

New Tracking Stocks To Hit The Market

Companies such as DuPont, Ziff-Davis and Donaldson Lufkin & Jenrette plan to issue tracking stocks to highlight the faster-growing segments of their companies. In a perfect world, a tracking stock can highlight the value of a division or subsidiary, but it differs from a spin-off in that it shares a balance sheet with the parent company, and investors do not actually own the subsidiary. A tracking stock, also known as targeted or letter stock, is a security whose value is intended to track the performance of a unit, even though it represents partial ownership of the parent company. A flurry of tracking stock deals have been announced recently. We suspect that companies are issuing tracking stock now, fearful that Clinton's budget plan could shut down future deals. Under the administration's budget plan, companies that sell tracking stock would face taxes on gains over an "adjusted basis" value of the assets represented by the separately traded shares. Currently, the procedure is tax-free. Clinton has proposed treating the issuing of a tracking stock like a sale of assets, which is a taxable event. Therefore, **companies mulling such a restructuring are moving ahead, not wanting to risk losing the current tax benefits.**

Last month, **DuPont said it plans to file with the SEC in late 1999 to issue a tracking stock to highlight the life sciences part of its business**, which includes drugs, biotechnology and agriculture products, which is growing faster than its chemical operations. **DuPont hopes that investors will award the tracking stock a richer multiple more in line with its peer group.** If the tracking stock garners a high P/E multiple, DuPont could use this high value currency to fund acquisitions. Life Sciences contributed \$4.3 billion to DuPont's \$24.8 billion in sales last year, though after charges the unit posted a loss. DuPont's stock sells for about 20 times its estimated 1999 per-share profit, while shares of most drugmakers sell at a substantially higher multiple. The businesses that will be included in this tracking stock are pharmaceuticals, Protein Technologies International, crop protection chemicals, the alliance with Pioneer Hi-Bred, and the company's biotechnology research efforts found on food, agriculture and nutrition. After tax operating income was \$515 million (before non-recurring charges of \$926 million).

DLJ has also jumped on the bandwagon. Last Month the company said it would file for an IPO of a stock to track the performance of its DLJdirect online brokerage business. **Ziff-Davis recently issued tracking stock for its ZDNet unit.** Quantum announced it wants to issue two tracking stocks, one for its struggling disk-drive operations and another for its growing storage systems business.

Tracking Stock Do Not Perform As Well As Spin-Offs

While Liberty Media Group (originally issued as a tracking stock for Tele-Communications' programming arm, now a tracking stock for AT&T), and **Sprint PCS** (a Sprint Tracking stock) have sharply outperformed the S&P 500 since being issued, many have poor track records. **Georgia Pacific's Timber Group**, for example, fell 13 percent during the past 12 months, compared with a 12 percent gain for Georgia Pacific. During the same period, shares in General Motors Corp's Hughes Electronics unit climbed 10 percent, well short of GM's 30 plus percent rise. **Circuit City's CarMax subsidiary** issued tracking stock in February 1997 and has been in a two-year slide since. Tracking shares, which do not have voting power within the parent company, were put on the map a decade ago with General Motors Corp's acquisition of Electronic Data Systems as a way of tracking the value of separate operations. **We would prefer a spin-off.** With a tracking stock you do not have a separate board of directors making decisions solely in the best interest of that entity.

Company Updates

Convergys (NYSE: CVG, \$17) Looks Attractive at Current Prices .

Spun-off from Cincinnati Bell on December 31st, 1998, Convergys is the largest provider of both out-sourced billing services to the wireless industry and outsourced billing management services. CBIS provides billing and information services (data processing, consulting services, licensed software) for such wireless communications firms as PCS Group, PrimeCo, AT&T Wireless, Sprint Spectrum and PrimeCo. MATRIXX's customer-management services include customer service, technical support, and sales account management. MATRIXX focuses on outsourcing relationships with large clients who no longer wish to maintain customer service support operations.

Industry

According to G2R, the worldwide market for billing services for the communications industry is expected to grow over 13% annually from an estimated \$17 billion in 1997 to \$28 billion in 2001. Separately, Strategic TeleMedia estimates that total teleservices expenditures in 1997 were \$101 billion and are expected to grow approximately 10% annually to \$135 billion in 2000. Out-sourced Tele-services revenues are expected to increase from 12% of total expenditures in 1997 (or \$12 billion) to over 15% (or \$21 billion) in 2000, resulting in a compound annual growth rate in excess of 19%.

Expansion

Convergys controls roughly 30 percent of the US cable billing services industry and 30 percent of the cellular wireless (70 percent of the out-sourced cellular billing). Convergys also has contracts with three of the four national PCS wireless operators controlling 60-70 percent of the national subscriber base. Recently, Convergys has opened a new call center in the St. Louis area adding 1000 new jobs, and has announced the expansion of its 1000 person Killeen, Texas facility adding up to 600 new jobs.

International Expansion Convergys estimates that 8-10 percent of 1998 revenues came from international operations including Canada. They have expressed a desire to grow revenues to 30 percent of total sales by 2003. Convergys announced on March 3rd, that it paid \$55 million to become the largest shareholder in Wiztec Solutions (NASDAQ: WIZTF), a Tel Aviv-based company that makes billing and customer care systems for pay television companies. On March 8th, Convergys announced a contract with Telekabel Austria. Convergys will supply Telekabel with systems for subscriber management and billing for video, telephony and high-speed data services.

Risks

Our largest concern is the concentration of clients. Several significant customers account for a large percentage of revenues. AT&T accounts for 39% of revenues consisting of 9 separate contracts. Two of these contracts have been re-negotiated and further AT&T re-negotiations are expected to be completed shortly. While there is concern, negotiations seem to be proceeding as anticipated. Convergys is making an attempt to expand its client base, recently signing up Mediaone in a deal valued at \$135 million over seven years. Recently, Mediaone announced a merger with Comcast in a transaction valued at \$60 billion. We see this as a positive because Comcast is an existing client of Convergys. New contracts are long term in nature, lasting between 5-10 years and may have buy out clauses to terminate the contracts.

Valuation

The selling pressure from the distribution of Convergys from Cincinnati Bell appears to have subsided. Convergys is trading at about \$17 or 17x Zacks \$0.96 earnings estimate for 1998. The company generates strong cash flow. We believe that Convergys will generate at least \$350 million in EBITDA this year (versus \$284 million in 1998). On a 1999 EBITDA basis, Convergys is trading at 7.5x. We would take this opportunity to accumulate a position.

Company Updates

Fox Entertainment

Fox Entertainment Group (NYSE: FOX) has three distinct businesses: film and television production and distribution; television broadcasting; and cable network programming. **The company sold 18.6% of its shares to the public through an initial public offering on November 10, 1998 at \$22.50.** Fox's strategy is to create, brand, distribute and exhibit film and television programming, maximizing their value by owning multiple parts of the distribution chain. Fox now runs the top TV network among viewers ages 18 to 49, according to Nielsen Media Research. The most attractive demographic for advertisers. 20th Century Fox Television is now the top TV production studio in Hollywood, based on the hours of weekly programming ordered by networks. Fox has also scored big at the box office. It's produced or distributed six of the top grossing movies of all time in the U.S. including "Titanic" and "Star Wars".

Fox enjoys considerable synergies between its three operating units. The Filmed Entertainment group distributes films to movie theatres, home video retailers and broadcasters. The Fox broadcasting unit consists of the Fox Network and 22 affiliated stations. Fox also has cable network interests, including the Fox News Channel, a 50% stake in Fox/Liberty Networks and a 49.5% stake in Fox Family Worldwide. It also holds sports interests such as ownership of the Los Angeles Dodgers baseball team. Fox holds minority interests in the New York Knicks and the New York Rangers.

Q2 Results

For the second quarter, Fox earned 17 cents a share, up 31%. Revenue grew 29% to \$2.6 billion. For the year ending June 30, analysts expect earnings to rise 28% to 42 cents a share, according to First Call. Fox reported Q2 EBITDA growth of 24% to \$330 million vs. \$266 million last year. Net income was \$105 million. Revenue improved 23% to \$2.6 billion vs. \$2.07 billion. Filmed entertainment was the primary driver to growth. That division posted a 134% increase in EBITDA to \$173 million vs. \$74 million. Fox has 672 million shares outstanding suggesting a market value of \$18.1 billion. The company trades 3x book (\$8.67 Sep 98), 16x 1998 actual cash flow per share of \$1.66, and about 65x FY99 First Call EPS estimate of \$0.42.

News Corporation

News Corp. (NWS), is truly a global media empire. It publishes scores of newspapers (including *The Times* of London), magazines (including *The Weekly Standard*), and books (HarperCollins). About 70% of News Corp.'s sales are from its US businesses. Murdoch's family owns about 30% of the company. The company's headquarters are based in Sydney, Australia, but the United States provides 72% of News Corp.'s operating income. **We would be more inclined to participate in News Corp. versus Fox.** Based on 1.0 billion estimated fully-diluted ADR's (Ord. shares per ADR:4), the current equity market capitalization of News Corp. is about US\$30 billion. The market value of News Corp.'s interest in Fox Entertainment Group is \$14.7 billion. The \$15.3 billion market valuation implied to News Corp's assets other than Fox Entertainment appears modest. Based on the current valuation of the Fox Entertainment Group and other public investments and assets (BskyB, Echostar, TV Guide), we estimate that investors can buy News Corp.'s print media assets for about \$2.00 per NWS share.

Company Updates...

Limited and Intimate Brands

Intimate Brands (NYSE: IBI) is a leading specialty retailer. The company sells lingerie, cosmetics, and natural personal care products at more than 1,800 Victoria's Secret and Bath & Body Works shops. Apparel is also sold through the famous Victoria's Secret Catalogue, which distributes 426 million copies a year. The company was spun off in 1995 by its parent, **The Limited, which owns 100% of IBI's Class B common stock and approximately 85% of its Class A common shares.** Since it went public in 1995, Intimate's net profit has advanced by more than 20% annually. The stock has enjoyed strong stock appreciation since the beginning of the year bolstered by the Victoria's Secret high-profile fashion show featuring well-known supermodels. The company's Web page has been a strong contributor to consumer awareness and has boosted sales. IBI is currently testing the waters in the home products market through free-standing units (approximately 50) under the *White Barn Candle Company* name. Management is also developing hosiery and cosmetics lines with store chains devoted solely to those concepts.

Billionaire chairman and CEO Leslie Wexner owns 25% of The Limited. The retailer operates more than 5,400 stores across the US, focusing primarily on clothing for women. The company's women's apparel stores include The Limited, Express, Lerner New York, and Lane Bryant. The Limited's other stores offer children's clothing (Limited Too), men's clothing (Structure), and sporting goods (Galyan's). The company owns 83% of Intimate Brands. The Limited spun off its 84% stake in Abercrombie & Fitch (collegiate sportswear) in 1998. (which is trading at all-time highs).

Intimate Brands Reported Q4 Results

IBI reported FQ4 EPS of \$0.98 versus \$0.79 (up 24%). Operating income advanced 26% at Bath & Body Works, 14% at Victoria's Secret Stores and 12% at Victoria's Secret Catalogue. Bath & Body works same-store sales advanced 12% in FQ4 while Victoria's Secret same-store sales were up 5%. Total sales increased 9.6%, totaling approximately \$1.5 billion. Same store sales advanced 8%. The growth was fueled by Bath & Body works (which carries higher overall margins) as well as a 400 basis point increase in the Victoria's Secret stores gross margin. SG&A expense rose 80 basis points to 19.5% from 18.7% due to increased marketing at Victoria's secret. Operating margin improved 280 points to 27%. Return on average equity was 70% at the end of FQ4. Return on average assets approximated 31% and return on total capital was 38%.

Strong Free Cash Flow

Given its \$4 billion sales base and high level of profitability, Intimate Brands generates substantial free cash flow. Net of working capital needs, capital expenditures, and dividend payments, IBI is positioned to deliver \$250 -\$300 million in excess cash flow annually over the next three years. The company is in the process of a \$500 million share repurchase plan (announced in late January), which should be completed during 1999.

