellation (BGE)	CEG	Y	Constellation Energy Grp		10/23/00			Nov-00		SP
Sea Containers	SCR.A		Orient Express Hotels	OEH	07/ /00			March-01	Y-Opinion	.75:1
ICN Pharmaceuticals	ICN	Y	Ribapharm	RIBA	06/15/00			Oct-00		CO
Continental Airlines	CAL	Y	ExpressJet	XJET			Cancelled			CO/SP
Acacia Research	ACRI	Y	CombiMatrix		11/22/00			Feb-01		CO
AMCOL	ACO		Nanocor Unit		12/27/00			Feb-01		SP
Corel	CORL		Linux Distribution Unit		01/23/01			Feb-01		
Computer Associates	CA	Y	Software and Services		08/07/00			August-00		CO
ECI Telecom	ECIL	Y	Multiple Break Up		08/03/00			Sept-00		
Conexant	CNXT	Y	Internet Infrastructure		09/13/00			Oct-00		SP
Motorola	MOT	Y	Propel	PRPL	06/27/00			July-00		CO
BellSouth	BLS	Y	Latin Wireless		03/29/00			April-00	Y	CO/TR
Verizon	VZ	Y	Verizon Wireless							CO
ICN Pharmaceuticals	ICN	Y	Int. Operations		06/15/00			July-00		CO
Nortel Networks	NT	Y	Optic's Division		09/15/00			Oct-00		CO
Goodrich	GR	Y	Engineering and Industrial		09/04/01			Oct-01		SP

## Foreign Spin-Off Calendar by Date

Parent	Symbol	Spin-Off	Symbol	Announce Date	Spin-Off Date	Report Date	Tax Exempt	Ratio
Zurich Allied	ZUAN	PSP Swiss Property	PSPN		03/07/00	Mar-00		SP
Siemens	SIE GR	Infineon	IFX		03/13/00	Mar-00		CO
Lycos – Acquired	LCOS	Lycos Europe	LCY NM		03/22/00	April-00		CO
Deutsche Telekom	DTE GR	T-Online	TOI N	03/27/00	04/17/00	April-00		CO
Toys-R-Us	TOY	Toys-R-Us Japan	7645 JP	03/20/00	04/25/00	April-00		CO
Commerzbank	CBK GR	Comdirect	COM GR		06/05/00	June-00		CO
Prudential	PRU LN	Egg	EGG			June-00		CO
Roche	ROG SW	Givaudan Fragrances		12/06/99	06/08/00	Jan-00		SP
France Telecom	FTE FP	Wanadoo	NAD FP		07/19/00	July-00		CO
Vivendi Universal	EX FP	Vivendi Environment	VIE FP		07/19/00	Aug-00		CO
Modern Times	MTGN SS	Metro International	MTROA,B	04/18/00	08/18/00	May-00		1:1
National Power	NP	Innogy Technology	IOG	11/17/99	10/03/00	Dec-99		SP
Alcatel	ALA	Fiber Optics	OPTRO	07/27/00	10/20/00	Oct-00		TR
Penninsular and Oriental	POC LN	Princess Cruises	POC	02/24/00	10/23/00	Oct-00	Y	1:2
BG Group	BG LN	Lattice Group	LAT LN		10/23/00	Nov-00		1:1
Pearson PLC	LSE: PSON	Recoletos	REC SM		10/23/00	Nov-00		CO
Novartis	NVS	Syngenta	SYT		11/14/00	Nov-00		CO
Novo Nordisk	NVO.N	Novozymes	NNZYMB DC	09/09/99	11/17/00	Nov-00		CO, 1:1
Telefonica S.A.	TEF	Telefonic Moviles	TEM	09/29/00	11/20/00	Dec-00		CO
Telefonos de Mexico	TMX	America Mobile	AMX	09/27/00	02/07/01	Oct-00		SP
France Telecom	FTE	Orange	OGE FP		02/16/01	Jan-01		CO
Sony	SNE / 6758 JP	Internet Unit	67585 JP	11/ /00	06/20/01	Dec-00		TR
Alcatel	CGE FP	Nexans	NEX FP			July-01		IPO
McDonald's	MCD	McDonald's Japan	2702 JP			July-01		CO
Sulzer	SUN VX	Sulzer Medica	SMEN VX	07/09/01	07/10/01	August-01		2:1
Kingfisher	KFG LN	Woolworths Group PLC	WLW LN	08/24/01	08/28/01	August-01		1:1
Industriforvaltnings AB Kinnevik	KINVA SS	Transcom	TWWB TWWA		09/06/01	October-01		.65:1 .35:1
United Pan-Europe	UPCOY	Priority Telecom	PRIOR NA	08/14/01	09/27/01	October-01		CO
Canadian Pacific	CP	PanCanadian Petroleum	PCP		10/09/01	Sept-01		0.684:1
		Fording	FDG		10/09/01	Sept-01		0.166:1
		Canadian Pacific Rail	CP		10/09/01	Sept-01		0.50:1
		CP Ships	TEU		10/09/01	Sept-01		0.25:1
		Fairmont Hotels	FHR		10/09/01	Sept-01		0.25:1
Starbucks	SBUX	Starbucks Japan	2712 JP		10/10/01	October-01		CO
British Telecom	BTY-ADR	mmO2		11/ 15/00	11/19/01	Dec-00		1:1
British Telecom	BTY-ADR	Yell		11/ 15/00	SOLD	Dec-00		
Nycomed Amersham	NYE-ADR	APBiotech	APBI	08/07/00		Aug-00		CO
Deutsche Telekom	DTE GR	Deutsche Tele. Mobile		01/25/00				CO
United Pan-Europe	UPCOY	UPC Germany		11/ /00		Dec-00		CO
Psion	PON LN	Symbyan		08/08/00		Sept-00		CO
Lynx Group	LNK LN	Office Mgmt. Software		11/01/00		Nov-00		
Roche Holdings	ROG SW	BASILEA Pharmaceutica		10/17/00		Nov-00		CO
Aventis	AVE-ADR	Agreva		11/ /00		Dec-00		SP
Great Universal	GUS LN	Burberry		11/ /00		Dec-00		CO
TV Azteca	TZA-ADR	Unefon		11/15/00		Dec-00		SP
Innogy Holdings	IOG	Regenesys		04/02/01		April-01		CO
Lufthansa	LHA GR	SkyChefs		07/23/01		August-01		CO
Grupo Carso	GCARSOA1	CompUSA		09/04/01		October-01		SP