Market Data		FY: (Jan)	1999A	2000E
Price (3/29)	\$44 7/8	EPS:	\$1.59	\$1.88(First Call)
Shares Out.:	251 M	P/E:	28.3x	24x
Market Cap	\$11.26 B			
Long-Term Debt	\$250 M			
L-T Debt /Total Cap.:	28%			
Div./Yield	\$0.56/1.3%			
52-Week Range	45-18			

The Limited (LTD)

The Limited, through its Express, Lerner New York, Lane Bryant, Structure, Limited Stores, Limited Too, Henri Bendel, and Galyan's operates nearly 3,600 specialty retail stores. We believe a partial spin-off of Limited Too could be in the cards sometime this year.

On February 23, LTD reported Q498 EPS of \$1.07, up 11% from Q497's \$0.96. Total sales for the quarter rose 7% from \$3,056 million to \$3,256 million, on a 6% gain in comp-store sales. Gross Margin improved 110 basis points to 36.2%, reflecting margin improvement in Victoria's Secret and Bath & Body Works. Operating income in the apparel segment (Limited, Express, Lerner, Lane Bryant, Structure and Limited Too) declined to \$65.4 million from \$91.6 million.

The Limited is taking steps to improve its long-term profitability. The company is restructuring its merchandising process by adding new internal manufacturing and design teams at each of its divisions. LTD closed 350 stores in 1998, bringing the total number of store closings over the past four years to 750. They plan to close an additional 150 to 200 stores in the apparel division, remodel 230 stores, and open over 300 stores during 1999. LTD ended 1998 with \$870 million in cash on the balance sheet.

Market Data					
Price (3/29)	\$37 3/8		FY: (Jan)	1999A	2000E
Shares Out.:	231.1		EPS:	\$1.46	1.66 (First Call)
Market Cap.:	\$8.6 B				
Long-Term Debt:	\$550 M		P/E:	25.4x	22x
L-T Debt/Total Cap.:	20%				
Div./Yield:	\$0.52/1.4%				

We could not help but notice that the market capitalization of Intimate Brands is greater than that of its parent, The Limited. Those who are bullish on Intimate Brands may wish to purchase LTD rather than IBI as a "cheap" way to garner exposure to IBI. Further, those who are particularly bullish on Limited may wish to purchase LTD and short IBI as a way to create the stub business.

Parent:	Symbol	Shares Owned By Parent	Shares Outstanding	Price	Market Capitalization as % of Ownership	Difference	Parent Implied Value (Less-Carveout)	Carve-Out Value
Limited	LTD		231,700,000	38.4375	\$8,905,968,750			
Intimate Brands	IBI	211,600,000	252,400,000	46.125	\$9,760,050,000	(\$854,081,250)	(\$3.69)	\$42.12
Current								
Create Stub	Company	Price	Ratio	Proceeds				
Sell	IBI	46.125	0.91	\$ 42.12				
Buy	LTD	38.4375	1	\$ (38.44)				

Company Updates...

Kansas City Southern Industries – (KSU)

Date: March 30, 1999

Rating: Buy

Current Price: \$56 5/8

Price Target \$65

We initiated coverage of KSU a year ago (2/24/98) with a Strong Buy and a price target of \$50 per share. Recently the stock has plowed through our objective and has appreciated 55% since our original recommendation of \$36 3/8. Based on a sum-of-the-parts analysis, we continue to recommend KSU. **Our target for KSU is \$65 per share based on what we believe the three businesses will be worth after the spin-off when reconstituted. After the close on Thursday April 1st, KSU will be added to the S&P 500 Index. Thus, any portfolios mimicking the index will need to purchase shares of KSU.**

Overview

The company's two main businesses are railway freight services and financial asset management. The railroad owns and operates about 4,000 miles of track in nine central and southern states in a north-south orientation. KCSI owns controlling interests in Janus Capital and Berger Associates, which manage funds with assets totaling about \$141.5 billion. KCSI also has a 32% interest in DST Systems (NYSE:DST), which provides record-keeping services and software to the financial services industry. **KCSI plans to split off its Financial Services businesses (including DST) in the fourth quarter, subject to a favorable tax ruling on its recent IRS filing.**

Market Data

Shares Out	114 M	52 Week Range	\$57 7/16-\$23
Market Cap	\$6.5 B	Symbol/Exchange	KSU/NYSE
Dividend/Yield	\$0.16/0.3%	Consensus EPS:	99E 20E
Book Value/Share(12/98)	\$8.46	(First Call March 23)	\$2.33 \$2.88
Price/Book	6.7x	P/E	24.5x 19.8x
LT Liability % of Capital	57%	EPS Change (YoY)	24.6% 23.6%
ROE 1999E	26%	Assets/Equity	3.0x

KSU -A Sum-of -Parts Valuation

In our view the sum-of-the-parts is still greater than the whole. We think separate businesses, railroad (\$8.00), financial services (\$47.00), and DST (\$10.00) will command values not reflected in the parent company's stock price.

DST: (DST \$58 5/16)

(\$56.3125 x 20.3 M shares/ 114 KSU shares) \$1.14B/114M = \$10.02

Financial Services (Janus/Berger/Nelson)	\$47
Railroad	\$8
Total Value	\$65/share

Highlights Q4

KCSI reported an 18% improvement in Q498 EPS to \$0.46 versus \$0.39 a year ago (excluding one time charges of \$0.21 in Q498 and \$1.47 in Q497). Financial Asset Management revenues improved 31% in Q498 and contributed the lion's share (\$0.39 per share) of the 46 cents in earnings. Financial Services had charges of \$0.21 per share to reflect a reduction in ownership of DST to 32% from 41%, as well as KSU's share of DST merger costs related to the recent DST/USCS pooling of interest.

Value by Business

Transportation

KCS Railway posted a 3% decline in revenue to \$137.5 million 4Q98. KCSR's operating profit fell 27% to \$22.4 million. The operating ratio deteriorated to 77.3% from 83.4% in the quarter. Pretax income dropped 22% to \$17.8 million. Transportation net income was \$7.8 million compared to \$3.5 million in Q497. We believe that KCSR rail unit could earn at least \$0.50 a share this year. At a 13 P/E, this suggests a value of \$6.5 per KSU share. We would ascribe a minimum of \$1.50 per share to the value of the start-up TFM joint venture in Mexico and to the Tex-Mex operation in Texas. Therefore, **the rail parts are worth at least \$8 per share**. It could be worth more. In mid 1994 Illinois Central bid \$1.6 billion for KCSI's rail operations (rejected by KCSI). This was equivalent to \$14 per share.

Financial Asset Management

Assets under management at Janus/Berger/Nelson Money Management (a U.K. based retirement consulting firm), soared 59% from Q497 to \$113.5 billion. Revenues increased 32% to \$180.7 million. Operating margins were 41.0% vs. 48.0% in Q497. Pretax income improved 13% to \$74.1 million and net income increased 18% to \$41.2 million (before one-time items). The Financial Services business (without DST) accounts for about 75% of KSU's earnings. **Assets under management are now \$141.5 billion as of March 29th**, 1999 (the day the DJIA closed above 10,000 for the first time), improving an amazing 25% since the beginning of the year. The rapid growth in AUM will propel earnings growth in 1999. We believe that the Financial Services business (excluding DST), could earn close to \$2.00 this year. **Multiplying \$2.00 by 23.5x suggests this piece is worth \$47 per KSU share**. This is the approximate multiple of T.Rowe Price, the closest comparable. T.Rowe Price had \$147.8 billion in assets under management at year-end. This does not seem horribly rich for a money management firm which has increased assets under management by 25% in three months.

Janus-A compounding Machine

Janus, an 83% owned subsidiary, was acquired by KSU in 1984. At year-end, Janus had \$108 billion in AUM. Berger Funds, an 80% owned subsidiary manages \$4 billion in assets. Nelson focuses on providing financial planning and professional money management services to individuals, and manages about \$1.2 billion. Financial Services has been very adept at increasing beyond traditional direct market channels. This has helped AUM to grow at a compound annual growth rate of 50% from 1995-1998. We feel the market underestimates the true earnings power of Janus Funds, which is currently masked by virtue of being a part of KSU.

Janus has had the best performance of any fund family and is experiencing very strong inflows. In our view, the asset management division is well positioned, benefiting from excellent performance as well as a very strong brand. Janus Funds' investment discipline has enabled the company to consistently outperform its peers. According to Morningstar, nearly all of Janus' 19 funds are now at the top of their investment category which is quite impressive given the strong inflows in assets in recent years.

Margins

We expect some further margin compression due to revenue sharing arrangements with "mutual fund supermarkets" (Schwab and Fidelity are demanding more for distribution, 35 basis points versus 25). In addition, advertising expenses are expected to increase as Janus and Berger tout their strong performance. Also, start up costs with Nelson will likely impact margins negatively. We look for pretax operating margins to fall to about 40.0% in 1999, compared to 43.3% in 1998 and 46.5% in 1997.

Projected Assets Under Management

If financial services are able to compound assets at 20% over the next three years, they will have \$242 billion in AUM. This seems reasonable. In 1998, assets under management virtually doubled since December 31, 1997 (\$72 billion).

DST Systems

DST was brought public in November of 1995. DST Systems (NYSE:DST) provides information processing services, computer software products, and services primarily to mutual funds (it has about 30% of the market), insurance providers, and banks. Its software systems include recordkeeping and marketing services to the U.S. mutual fund industry and a securities-transfer system offered to banks. The mutual fund processing business serves nearly 7,000 mutual funds. Its clients include Janus Capital and T. Rowe Price Corp. DST's Emerging Business unit consists of 50%-owned Argus Health Systems (prescription claims processing) and DBS Systems Corp. (cable television subscriber-management software). In 1998 DST, Boston EquiServe, and First Chicago Trust teamed up to form EquiServe, the largest provider of corporate stock transfers in the US. The company has operations worldwide -about 16% of its sales are outside the US. Kansas City Southern Industries owns about 32% of DST. Fueled by end-market growth and international expansion, DST is capable of growing earnings at 20% plus. The earnings stream is predictable given 90% is recurring from DST's core mutual-fund processing business. Mutual fund shareholder accounts totaled 49.8 million at year end, an addition of 4.8 million during 1998.

Transaction processing and record keeping are high fixed-cost, low marginal cost businesses that favor operators with economies of scale. A high depreciation and amortization charge fuels strong cash flow. Free cash flow should exceed reported earnings. Total 1998 revenues were \$1.096 billion. Operating income climbed 20%, margins were ahead to 13.9%. Net income was ahead 23% and EPS totaled \$1.52 versus \$1.23. . First Call has a consensus EPS estimate of \$1.89 (3/30) for this year, suggesting that DST trades at 30x earnings. Exclusive of the market value of several publicly traded holdings (State Street Bank and Computer Sciences), DST is far less expensive than it may appear. DST has 63.5 million shares outstanding, implying a market capitalization of \$3.6 billion.

DST Public Holdings

DST owns 4.5% of Computer Sciences and 2.5% of State Street Bank, which is equivalent to about \$16 per DST share, or 28% of DST's market value. *State Street Bank*, services and manages financial assets. State Street caters to mutual fund and pension plan managers, investment companies, business clients, government organizations, insurance companies, and high-net-worth individuals. The company has developed advanced software to assist clients with assessing risk in their portfolios and managing their investments. *Computer Sciences Corporation* is a publicly traded company that is among the world's leaders in information technology consulting, systems integration, and outsourcing to global industries and government agencies. Among the services provided by the company are business process outsourcing, system development and integration, industry-specific IT services, and IT strategy.

SPIN-OFF CALENDAR

Announced					
Company	Symbol	Date	Spin-Off	Symbol	Trading
ADELPHIA COMMUNICATIONS	ADALC	5/05/98	HYPERION COMMUNICATIONS	HYPT	CO
ALLEGHANY TELEDYNE	ALT	4/22/98	CONSUMER DIVISION / ELECTRONICS		
BARNES AND NOBLE	BKS	3/18/99	BARNESANDNOBLE.COM	BNBN	
CBS	CBS	8/27/98	INFINITY BROADCASTING	INF	CO
CBS / DATA BROADCASTING	DBCC	10/13/98	MARKET WATCH.COM	MKTW	CO
CITIZENS UTILITIES	CZN	5/18/98	TELECOMMUNICATIONS		
COLUMBIA / HCA	COL	7/29/98	LIFEPOINT HOSPITALS TRIAD HOSPITALS		
COMPAQ COMPUTER	CPQ	1/16/99	ALTAVISTA		CO
COMPUSA	CPU	2/4/99	DIRECT GROUP	DIR	
CREATIVE COMPUTERS	MALL	7/6/98	uBID	UBID	CO
DELTA WOODSIDE	DLW	2/9/99	APPAREL DIVISION		
DUPONT	DD	5/11/98	CONOCO	COC	CO
DUPONT	DD	3/10/99	LIFE SCIENCES		TR
DLJ	DLJ	3/17/99	DLJDIRECT		TR
ENERGY RESEARCH	ERC	8/11/98	EVERCEL, INC.		
ENRON	ENE	3/16/99	AZURIX	AZX	CO
ESSEF	ESSF	5/8/98	ANTHONY & SYLVAN POOLS	SWIM	
GENCORP	GY	12/17/98	SPECIALTY POLYMERS		
GENERAL MOTORS	GM	8/3/98	DELPHI AUTOMOTIVE	DPH	CO
HEWLETT-PACKARD	HWP	3/2/99	MEASURING EQUIPMENT		
HRPT PROPERTIES	HRP	12/24/98	SENIOR HOUSING PROPERTY TRUST	SN	
IMS HEALTH	RX	4/12/98	COGNIZANT TECHNOLOGY SOLUTIONS	CTSH	CO
IMS HEALTH	RX	11/12/98	GARTNER GROUP	IT	CO
JEFFERIES GROUP	JEF	3/18/98	INVESTMENT TECHNOLOGIES GROUP	ITGI	CO
KANSAS CITY SOUTHERN IND.	KSU	2/3/98	FINANCIAL SERVICES		
LSB INDUSTRIES	LSB	8/5/98	AUTOMOTIVE BUSINESS		
MEDITRUST (PAIRED STOCK)	MT	11/12/98	HEALTHCARE FINANCING BUSINESS		
MEDPARTNERS	MDM	11/11/98	PHYSICIAN PRACTICE MANAGEMENT		
NAVARRE	NAVR	3/3/99	NET RADIO	NETR	
NEWS CORP	NWS	6/29/98	FOX NEWS ENTERTAINMENT	FOX	CO
ODETICS	ODETA	3/2/99	ODETICS ITS		
			ODETICS BROADCAST		
OGDEN	OG	3/11/99	ENERGY /ENTERTAINMENT & AVIATION		
QUANTUM	QNTM		DISK DRIVE		TR
			STORAGE		TR
PEPSICO	PEP	7/23/98	PEPSI BOTTLING GROUP	PBG	CO
POMEROY COMPUTERS	PMRY	1/15/99	POMEROY SELECT	PSIS	
PULITZER PUBLISHING	PTZ	5/26/98	PULITZER PUBLISHING	PTZ	RW
REPUBLIC INDUSTRIES	RIL	5/13/98	REPUBLIC SERVICES	RSG	CO
RJR NABISCO	RN	3/9/99	TOBACCO		
SILICON GRAPHICS	SGI	2/26/99	MIPS TECHNOLOGY	MIPS	CO
SYNETIC	SNTC	3/26/99	CAREINSITE		
TELEPHONE & DATA SYSTEMS	TDS	12/21/98	AERIAL COMMUNICATIONS	AERL	CO
VARIAN ASSOCIATES	VAR	08/21/98	VARIAN INC. VARIAN SEMICONDUCTOR	VARI VSEA	RW RW
VIACOM	VIA.B		BLOCKBUSTER		
WATTS INDUSTRIES	WTS	12/15/98	OIL AND GAS BUSINESS		
WESTERN WIRELESS	WWCA	10/27/98	VOICESTREAM		
WILLIAMS COMPANY	WMB	11/20/98	COMMUNICATIONS GROUP		

{RW} Regular Way

{CO} Carve-out

{TR} Tracking

Calendar Highlights

Price (3/31/99):	\$18 15/16	Listed			Date	Spin-Off	Tax			
Shares Out.	193.7	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$3.6 B	Allegheny Teledyne	ALT	Y	Aerospace/ Consumer		1/19/99		Pending	
412-394-2800		<p>On January 19th, 1999, Allegheny Teledyne Inc. (NYSE:ALT) said it will spin off its aerospace and electronics businesses to shareholders as it restructures to concentrate on its core business of producing specialty metals. The Pittsburgh-based company said it would spin off four aerospace and electronics businesses into a new public company. The company also said it would proceed with a previously announced plan to spin off its consumer businesses into an independent public company. The restructuring should pare sales by about a third and leave it a focused producer of specialty metals. The candidates for divestiture accounted for about \$1.5 billion of Allegheny Teledyne's roughly \$4 billion in 1998 revenues. With this plan, Allegheny Teledyne returns to its roots as a specialty materials company. Company Chairman Richard P. Simmons said Wall Street's valuation of the company was a consideration in the spin-off plans.</p>								
FY: Dec	1998	<p>Assuming legal, tax, financial and other considerations can be resolved successfully, the anticipated transformation would include a tax-free spin-off of a new public company and a public offering of the new company's stock. The four businesses are Electronic Technologies, Brown Engineering, Continental Motors, and Cast Parts. Combined 1998 revenues of the businesses in the new company were approximately \$800 million. Plans are for Dr. Robert Mehrabian, executive vice president responsible for the Aerospace and Electronics and Industrial Segments and a director of Allegheny Teledyne, to be the chief executive officer of the new company headquartered in Los Angeles. The company is also proceeding simultaneously with the previously announced consideration of a spin-off and public offering of the Consumer Segment into a freestanding public company which also will be headquartered in the Los Angeles area. Annual revenues for the Consumer Segment were approximately \$250 million in 1998. The company plans to submit a request for a private letter ruling to the Internal Revenue Service with respect to the tax-free nature of these proposed spin-offs by the end of the first quarter.</p>								
Sales										
Specialty Metals	\$2.05 B									
Aerospace and Electronics	\$1.0 B									
Industrial	\$515 M									
Consumer	\$247 M									
<u>Allegheny Teledyne</u>										
EPS	<u>98A</u> 99E									
	\$1.47 \$1.64									
Multiple	12.8X 11.5X									

Price (3/31/99):	\$ 7 3/4	Listed			Date	Spin-Off	Tax			
Shares Out.	258 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$2 B	Citizens Utilities	CZN	N	Telecommunications		5/18/98	4th qtr	Pending	
203-614-5629		<p>May 18, 1998 Citizens Utilities Co. (NYSE:CZN) approved the spin-off of the company's telecommunications businesses, in a move that will create two separately traded public companies. The telecom entity will continue to retain their Electric Lightwave subsidiary (ELIX). The public service sector will maintain the Citizens Utilities name and include natural gas, electric, and water distribution, as well as wastewater treatment facilities. The new stand-alone telecom company will include an 83 percent stake in Electric Lightwave Inc. (NASDAQ:ELIX) and other phone properties spread across 14 states. The spin-off, which remains subject to approval by federal authorities as well as utility and phone service regulators in 20 states, is expected to take place this year. The company plans to carry out the transaction through a distribution of stock of the new company to Citizens' shareholders. The deal is designed to be tax-free to Citizens and its shareholders for federal income-tax purposes.</p>								
FY: Dec	1998	<p>For 50 years, Citizens Utilities has served as a distributor of natural gas, electricity and water, and provider of wastewater treatment facilities in 10 states. The states where it has its largest presence are Hawaii, Arizona and Louisiana. But in recent years, as regulators have freed utilities to diversify into new business areas, Citizen has moved aggressively into phone services which now account for two-thirds of total revenues. Citizen's profits split roughly 60/40 between the phone and utility businesses. Higher profits in the company's local-exchange phone business are offset by heavy investments in building new networks serving business customers. The company serves as the local phone company for about 900,000 mostly rural customers in 12 states and is building competitive local exchange operations in six fast-growing metropolitan areas in six cities in the western United States.</p>								
Sales	\$1.54 B									
Net Income	\$86.6 m									
EPS (Diluted)	\$0.47									
<u>Citizens Utilities</u>										
EPS	<u>98A</u> 99E									
	\$0.33 \$0.28									
Multiple	23X 27.6X									

Calendar Highlights

Price (3/31/99):	\$ 31 11/16	Listed			Date	Spin-Off	Tax			
Shares Out.	1.7 B	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$53.8 B	Compaq Computer	CPQ	Y	AltaVista		1/26/99	1999	Pending	IPO
281-518-8932		<p>On January 26, 1999, Compaq announced plans to take its Internet search engine public (later this year). The AltaVista Company, based in Palo Alto, is a wholly owned subsidiary of Compaq. AltaVista was acquired just last year in Compaq's purchase of Digital Equipment Corporation. Compaq expects to boost AltaVista's electronic-commerce offering by combining the search engine with Shopping.com, an online retailer recently purchased by Compaq for \$220 million. By combining Shopping.com with AltaVista, Compaq hopes to turn the spin-off into a gateway to the web. To date, AltaVista lags behind Yahoo, Excite, Lycos and several other "portals".</p> <p>Compaq also announced an Internet technology agreement with Microsoft to share communication and community capabilities between AltaVista and the Microsoft Network (MSN). Under the agreement AltaVista will make available to its users an AltaVista-branded version of Microsoft's Hotmail service as well as future Microsoft instant messaging technology. In addition, the companies agreed to work together on a range of other future Web-based communications and community building services. Microsoft has also agreed that AltaVista will be the primary search engine powering the Microsoft Network.</p> <p>Given the company's aggressive growth strategy and intention to invest in the brand, AltaVista should have negative earnings for the next two years. So, like other Internet companies, AltaVista's will be valued on a multiple of revenues. If we ballpark 1999 revenues at \$100 million (which seems reasonable on Q4 98's run rate), and arbitrarily assign a 10x price-to-sales ratio, we would expect a market capitalization of at least \$1.0 billion. Compaq has a market capitalization of \$85 billion. Clearly, AltaVista does not represent a meaningful part of Compaq on a per share basis (estimated \$1B market cap/ 1.7 billion Compaq shares = \$0.58 per share).</p>								
FY: Dec	<u>1998</u>									
Sales	31 B									
Net Income	(\$2.7B)									
EPS (Diluted)	(\$1.71)									
<u>Compaq</u>										
EPS	<u>98A</u>	<u>99E</u>								
	\$0.47	\$1.45								
Multiple	67X	21.8X								

Price (3/31/99):	\$4 13/16	Listed			Date	Spin-Off	Tax			
Shares Out.	24.2 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$116 M	Delta Woodside	DLW	Y	Apparel Business		2/8/99	June-99	N	
864-232-8301		<p>Delta Woodside Industries the textiles and clothing maker is planning to spin off subsidiaries Duck Head Apparel and Delta Apparel and sell its remaining business. Delta Apparel offers T-shirts, polo shirts, and sweatshirts, while Duck Head Apparel makes men's and boys' casual wear and sells it in about 500 shops within department stores and in about 30 outlet stores in 13 states. The company's Delta Mills Marketing unit makes knitted and woven cotton, synthetic, and blended fabrics sold to apparel makers such as Levi Strauss. The company hopes to have the spin-off/sale done by June of this year.</p> <p>Delta Woodside Industries Inc., known for its Duck Head brand clothing, plans to spin off its two apparel businesses into separate companies and sell the remaining assets. The plan announced on February 8th, is subject to shareholder approval and would make the Duck Head Apparel division and Delta Apparel divisions separate companies. Duckhead had sales of \$92 million in its latest fiscal year. Delta Apparel makes T-shirts, polo-type shirts and sweatshirts and had sales of \$108 million last year. The Delta Mills Inc. subsidiary and its operating division, Delta Mills Marketing Co., would remain part of Delta Woodside, which would then be sold. Delta Mills sells fabrics to apparel manufacturers and reported sales of \$342 million in the most recent fiscal year. In addition to cash for the sale of the remaining Delta Woodside, shareholders would get shares in each of the new apparel companies.</p>								
FY: June	<u>Six Months</u>									
Sales	\$244 M									
Net Income	\$0.8 M									
EPS (Diluted)	\$0.03									

Calendar Highlights ...

Price (3/31/99):	\$ 58	Listed			Date	Spin-Off	Tax			
Shares Out.	628 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$36 B	Dupont	DD	Y	Conoco	COC	5/11/98	3rd Qtr 99	Y	Split-off
(281) 293-1000		<p>Independent again, Conoco, which was spun off from DuPont in October 1998, has operations in 40 countries. It explores for petroleum in 15 countries (with proved reserves of 3.1 billion barrels of oil equivalent), runs about 6,500 miles of US pipeline, and has four refineries in the US, one in the UK, and interests in four others in the Czech Republic, Germany, and Malaysia. It sells gas and other products through 7,900 outlets in Asia, Europe, and the US under the Conoco, Jet, Seca, and Turcpetrol brands.</p> <p>On October 22nd, DuPont conducted an initial public offering for 30% of its oil subsidiary, Conoco, selling 191.5 million shares at \$23 each for a total of about \$4.4 billion. DuPont plans to conduct a tax-free split-off of the remaining 70% of Conoco stock to DuPont shareholders at a discount to the stock price. Proceeds from the IPO were partially used to pay DuPont \$2.5 billion (of a \$7.5 billion dividend). Conoco's bottom line will continue to be restrained by low oil prices.</p> <p>DuPont is planning to divest the remaining 70% by the middle of 1999, using an innovative plan to minimize the tax liability. Under this plan, DuPont shareholders can redeem their shares for Conoco shares at a discount the then market price (we would guess a 10% discount). As a result, the number of common DuPont's shares would be decreased by about 15%. The exact amount would depend on stock prices of DuPont and Conoco at the time, as well as the discount offered.</p>								
FY: Dec	1998									
Sales	\$23.2 B									
Net Income	688 M									
EPS (Diluted)	\$1.10									
<u>Conoco</u>										
EPS	98A	99E								
	\$1.10	\$0.98								
Multiple	21X	24X								

Price (3/31/99):	\$ 3 5/8	Listed			Date	Spin-Off	Tax			
Shares Out.	49.8 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$180 M	Executone Inf. Sys.	XTON	N	E-Lottery		12/21/98	Cancelled	N	
203-876-7600		<p>On March 29th, Executone announced that it has received a management lead buyout of its Telephony and Healthcare Business. As a result, Executone will cancel the planned taxable spin-off and will change its name to eLottery and divest its core businesses. Enterprise value of the transaction is expected to be about \$70 million. Management believes that this offer is significantly better than the resulting tax consequences of the spin-off. Executone's tax liability was estimated to be as much as \$40 million had the spin-off occurred.</p> <p>eLottery has created an Internet-based gaming system used by the National Indian Lottery, run by the Coeur d'Alene tribe of Idaho. An Idaho judge ruled in December that state laws against gaming apply to transactions over the telephone. If upheld, the decision would severely limit eLottery's ability to manage the telephone and Internet operations of the National Indian Lottery. This decision may actually benefit eLottery because the Indian National Lottery was a direct competitor to the 39 state lotteries currently in operation. By eliminating this conflict-of-interest, eLottery will now be able to expand its sales presence to state lotteries with proven technology. The Company believes it is well positioned to capitalize on the growth in non-traditional lottery sales with its ability to offer lotteries its new Internet and Intranet based lottery products worldwide.</p> <p>Executone Information Systems, Inc. develops, markets and supports voice and data communications systems. Products and services include telephone systems, voice mail systems, inbound and outbound call center systems, and specialized healthcare communications systems. Executone's products and services are sold under the EXECUTONE, INFOSTAR, IDS, LIFESAVER, and INFOSTAR/ILS brand names.</p>								
FY: Dec	1998									
Sales	\$133 M									
Net Income	(\$10 M)									
EPS (Diluted)	(\$.20)									

Calendar Highlights ...

Price (3/31/99):	\$ 37 1/2	Listed			Date	Spin-Off	Tax		
Shares Out.	9.2 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap	\$345 M	Stac	STAC	N	Hi/fn	HIFN	8/5/98	12/15/98	Y 1:3.9
408-399-3500		<p>Hi/fn, which is pronounced "hyphen," was spun off from storage-management company Stac Inc. (STAC) in December. Hi/fn, Inc., designs, develops and markets high-performance, multi-protocol packet processors -- semiconductor devices designed to enable secure, high-bandwidth network connectivity and efficient storage of business information. Hi/fn's packet processor products perform the computation-intensive tasks of compression, encryption/compression and public key cryptography, in a manner that provides Hi/fn's customers with high-performance, interoperable implementations of a wide variety of industry-standard networking and storage protocols. Hi/fn's products are used in a variety of networking and storage equipment. The processors are used by customers such as Lucent Technologies Inc. (LU) and Ascend Communications Inc. (ASND) to make devices used to transfer data over the Internet. Since the spin-off on December 12, 1998, Hi/fn shares have appreciated over 128 percent.</p> <p>On March 26, 1999, Hi/fn completed a secondary offering of 2.3 million shares, which was the company's first attempt to raise capital since the spin-off. The offering priced at \$33 per share was oversubscribed. Net proceeds from the offering will be used for the repayment of short-term indebtedness, and for working capital and general corporate purposes.</p>							
FY: Sept	<u>1st Qtr</u>								
Sales	\$6.1 M								
Net Income	\$483 K								
EPS (Diluted)	\$0.07								
(Based on 6.9 M shares)									
<u>Hi/fn</u>									
EPS	<u>98A</u> <u>99E</u>								
	\$0.07 \$0.48								
Multiple	535X 78X								

Price (3/31/99):	\$ 18	Listed			Date	Spin-Off	Tax		
Shares Out.	41.5 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap	\$747 M	GenCorp	GY	Y	Specialty Polymers		12/17/98	1999	Pending
330-869-4235		<p>On December 17, 1998, GenCorp (NYSE: GY) announced a plan to spin off its Performance Chemicals (formerly Specialty Polymers) and Decorative & Building Products businesses to GenCorp shareholders as a separate publicly traded polymer products company. Following the spin-off, GenCorp would continue to operate Aerojet, its existing aerospace, defense, and fine chemicals segment, and its automotive Vehicle Sealing business unit. The plan is subject to approval by GenCorp shareholders, the receipt of a favorable ruling from the Internal Revenue Service, as well as market conditions at the time of the spin-off. GenCorp intends to seek a ruling from the Internal Revenue Service to confirm that the transaction would be tax-free to the company and its shareholders. The transaction is expected to be finalized in the second half of 1999. GenCorp's current chief executive, John Yasinsky, will lead the new spin-off. Robert Wolfe, currently president of Aerojet, will become chairman and chief executive of the ongoing GenCorp. GenCorp believes that the faster growing performance chemical and decorative and building products spin-off will garner a richer multiple as a stand-alone company.</p> <p>Headquarters for the new polymer products company will be located in the Akron, Ohio area, where headquarters for its Performance Chemicals and Decorative & Building Products business units, along with its Corporate Technology Center will remain. Headquarters for GenCorp would ultimately move closer to its primary aerospace, defense, and fine chemicals businesses located in California. Under the spin-off plan, all shares of the new, as yet unnamed, polymer products company would be distributed to shareholders of GenCorp stock. GenCorp expects to assign approximately one-half of its debt to the new company. The resulting debt level and cash flow for both GenCorp and the new polymer products company is expected to allow each to continue to invest in future growth.</p>							
FY: Nov	<u>1998</u>								
Sales	\$1.7 B								
Net Income	\$83 M								
EPS (Diluted)	\$1.88								
<u>GenCorp</u>									
EPS	<u>98A</u> <u>99E</u>								
	\$1.88 \$2.33								
Multiple	9.5X 7.7X								

Calendar Highlights ...

Price (3/31/99):	\$ 13 1/2	Listed			Date	Spin-Off	Tax			
Shares Out.	131	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$1.7 B	HRPT Properties	HRP	Y	Senior Living	SN	12/24/98	1999	N	IPO, .1:10
617-332-3990		<p>On Dec 24th, 1999, HRPT Properties (NYSE: HRP) announced the filing of a registration statement for the IPO and spin-off of its Senior Housing Properties Trust (Proposed NYSE: SN). One third of the shares will be IPO'd, one third will be distributed to shareholders on a one for ten basis, and the remaining one third will be retained by HRP. The distribution will be treated as a taxable event.</p> <p>HRPT owns approximately \$3 billion of real estate, including \$850 million of senior housing, congregate communities, assisted living properties and nursing homes. Approximately \$625 million will be contributed to the subsidiary or about eighty-four senior living properties. The IPO is expected to raise \$200 million (based on 131 million shares outstanding of HRPT) or about \$15.00 per share. The capital raised by the IPO is to be used to purchase fourteen new senior living communities to be leased to Marriott International (NYSE: MAR).</p> <p>Upon completion of the transaction:</p> <ul style="list-style-type: none"> • HRPT will own 137 office properties valued at \$2.2 billion, 13.2 million shares of Senior Housing Properties valued at \$170 million, and will sell 38 healthcare properties valued at \$225 million. • Senior Housing Properties will own 84 senior living and healthcare properties acquired from HRPT valued at \$625 million and 14 senior living properties to be acquired with the proceeds from the IPO. <p>If the proposed spin-off is completed, shareholders will own two fast growing, targeted REITs with a combined dividend that is expected to be greater than HRPT's current dividend.</p>								
FY: Dec	1998									
Sales	\$356 M									
Net Income	\$135 M									
EPS (Diluted)	\$1.14									
FFO	\$227 M									
<u>HRPT Properties</u>										
EPS	<u>98A</u>	<u>99E</u>								
	\$1.74	\$1.84								
Multiple	7.7X	7.3X								

Price (3/31/99):	\$ 33 1/8	Listed			Date	Spin-Off	Tax			
Shares Out.	334	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$11 B	IMS Health	RX	Y	Gartner Group	IT	11/12/98	2nd qtr	Pending	1:8
203-222-4200		<p>On November 12th, 1998, IMS HEALTH, a leading provider of information solutions to the pharmaceutical and healthcare industries announced a plan to spin-off its equity ownership of GartnerGroup, Inc. The transaction, expected to be completed in the first half of 1999, is to be structured as a tax-free distribution of GartnerGroup stock to IMS HEALTH shareholders. Spin-Offs are nothing new for IMS Health which was spun-off as Cognizant from Dun & Bradstreet two years ago and spun itself into two parts (IMS Health and Nielsen Media Research) in June of this year. This summer IMS Health spun-off (in a partial IPO) Cognizant Technology Solutions (NASDAQ:CTSH). Gartner Group (NASDAQ:IT) fell 13.5% to \$18 13/16 on November 12th, on soft earnings results. The Stamford, Conn., information technology consulting firm reported fiscal fourth-quarter results that were shy of forecasts, and guided analysts' expectations lower for 1999. The prior day of trading Gartner fell 11.5%, for a two-day loss of nearly 25%. Investors seem confused (or disappointed) over the spin-off/recapitalization deal reached with majority shareholder IMS Health. The prospect of 47% of the shares hitting the market next year will likely keep a lid on Gartner's stock price. Gartner Group is a leading independent firm on information technology (IT), GartnerGroup provides clients with a wide range of products and services in the areas of IT advisory services, measurement, research, decision support, analysis and consulting. Founded in 1979, with headquarters in Stamford, Conn., GartnerGroup is at the center of a global community of more than 11,000 client organizations served by analysts in 80 locations worldwide.</p> <p>IMS HEALTH owns approximately 47.6 million GartnerGroup shares (roughly 47%). Prior to the spin-off, 40.7 million of these shares will be exchanged for new Class B Common Stock of GartnerGroup. The Class B Common Stock will be entitled to elect at least 80 percent of GartnerGroup's board of directors (this is necessary to get the IRS approval for a tax-free spin), but will otherwise be substantially identical to existing Class A Common Stock. The exchange will be part of a GartnerGroup recapitalization and requires approval by GartnerGroup's non-IMS HEALTH shareholders.</p>								
FY: Dec	1998									
Sales	\$1.1 B									
Net Income	\$271 M									
EPS (Diluted)	\$0.81									
<u>IMS Health</u>										
EPS	<u>98A</u>	<u>99E</u>								
	\$0.81	\$0.82								
Multiple	40.8X	40.3X								

Calendar Highlights ...

Price (3/31/99):	\$12 7/16	Listed			Date	Spin-Off	Tax		
Shares Out.	125 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap	\$1.5 B	Meditrust	MT	Y	Health Care Fin. Bus.		11/12/98	1999	Pending
781-433-6000		<p>On November 12th, Meditrust (NYSE: MT) announced a comprehensive plan that includes separating its two primary businesses, healthcare and lodging (La Quinta) through a spin-off to be completed in late 1999. Meditrust, the largest health care real estate investment trust (REIT), is reorganizing to form two separate REITs. Meditrust will continue to hold more than 800 US health care facilities, including assisted-living centers, nursing homes, hospitals, psychiatric and rehab facilities, and medical offices. It will also retain ties to PhyMatrix (physician management) and CareMatrix (nursing homes). A new lodging REIT, however, will retain Meditrust's paired-share REIT status (common to only four other REITs), meaning it can both own and manage properties. Meditrust invests in long-term care facilities, rehabilitation hospitals, alcohol and substance abuse treatment facilities, psychiatric hospitals, retirement living facilities, and an acute care hospital.</p> <p>The company plans to sell \$1 billion in assets designed to reduce bank debt and stabilize the balance sheet. On March 31, they Meditrust announced the sale of Cobblestone Golf Group properties for \$393 million including assumed debt, The Santa Anita racetrack and approximately \$550 million in non-core healthcare assets still for sale. The restructuring is intended to reverse a series of acquisitions completed over the past 18 months. Also, Meditrust expects to unwind its \$277 million "forward equity" agreement with Merrill Lynch, primarily with cash raised from the sale of certain assets and additional preferred stock. To reduce the company's borrowing needs, the plan calls for an approximate 26 percent decrease in the common dividend (dropping the dividend from \$2.48 to \$1.84), saving it \$90 million annually in dividend payments. At current prices the company is yielding about 15 percent. The company will use the savings to reduce debt. Due to industry and capital market conditions, Meditrust will also stop the development of new LaQuinta Inns & Suites not yet under construction. La Quinta has 18 new hotels under construction, and upon completion Meditrust will own and operate 233 LaQuinta Inns and 70 LaQuinta Inns and Suites, with 39,000 rooms.</p>							
FY: Dec	1998								
Sales	\$639 M								
Net Income	(\$161M)								
EPS (Diluted)	(\$1.29)								
FFO	\$227 M								
<u>MediTrust</u>									
EPS	<u>98A</u>	<u>99E</u>							
	\$2.21	\$2.31							
Multiple	5.6X	5.3X							

Price (3/31/99):	\$ 4 3/4	Listed			Date	Spin-Off	Tax		
Shares Out.	189 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap	\$897 M	MedPartners	MDM	Y	Physician Practice Mgmt		11/12/98	1999	Pending
205-982-4265		<p>MedPartners (NYSE: MDM) on November 10th, said it would exit the physician practice management business (PPM). From 1993, MedPartners went on a buying binge that made it the largest PPM company, with 238 clinics and more than 13,000 doctors. MedPartners provides business information management and administration services through long-term contracts (up to 40 years) covering physicians in 42 states. In late 1997, MedPartners accepted a 6.3 billion-buyout offer from rival PhyCor. But PhyCor backed out of the deal just before MedPartners reported an unexpected operating loss.</p> <p>The PPM business has proven more difficult and less profitable than originally advertised. Accordingly, the company has announced plans to leave practice management to build its Caremark prescription benefits (PBM) and disease management subsidiary. MedPartners said it would divest the PPM operations either by sale, or spin-off to shareholders, or some combination thereof within the next twelve months. Management has come to the conclusion that the best asset to build the company around is the PBM operation (Caremark). We believe that a spin-off is more likely than a sale of the PPM operations.</p> <p>Recent Events CNBC reported on March 31st, that Medpartners was in default of existing debt of indentured securities. MedPartners' position that the Company is not in default of indentures pertaining to the Company's 7-3/8 percent Senior Notes due 2006, its 6-7/8 percent Senior Subordinated Notes due 2000, or its Threshold Appreciation Price Securities ("TAPS") as a result of the bankruptcy filing by the conservator appointed by the California Department of Corporations of one of the Company's subsidiaries, MedPartnersProvider Network, Inc.</p>							
FY: Dec	1998								
Sales	\$2.6 B								
Net Income	\$31 M								
EPS (Diluted)	\$0.16								
EBITDA	\$163 M								

Calendar Highlights ...

Price (3/31/99):	\$ 13	Listed		Date	Spin-Off	Tax				
Shares Out.	11.7	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$152 M	Pomeroy Computers	PMRY	Y	Pomeroy Select	PSIS	1/15/99	1999		IPO
606-586-0600		<p>On January 15th, 1999, Pomeroy Computer Resources announced the filing for an IPO of its Computer service division. The new company will be called Pomeroy Select Integration Solutions, Inc. (Proposed NASDAQ: PSIS), and is expected to offer 2.3 million shares and raise an estimated \$57 million. The proceeds will be used to pay down debt, working capital and capital spending. Pomeroy Computers will retain 81% voting interest.</p> <p>Pomeroy Select is a single-source provider of integrated desktop management and network services that help corporate clients manage their information technology assets. Pomeroy Select provided IT services to more than 2,100 customers in the nine months ended October 5, 1998. Clients generally range from mid-sized organizations to Fortune 500 companies in a wide variety of industries. Pomeroy Select services nationally through over 900 technical and engineering personnel located in 30 offices. Over the four-year period ended January 5, 1998, revenue grew at a compounded annual growth rate of 51.0% and for the nine-month period ended October 5, 1998, revenue grew by 61.1% over the comparable nine-month period for the prior year.</p> <p>It appears that the main catalyst for the IPO is that the higher margin service business does not appear to be valued within the parent. Pomeroy Select is estimated to have \$100 million in revenues for 1998. Other service computer providers trade at an average 2.5x revenues representing a valuation of \$250 million.</p>								
FY: Dec	<u>1998</u>									
Sales	\$627 M									
Net Income	\$20 M									
EPS (Diluted)	\$1.78									
<u>Pomeroy Computer</u>										
EPS	<u>98A</u>	<u>99E</u>								
	\$1.78	\$2.16								
Multiple	7.3X	6.1X								

Price (3/31/99):	\$ 12 3/8	Listed		Date	Spin-Off	Tax				
Shares Out.	77.6 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$ 814 M	PennzEnergy	PZE	Y	Pennzoil-Quaker-State	PZL	4/15/99	12/30/99	Y	1:1
(713) 546-4000		<p>Pennzoil-Quaker State Company was formed on December 30, 1998, when the Pennzoil Products Group was spun off from Pennzoil Company (now called PennzEnergy) and simultaneously merger with Quaker State. Each Pennzoil shareholder received one share in the new company for every for every Pennzoil share held. Each Quaker State shareholder received .8204 of a share in the new company for every Quaker State share held. The company makes the US's #1 brand of motor oil (Pennzoil) and venerable brand Quaker State and controls about 35% of the US motor oil market. It owns the US's largest chain of oil-change centers -- Jiffy Lube, which has about 1,500 outlets (more than half are franchised), as well as almost 600 Q Lube centers. It also owns an arsenal of brand-name auto products, including Gumout, Snap, Outlaw fuel additives; Fix-A-Flat tire inflator; and Slick 50 engine and fuel treatments. The new company is 61.5%-owned by Pennzoil shareholders and 38.5%-owned by Quaker State shareholders.</p>								
FY: Dec	<u>1998</u>									
Sales	\$1.85 B									
Net Income	(\$45.9 M)									
EPS (Diluted)	\$0.59									
<u>Pennzoil-Quaker State</u>										
EPS	<u>98A</u>	<u>99E</u>								
	\$0.67	\$0.77								
Multiple	17.4X	16.0X								

Calendar Highlights ...

Price (3/31/99):	\$ 16 9/16	Listed			Date	Spin-Off	Tax			
Shares Out.	186.4M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$ 3 B	Silicon Graphics	SGI	Y	Mips Technology	MIPS	2/26/99	1999		IPO
650-960-1980		<p>Silicon Graphics shares can expect some rough treatment from investors after the company said it anticipates a third-quarter net loss that's 20 cents to 25 cents larger than Wall Street had estimated. The current First Call consensus estimate for Silicon Graphics calls for a loss of 7 cents in the period, a significant improvement from its reported loss of 36 cents in the year-ago quarter. The computer hardware manufacturer also said it expects revenue for the third quarter to be in the low to mid-\$600 million range, lower than had been anticipated. Revenue for the year-earlier third quarter totaled \$708 million. Silicon Graphics' stock was halted on the New York Stock Exchange on Wednesday March 31. Shares were stopped at 2 5/16 to 16 9/16. The company's 320 Visual Workstation product saw delays in its initial production, which affected third-quarter revenue. In addition, Silicon Graphics' Origin server business faced changes as the R1200 microprocessor system was introduced, the company said. Silicon Graphics plans to report its third-quarter results April 22. Although it appears that Silicon Graphics will not regain profitability until well into FY2000, we believe the stock has limited downside. The company will have about \$600 million in cash and still owns 85% of MIPS (valued at \$2.4 billion at the end of March).</p>								
FY: June	Six months									
Sales	\$1.3 B									
Net Income	(\$64M)									
EPS (Diluted)	(\$0.34)									

Price (3/31/99):	\$ 56 1/2	Listed			Date	Spin-Off	Tax			
Shares Out.	61 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$3.4 B	Telephone & Data	TDS	Y	Aerial Communications	AERL	12/21/98	1999	Pending	
312-630-1900		<p>TDS is pursuing a tax-free spin-off of its 82.3% interest in Aerial, as well as reviewing other alternatives. TDS intends to ask the Internal Revenue Service (IRS) to rule on the tax-free status of such a spin-off. Prior to any spin-off, it is expected that Aerial will seek additional financing so that Aerial would have the appropriate capitalization to operate as a stand-alone entity. In connection with such financing, it is anticipated that a substantial amount of Aerial's debt to TDS may be converted into equity. We do not know how much of the debt owed to TDS (about \$484 million as the end of Q3 98) will be equitized. Given the share price of Aerial, it will take a substantial number of shares to equitize this debt. TDS did not indicate what percentage of the TDS debt would be converted. TDS intends to seek shareholder approval to distribute Aerial Series A Common Shares, on a pro-rata basis, to holders of TDS Series A Common Shares and Aerial Common Shares, on a pro-rata basis, to holders of TDS Common Shares. The AERL spin-off should help improve TDS's EPS going forward.</p>								
FY: Dec	1998									
Telephone & Data Systems:										
Sales	\$488 M									
EBITDA	\$205 M									
U.S. Cellular:										
Sales	\$1.16 B									
EBITDA	\$382 M									
Aerial Communications:										
Sales	\$155 M									
EBITDA	(\$196M)									
		<p>TDS owns 81 percent of U.S. Cellular, a cellular telephone firm that manages operational systems serving 143 markets with a population of more than 25 million, making it the nation's eighth-largest cellular company. Minority shareholders have complained that TDS management has run its wireless companies without regard to their interest in raising share price. The company is now considering spinning off its 82 percent interest in Aerial to TDS shareholders. TDS has no plans to pursue any other strategies for ownership in U.S. Cellular. Founder Roy Carlson and his family own slightly more than half of TDS's stock.</p>								
Parent:		Shares	Shares	Market	Parent Implied	Carve-Out				
Carveout	Symbol	Owned By	Outstanding	Price	Capitalization	Difference	Value	Value		
		Parent			as % of Ownership		(Less-Carveout)			
Telephone & Data Systems	TDS		61,040,000	56 6/16	\$ 3,441,130,000	\$(112,988,750)	\$ (1.85)	\$ 58.23		
U.S. Cellular	USM	70,700,000	87,350,000	44 5/16	\$ 3,132,893,750					
Aerial Communications	AERL	58,100,000	71,740,000	7 4/16	\$ 421,225,000					

Calendar Highlights ...

Price (3/31/99):	\$83 15/16	Listed			Date	Spin-Off	Tax			
Shares Out.	372	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	31 B	Viacom	VIA.B		Blockbuster					
212-258-6000		<p>Investor enthusiasm surrounding the potential Blockbuster carveout/spin-off expected this year has made Viacom a strong performer in recent months. The surge in viacom is due in large measure to the anticipated Blockbuster Video IPO and eventual spin-off. Last month, the New York Post reported that Viacom plans to offer 20 percent of the video stores unit to the public and spin-off the balance by the end of the year. New York based Viacom, has not commented on the timing of any IPO plans. We suspect that a Blockbuster IPO could occur sometime in the second quarter. A further spin-off or exchange offer is possible after September when the tax consequence is favorable (i.e., Viacom will have owned Blockbuster for a five year holding period, making a tax-free distribution possible). Viacom bought the video rental chain in 1994 for \$8.4 billion.</p> <p>Blockbuster Video</p> <p>Blockbuster Entertainment Group is the video-retailing subsidiary of entertainment giant Viacom. Blockbuster's video-rental stores are #1 in the US, with more than 4,000 stores in all 50 states. (There are another 2,000 stores in more than 26 foreign countries.)</p> <p>While difficult to assign a value without knowing the capital structure post spin, we will try to venture a guess. Assuming Blockbuster Video could receive a public multiple of 10x EBITDA, which we estimate could be as much as \$600 million after overhead in 1999 suggests an enterprise value of \$6 billion. Assuming Viacom sells 20% of Blockbuster Video in an IPO, it could raise cash of \$1.2 billion. We would guess that Viacom would assign Blockbuster a minimum of \$1.5 billion in debt. This indicates a potential equity shrink of \$3.3 billion (\$6B-\$1.5B-\$1.2B= \$3.3B equity) or about 38 million shares (at today's Viacom price of \$85), or 10% of Viacom's share base.</p>								
FY: Dec	1998									
Sales	\$12.1 B									
Net Income	(\$156M)									
EPS (Diluted)	(\$0.42)									
Stock Split 2 for 1 (4/8/99)										
Blockbuster:	1999E									
EBITDA	\$600 M									
<u>Viacom</u>										
EPS	98A 99E									
	\$-.12 \$1.20									
Multiple	69.8X									

Price (3/31/99):	\$ 13 9/16	Listed			Date	Spin-Off	Tax			
Shares Out.	27 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$366 M	Watts Industries	WTS	Y	Oil and Gas Business		12/15/98	1999	Pending	
978-688-1811		<p>On December 15, 1998 Watts Industries (NYSE:WTS) announced plans to separate its Industrial, Oil and Gas business from its Plumbing and Heating and Water Quality business. Watts will continue its existing Plumbing and Heating and Water Quality business and will transfer the Industrial, Oil and Gas business to a new subsidiary. Watts will then spin-off the new subsidiary to the Watts stockholders in the form of a pro rata stock dividend. Upon the spin-off, Timothy P. Horne will remain Chairman and Chief Executive Officer of Watts. David A. Bloss, Sr., currently President and Chief Operating Officer of Watts, will be appointed Chief Executive Officer of the new Industrial, Oil and Gas company. Completion of the spin-off will be subject to certain conditions, including receipt from the Internal Revenue Service of a private letter ruling as to the tax-free treatment of the spin-off, necessary governmental approvals and any required consents of third parties. The spin-off will be completed following receipt of the private letter ruling, which Watts currently expects to receive in the third quarter of 1999. Management likely feels that the spin should take away the energy valuation discount (due to low oil prices).</p> <p>Watts makes valves designed to safely relieve gas, steam, and liquid pressure. Its valves are used in plumbing, heating, water quality, water flow control, industrial, and oil and gas applications. Products include ball valves, safety relief valves, pressure regulators, float valves, and drainage products. Watts' plumbing, heating, and water quality products generate 61% of sales (\$730 million in fiscal 98'). Customers include plumbing and heating wholesalers, do-it-yourself stores, and OEMs. The company has acquired around 40 companies since it began pursuing an acquisition strategy in fiscal 1985. Watts operates 26 manufacturing plants and four foundries worldwide.</p>								
FY: June										
<u>Six Months Ending:</u>	12/31/99									
Net Sales Cont.	\$15 M									
Disc.	\$12 M									
Net Income	\$24 M									
EPS (Diluted):										
Continuing Operations:	\$0.56									
Discontinued	\$0.31									
<u>Watts Industries</u>										
EPS	98A 99E									
	\$1.95 \$1.65									
Multiple	6.9X 8.2X									

Calendar Highlights ...

Price (3/31/99):	\$ 36 1/4	Listed			Date	Spin-Off	Tax		
Shares Out.	75.9 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap	\$2.7 B	Western Wireless	WWCA		VoiceStream Wireless		10/27/99	2nd qtr	Y
425-586-8700		<p>Western WirelessCorp recently launched its VoiceStream Wireless personal communications services (PCS) system in Seattle and Spokane, Washington. The expansion gives customers in Washington, Oregon, and Idaho -- free of roaming and long distance fees. Unlike the area's current PCS carriers, VoiceStream Wireless offers popular features free with service, such as voicemail with message alert, caller ID, first incoming minute free, and built-in paging.</p> <p>VoiceStream offers two-way text messaging and a data transmission service that lets customers send and receive e-mail messages and faxes, as well as access corporate databases and the Internet. In Western Washington, VoiceStream's new network provides coverage of all cities along the I-5 corridor from the Canadian border south to Cottage Grove, Ore. In Eastern Washington, coverage includes the Greater Spokane area and extends to Sandpoint, Idaho. Retailers offering the service in Washington include Car Toys, Future Shop, Costco, Sound Advice, and Smart Wireless. VoiceStream adds the new markets to complement their western U.S. properties in: Portland, Ore.; Boise, Idaho; Salt Lake City, Utah; Phoenix, Ariz.; Denver, Colo.; Honolulu, Hawaii; Albuquerque, N.M.; El Paso, Texas; Des Moines, Iowa; Oklahoma City and Tulsa, Okla.; an Wichita, Kan.</p> <p>Western Wireless' VoiceStream PCS networks use the worldwide standard GSM (Global Systems for Mobile Communications) technology. More than 135 million customers worldwide currently use GSM-based systems. U.S. providers that have chosen GSM technology (GSM Alliance) are operational in more than 2,500 U.S. cities. Bases in Bellevue, Wash.. Western Wireless provides PCS service in 10 U.S. markets and, in conjunction with joint ventures, provides VoiceStream PCS service in three additional markets.</p>							
FY: Dec									
Total Company	1998								
Subscribers	982,800								
Sales	\$584 M								
Net Income	(\$224 M)								
EPS (Diluted)	(\$2.95)								
EBITDA	\$34.8 M								
VoiceStream:									
Subscribers	322,400								
Sales	\$127 M								
EBITDA	(\$121 M)								
Western Wireless Cellular:									
Subscribers	660,400								
Sales	\$402 M								
EBITDA	\$155 M								

Price (3/31/99):	\$ 39 1/2	Listed			Date	Spin-Off	Tax		
Shares Out.	428 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap	\$16.9 B	Williams Co.	WMB	Y	Communications Group		11/19/98	1999	Pending IPO
918-573-2087		<p>Williams (NYSE:WMB) authorized Williams Communications Group, Inc. to sell a minority interest in its business to the public. <u>The initial equity offering, which would not require Williams shareholder approval, is expected to be filed in the second quarter of 1999.</u> The energy and communications company believes a separate public stock should improve the market's ability to value the communications business, and would also provide a currency that can facilitate certain types of acquisitions. The offering is expected to generate \$500 million to \$750 million in proceeds, which would be re-invested in the communications business -- primarily the continuing expansion of Williams' national fiber-optic network. The company expects to expand its current fiber-optic network to 32,000 miles by 2000 from 18,000 miles currently.</p> <p>The IPO may prove to be a catalyst for a higher share price as the earnings and cash flow of the two businesses (energy and communications) will become more transparent to investors. We would expect that Williams will carveout 15 to 20% of the communications business to public investors. A public offering will provide a market valuation of the telecom unit. <u>Applying the extremes of the offering range we would estimate that Williams Communications Group represents approximately \$9 to WMB shareholders</u> (\$500/20% = \$2.5B divided by 440 million shares outstanding = \$6 per share; \$750/15% = \$5B divided by 440 million shares = \$12 per share. Taking the midpoint = \$9 per share).</p> <p>The Williams Companies has three main units. Williams Gas Pipeline, the US's largest interstate natural gas pipeline system by volume, has 27,000 miles of pipeline. Williams Energy Group includes Williams Energy Services (which markets natural gas) and subsidiaries that provide exploration, production, mid-stream liquids, and petroleum services, and engage in energy marketing and trading. Williams Communications Group, with operations in Asia, Europe, South America, and the US, offers fiber-optic transmission services for broadcast and cable networks and other communications services for business customers.</p>							
FY: Dec									
The Williams Company	1998								
Sales	\$7.6 B								
Net Income	\$134 M								
EPS (Diluted)	\$0.32								
Communications:									
Sales	\$1.7 B								
Operating Profit	(\$163 M)								
EPS (Diluted)	(\$.03)								
EBITDA	(\$64 M)								
Williams									
EPS	98A	99E							
	\$0.74	\$1.02							
Multiple	53X	38.7X							

Fresh Spin-Off Situations

Columbia/HCA Will Split into Three Units

Columbia/HCA (NYSE: COL) intends to complete the spin-offs of Triad and Lifepoint by April 30th. **Columbia/HCA received IRS approval on the tax-free status of the transactions.** Lifepoint and Triad will trade on the NASDAQ. "When-issued" trading is expected on or around record date. We anticipate the ratios will be larger than 1:10 and anticipate selling by various shareholders receiving Lifepoint and Triad shares in the distribution driving the stock prices lower. **Columbia/HCA is in the S&P 500 Index (Triad and Lifepoint will not be included, thus, index funds will be selling).**

LifePoint, formerly America Group, is comprised of 22 non-urban hospitals and non-consolidated joint ventures. LifePoint hospitals are in Alabama, Florida, Georgia, Kansas, Kentucky, Louisiana, Tennessee, Utah and Wyoming. **Triad**, formerly Pacific Group, has 42 hospitals, one non-consolidating joint venture and 19 surgery centers. Triad hospitals are primarily located in the Southwestern United States, with about three-quarters in small cities. The rest are in larger urban areas.

History

Columbia/HCA has been under federal investigation for nearly two years. In 1998 the federal government joined the whistle blower lawsuit against Columbia/HCA and Quorum Health Group that alleges widespread medicare fraud stretching back 14 years and involving more than 200 hospitals across 37 states. Columbia/HCA anticipates a settlement will occur shortly. Columbia/HCA will retain responsibility for liabilities arising out of the pending governmental investigations of some of Columbia/HCA's business practices and for liabilities arising out of related stockholder and other legal proceedings currently pending against Columbia/HCA.

Columbia/HCA has been restructuring since early 1998 and has shed assets valued at nearly \$3 billion. Some of the assets include:

- ValueRx, a pharmacy benefits management business, for about \$409 million.
- Value Behavioral Health and Value Health Sciences, for about \$210 million.
- Home healthcare operations, for about \$100 million.
- Thirty-four stand alone surgery centers and thirty-seven hospitals, for about \$2.15 billion.

Columbia/HCA's broad goal is to return to annual earnings per share growth of about 15 percent. This objective includes growing annual net revenues from 4 to 6 percent. In February, 1999, Columbia HCA re-authorized another \$1 billion share repurchase. This is the second share repurchase in less than one year. The repurchase is an attempt to boost its current price of \$19 3/4. In October 1997, Columbia HCA hit a four year low of \$17 per share. Columbia/HCA has about 646 million shares outstanding on a diluted basis, suggesting a market capitalization of \$12 billion.

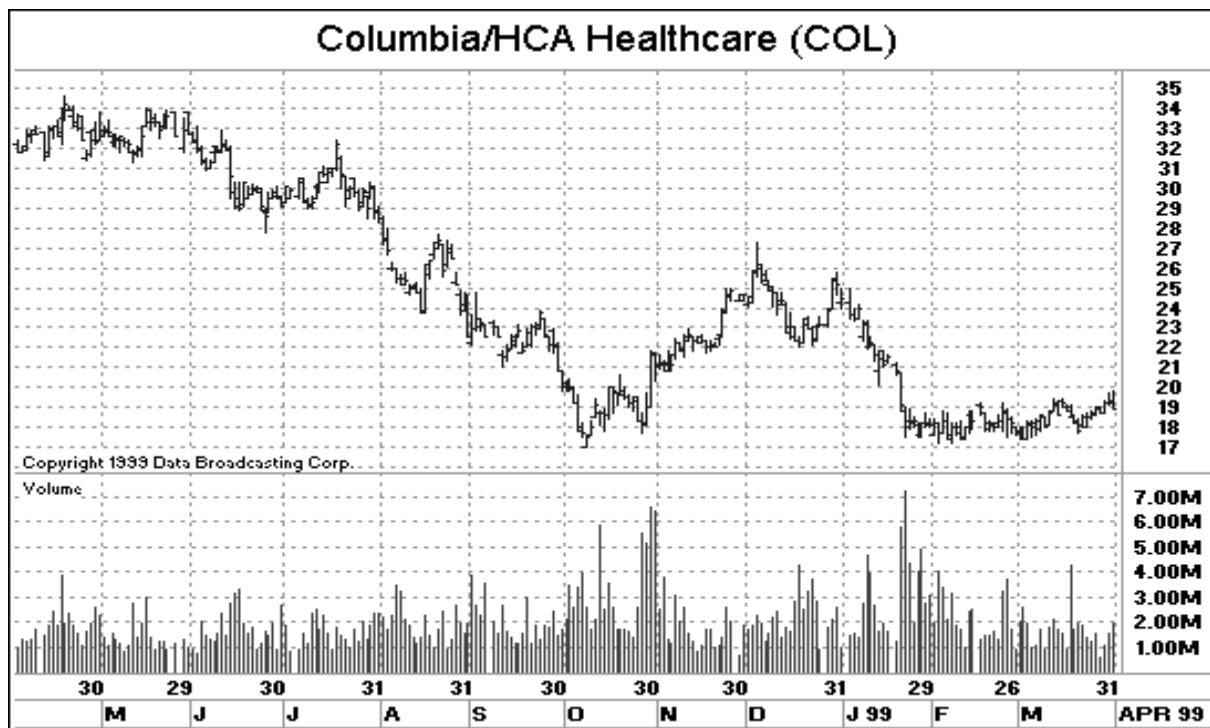
As of March 1st, Columbia HCA operates 198 general, acute care hospitals, 10 psychiatric hospitals, and 77 outpatient surgery centers including 23 hospitals and 5 outpatient surgery centers which are operated through 50/50 joint ventures.

Valuation

We believe that the driving force in these spin-offs is to help clean the balance sheet of Columbia HCA. Lifepoint and Triad will receive \$250 and \$700 million in long term debt, respectfully. Lifepoint generated \$57 million of 1998 pro-forma EBITDA. Triad generated \$149 million of 1998 pro-forma EBITDA.

Road show

Columbia/HCA anticipates road shows to take place mid-April. Lifepoint will be advised by Merrill Lynch, and Triad will be advised by Goldman Sachs.



Fresh Spin-Off Cont...

No Fizz in Pepsi Bottling Group

On March 31, Pepsi (NYSE: PEP) IPO'd 100 million shares of Pepsi Bottling Group (NYSE: PBG) at \$23, raising \$2.3 billion in gross proceeds. The price was at the low end of the IPO range. Pepsi Bottling, showed little "pop" falling 5.7% below its \$23 IPO price on its first day of trading, confirming low expectations for the offering in the wake of Coke's warning about weak results. Parent, PepsiCo lost 11/16 to \$39 3/16. PepsiCo floated a 64% in the bottling operations. PBG opened flat and closed at \$21.6875. The net proceeds, about \$2.2 billion, will be used to pay down debt. The IPO is meant to focus its drink unit on brand building under a more simplified business structure and will be used as a currency for future acquisitions. **The Pepsi Bottling Group is the fifth largest IPO on record following Conoco (COC), Lucent (LU), Infinity (INF) and Fox (FOX), all spin-offs.**

The Pepsi Bottling Group, Inc. is the world's largest manufacturer, seller and distributor of carbonated and non-carbonated Pepsi-Cola beverages. Sales of Pepsi-Cola beverages account for 55% of the Pepsi-Cola beverages sold in the United States and Canada and 32% worldwide. Pepsi Bottling Group has the exclusive right to manufacture, sell and distribute Pepsi-Cola beverages in all or a portion of 41 states, the District of Columbia, eight Canadian provinces, Spain, Greece and Russia. Approximately 92% of their volume is sold in the United States and Canada.

The brands Pepsi Bottling Group sell include PEPSI-COLA, DIET PEPSI, MOUNTAIN DEW, LIPTON BRISK, LIPTON'S ICED TEA, 7UP outside the U.S., PEPSI MAX, PEPSI ONE, SLICE, MUG, AQUAFINA, STARBUCKS FRAPPUCCINO and MIRINDA, which are bottled under licenses from PepsiCo or PepsiCo joint ventures. Pepsi Bottling Group Chief Executive Craig Weatherup in a CNBC interview said, "We certainly intend to be an acquirer, and an aggressive one within the U.S.". We have speculated (February 1998, *Spin-Off Research*) that the stage was being set for Pepsi Bottling Group to merge with Whitman (NYSE: WH \$16 3/8, market cap \$1.7 billion), which operates Pepsi-Cola General Bottlers and handles roughly 12% of Pepsi's U.S. volume. Combined, the two would control about 70% of Pepsi's U.S. volume an unprecedented marketing and distribution reach in Pepsi's largest domestic markets. Together, the two would be on par with Coca-Cola Enterprises (CCE).

Valuation

PepsiCo maintains an equity interest (35%) and voting interest (41%) in the bottling operations, thus avoiding consolidated reporting for this entity. Pepsi-Cola Bottling generated roughly \$6.6 billion in revenues in 1998 and \$721 million in EBITDA. The spin-off commands an enterprise value of \$7.0 billion (\$9.2 billion enterprise-\$2.2 billion in debt repayment). Pepsi bottling Group is worth approximately \$0.85 per PepsiCo share ($\$23 \times 55 = 2300 / 1500 = \0.85). Shares may be pressured near-term, given the size of offering and fears of price pressure and volume weakness.

We feel **PepsiCo could be the more interesting play**. The IPO will leave PepsiCo a higher margin, higher-return company with less debt. We suspect that return on invested capital could rise to nearly 25%, and net margin could increase 400 basis points to 12%. PepsiCo operates two primary lines of business: Frito-Lay and Pepsi-Cola. It controls about 58% of the salty-snack market in the U.S. Pepsi-Cola is the number-two soft drink company worldwide, with approximately 19% share of the global market and 30% in the United States. PepsiCo's powerful free cash flow will allow it to continue to repurchase shares. Nearly 60 million shares were repurchased in 1998, or four percent of the total. This, in turn, could lead to EPS acceleration due to a lower number of shares outstanding.

Comparables

Company	PepsiCo	Coca Cola	Pepsi Bottling	Coca Cola Enterprises
Ticker	PEP	KO	PBG	CCE
Current Implied Price	\$ 38.24	\$ 61.00	\$ 22.06	\$ 30.63
Shares Out. (000,000)	1500.0	2496	155	406
Market Cap (000,000)	\$ 57,363	\$ 152,256	\$ 3,420	\$ 12,434
Enterprise Value (000,000)	\$ 59,512	\$ 152,946	\$ 6,920	\$ 22,039
EPS				
1998 Actual / Pro Forma	\$ 1.19	\$ 1.40	\$ (0.77)	\$ 0.28
1998 Trailing P/E	32.2	43.6	-28.7	109.38
1999E	\$ 1.25	\$ 1.47	N/A	\$ 0.30
Forward P/E	30.6	41.5		102.1
12 month Trailing				
EBITDA Per Share	2.06	2.11	4.65	4.90
EBITDA Multiple	18.5	29.0	4.7	6.3
12 month Trailing				
Trailing Sales	\$ 15,025	\$ 18,813	\$ 7,323	\$ 13,414
Price to Sales	3.82	8.09	0.47	0.93
Gross Margin	67%	70%	41%	37%
Book				
Book Value	\$ 4.43	\$ 3.37	\$ (1.54)	\$ 6.00
Price to Book	8.64	18.12	(14.37)	5.10
Turnover's				
Account Rec. Turnover	9.13	11.29	9	N/A
Current Asset Turnover	4.94	2.95	5.6	5.9
Working Capital Turnover	-10.31	-8.32	-3.5	-12.1
Financing Leverage				
Current Ratio	0.68	0.74	0.39	0.67
Quick Ratio	0.45	0.40	0.25	0.00
Cash Ratio	0.08	0.21	0.011	0.000
Debt to Capital	24%	8%	107%	80%
Debt to Book Equity	32%	8%	-1471%	394%
Debt to Enterprise Value	4%	0%	51%	44%
Liabilities to Equity	130%	128%	-2227%	767%
NOTES:				
* Ratios assumes that the net proceed (Approximately \$2.3 billion) will be used to pay down debt				
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Recently Announced Spin-Offs

Barnesandnoble.com Files With SEC for Initial Public Offering

March 18, Barnes & Noble (NYSE: BKS), the world's largest bookseller, and Bertelsmann AG, announced the filing of a registration statement with the Securities and Exchange Commission (SEC) for an initial public offering of Class A Common stock in barnesandnoble.com. When publicly traded, the stock will be listed on the Nasdaq national market under the symbol "BNBN." The on-line company will offer approximately 15-20% of its shares to the public by a syndicate of investment banks led by Goldman Sachs and Merrill Lynch. The proceeds of the offering will be used to expand the company's growing e-commerce business, including new systems, distribution initiatives, acquisitions, and general corporate purposes. **We suspect that the IPO could float late April or early May 1999.** The carveout is being driven by the favorable access to the capital markets presently enjoyed by e-tailers. Highlighting the online division will likely enhance the valuation of Barnes and Noble common shares. **Based on the proposed sale of 15 -20% interest, Barnes & Noble's losses would decrease from 50% to a 42.5%- 40% range, which would have a favorable impact on consolidated EPS.**

The IPO hopes to raise \$200 million, suggesting a market capitalization of \$1 to \$1.3 billion for the online bookseller. Barnes and Noble stock shot up 20% to \$34 1/2 on the news. Bertelsmann is the number one publisher of English -language books. Barnes & Noble is the #1 bookseller in the US (with 14% of the \$22 billion dollar market), where it accounts for one of every eight books sold. The company operates more than 1,000 stores, including more than 500 superstores (Barnes & Noble, Bookstop, and Bookstar) and about 480 mall stores (B. Dalton, Doubleday, and Scribner's), and is still growing rapidly. In addition, Barnes & Noble runs a leading direct-mail bookselling business and a book publishing business and is buying the #1 US book wholesaler, Ingram. Chairman and CEO Leonard Riggio owns about 25% of Barnes & Noble.

Barnes & Noble continues to transform itself from a traditional brick and mortar book retailer to a multi-channel company that wishes to exploit the emerging Internet channel and seek to expand into the book wholesaling business through its planned purchase of Ingram Book Group. While barnesandnoble.com generated strong top line growth in FY 1998, it came at a price with the company's customer acquisition cost running well above that of giant Amazon.com. We expect barnesandnoble.com to aggressively promote the business since the company's coffers have been re-stocked with a \$200 million capital infusion stemming from Bertelsmann's 50% stake taken last fall.

Barnesandnoble.com has grown since its Spring 1997 launch with revenue improving from \$14 million in FY 1997 to \$70 million in FY 1998, a five-fold increase. This increase has come at a price, however, as the company attempts to compete head-to-head with the leader of on-line bookselling, Amazon.com, by spending heavily on customer acquisition. We believe that barnesandnoble.com's customer acquisition costs are substantially greater than that of Amazon. We expect barnesandnoble.com to continue to aggressively promote the business by drawing on \$200 million of capital infused by Bertelsmann's 50% ownership interest taken last fall. In addition, the pending IPO of barnesandnoble.com should add to the company's cash hoard

Recent Results

On March 11, Barnes & Noble reported Q4 total sales of \$1.029 billion, up 7% helped by a 4.7% superstore comp and the addition of 50 new superstores over the past 12 months. Superstore comps were enhanced by an aggressive on-line promotional campaign, which likely created some spillover effect in the brick and mortar business. The mall-based business reported a -2.6% comp versus a 1.6% result a year earlier. On the bottom-line, the core retail segment reported Q4 EPS of \$1.07, representing flat results over \$1.05 in the prior year. Internet sales in Q4 improved nearly four-fold to \$31 million over the prior year as increased marketing spending drove a 470,000 increase in customer count to 1.4 million over F3Q. Higher promotional costs also increased Internet losses in Q4 to an estimated \$28 million operating loss from an operating loss of \$8 million a year earlier. Based on management guidance of a reduced core retail EPS growth outlook in the \$1.54-\$1.58 range for FY 1999, earnings should grow roughly 15% over FY 1998 versus 27% growth in the FY 1997-98 period. This assumes 50 superstore openings and a 5% superstore comp. Barnes & Noble ended FY 1998 with total debt of \$249 million and stockholders' equity of \$678 million for a total-debt-to-equity ratio of 27% compared to 35% at FYE 1997.

Risks

Explosive revenue growth by the on-line leader Amazon.com should continue to generate concerns over slowing brick and mortar growth. The impact of the Internet appears to be having a meaningful impact on the traditional business. Like other specialty retailers, Barnes & Noble's core retail revenue and earnings are highly seasonal, with nearly 35% of sales and 80% of net income generated in F4Q 1998. This dependence on Q4 should decline over time as more superstores rollout.



Recently Announced Spin-Offs...

CompUSA Will Separate its Direct Business Into a Stand-Alone Company

In February, **CompUSA (NYSE: CPU)** confirmed that it will spin-off the company's direct businesses. The CompUSA Direct division produced \$83 million in sales in the latest quarter, a 48 percent increase over the previous year. Most of the revenue was attributable to mail order, but the Internet is one of CompUSA's fastest-growing businesses according to Jim Halpin, CEO. No details on the spin are currently available. **CompUSA will be sharing more information on the spin-off plans in April.**

A leading computer retailer in the US, CompUSA has 210 stores in 40 states. The company sells its own brand of PCs and has a direct sales operation that brings in about 40% of its sales by targeting corporate, government, and education customers. It also offers a number of technical services (warranty support, installation, upgrades) and a mail-order/Internet sales business (which it plans to spin off). Its 1998 purchase of rival chain Computer City from Tandy netted the company about 40 new stores after a series of planned closures. CompUSA has the capacity to produce 50,000 desktop PC's and 10,000 notebooks per month in its newly acquired Computer City facilities in Texas.

New Internet Sales Site Debuts Today

March 29, CompUSA announced the formation of CompUSA Net.com Inc., its stand-alone Internet subsidiary, which is celebrating its launch by unveiling a totally redesigned website. CompUSA Net.com Inc. plans to be an aggressive competitor in the dynamic, rapidly growing Internet sales arena. The company has completed the business requirements to make CompUSA Net.com Inc. a stand-alone company and are assembling a management team focused exclusively on growing the Internet business.

Preliminary 3Q Results

March 31, CompUSA reported sales for its third quarter ended March 27 increased 16 percent to \$1.69 billion, up from \$1.45 billion in the year-ago quarter. Comparable-store sales, however, fell 7.2 percent during the quarter. The company plans to report full third quarter earnings on May 5. Last month, CompUSA said it expected to report a loss of 5 cents per share for the third quarter and warned of lower comparable-store sales. The comparable-store sales decline reflects sales at CompUSA's 148 locations open one year or longer and does not include sales from 37 converted Computer City locations. For the nine months ended March 28, comparable-store sales declined 4.7 percent compared with a year earlier.

The performance of the converted Computer City stores is improving, CompUSA said. During the third quarter, the converted stores yielded 60 percent of the average sales per square foot generated by existing CompUSA stores, the company reported. Unit sales of desktop PCs increased 20 percent during the third quarter, while ASPs were 15 percent below those in the third quarter of fiscal 1998. Notebook unit sales jumped 55 percent, while ASPs also declined 15 percent. The company also reported third quarter sales from its new CompUSA Net.com Internet and mail-order subsidiary increased 18 percent to \$68.2 million, compared with a year ago. While CompUSA didn't disclose its percentage of Internet vs. mail-order sales, the company said mail order accounts for the greater share. **Internet sales during the third quarter more than doubled from a year ago.**

Recently Announced Spin-Offs...

Donaldson Lufkin Plans Tracking Stock For DLJdirect

On March 17, DLJ announced intentions to introduce a new class of common stock that will track the performance of DLJdirect, its online unit. **Donaldson, Lufkin & Jenrette (DLJ) is seeking to tap investors hungry for its booming Internet trading business by issuing a "tracking stock" for its DLJdirect online brokerage.** Tracking stocks allow companies to retain 100% equity ownership in their high growth divisions while creating a separate, pure-play currency to make acquisitions. DLJdirect provides investors with the opportunity to trade securities (about 90% of sales) and offers market data and research, portfolio tracking and cash management, and the opportunity to get in on DLJ-sponsored IPOs. Traders can access DLJdirect over the Internet via such online service providers as America Online and by touch-tone telephone. Trades made through DLJdirect are cleared by DLJ's Pershing division. DLJ did not disclose how many shares it wants to issue or what percentage of the unit it will sell. The firm hopes to raise \$138 million. It is expected that the new stock will trade on the NYSE under the symbol "DIR". Anticipation of some financial re-engineering has made DLJ one of the best performing stocks in the first quarter appreciating 70%.

Donaldson, Lufkin & Jenrette (DLJ) operates in three areas. The Banking Group does investment and merchant banking and provides funding for companies via direct investment; it also manages and underwrites securities. DLJ's Capital Markets Group offers research, securities trading, and sales services to institutional clients. The Financial Services Group provides brokerage, investment management, and trust services to the wealthy. DLJdirect is one of the top online brokerages. Other businesses include its Pershing division (clearing services) and Autranet (research and investment materials). Insurance and financial services group **The Equitable Companies owns about 73% of DLJ.** Employees own roughly 10%, leaving only 17% in the hands of outsiders. As a result, there could be some liquidity issues for institutional investors. DLJ has 135 million shares outstanding, resulting in a current market of \$8.8 billion. DLJ is trading 21 times the First Call 1998 estimate of \$3.07. DLJ is trading at 3.18x its Q498 book value of \$20.44 per share. DLJ went public in October of 1995.

Last year **DLJdirect** earned nearly \$1.5 million on revenue of \$117.9 million, compared to a loss of \$3.6 million in 1997 on revenues of \$67.2 million. They are currently the seventh largest U.S. online broker in terms of trades per day and ended 1998 with 529,000 accounts (thus, revenue per account of \$257 in 1998). In 1998, the number of DLJdirect accounts grew 36 percent and client assets nearly doubled to \$8.9 billion. The average number of trades per day rose to 11,400, almost twice that of 1997. In 1998, commission accounted for 67% of total revenues, compared to 85.7% in 1996. In January 1999, average trades per day reached nearly 23,000. An alliance with Thomson Investors Network now provides DLJdirect account holders with financial and investment information. In addition, DLJdirect offers qualified investors access to DLJ research and DLJ initial public offerings.

Last year, DLJ direct announced a joint venture with Sumitomo Bank and Internet Initiative Japan to create DLJdirect Japan Inc., an online brokerage firm offering trading in Japanese equities, investment trusts and money market funds to Japanese individual investors. It is expected to begin operations by mid-1999. Also, this spring, DLJdirect will introduce an online brokerage service offering equities trading to individual investors in the United Kingdom.

With other online brokers trading at nearly 10 times revenue, **DLJdirect could command a value of perhaps \$1 billion. This suggests that DLJdirect could represent perhaps \$7 or \$8 in value per DLJ share.** We are disappointed that DLJ chose to forgo an IPO carveout to issue tracking stock. We assume that DLJ is using the tracking stock method rather than a spin-off because it really sees this business as a strategic asset and does not wish to give up excessive ownership. The filing indicated that DLJdirect plans to increase its advertising spending to \$65 million this year from \$25 million in 1998.



Recently Announced Spin-Offs...

DuPont To Issue "Tracking" Stock Tied to Life Sciences Lines

On March 10th, DuPont announced plans that would allow DuPont's chemical and life-sciences businesses to effectively trade as separate entities. A further step to transitioning into a life-sciences firm. DuPont hopes that a tracking stock will create a higher-valued stock that could provide a stronger **currency for future life-sciences acquisitions.**

DuPont is the #1 US chemical firm. It's organized into six business segments: chemicals (refrigerants, pigments, and polymer intermediaries), fibers (Lycra, Tyvek, textiles, nylons), polymers (elastomers, nylon resins, film, finishes, packaging materials), life sciences (agricultural products, biotechnology, and pharmaceuticals), diversified businesses (films, photopolymer and electronics, printing and publishing, and coal), and petroleum (70%-owned Conoco). **The company plans to split off the remainder of Conoco in 1999 to focus on chemicals, fibers, and life sciences.**

DuPont is banking on Life-Sciences to drive growth and higher valuations. Although small, life sciences is the top-priority business for new R&D investment and acquisition growth. By 2002 management is planning to grow it from \$4.5 billion to \$7 billion in sales (or 25% of sales and 35% of DuPont's operating profits by 2002). This suggests a 12% average annual growth rate. DuPont clearly has made a decision to ease out of commodity-type businesses (oil, basic chemicals, fibers and polymers). The businesses that will be included in this tracking stock are pharmaceuticals, Protein Technologies International, crop protection chemicals, the alliance with Pioneer Hi-Bred, and the company's biotechnology research efforts found on food, agriculture and nutrition. After tax operating income was \$515 million (before nonrecurring charges of \$926 million).

Over the past two years DuPont has taken several major steps in changing its portfolio. Divesting Conoco (about 45% of sales) was a key event. Conoco has been a stable generator of cash flow since its acquisition in 1981. In October 1998, 30% of Conoco was spun-off to the public, making it the largest IPO in US history. **DuPont is planning to divest the remaining 70% by the middle of 1999**, using an innovative plan to minimize the tax liability. Under this plan, DuPont shareholders can redeem their shares for Conoco shares at a discount of the then market price (we would guess a 10% discount). As a result, the number of common DuPont shares would be decreased by about 15%. The exact amount would depend on stock prices of DuPont and Conoco at the time, as well as the discount offered.

Pioneer Hi-Bred

On March 16th, DuPont announced the acquisition of 80% of Pioneer Hi-Bred for \$7.7 billion (\$40 per share) in cash and stock. We think the deal is highly dilutive, due to the high P/E multiple of Pioneer and the lack of meaningful synergies or cost savings. DuPont acquired a 20% stake in Hi-Bred (PBH) in September 1997. Hi-Bred is the leading North American producer of Hybrid corn. DuPont will pay 45% in cash and 55% in DuPont stock.

Market Data		EPS: 1998A		1999E	
Price: \$57 1/4 (3/29/99)			\$2.54		\$2.56 (First Call)
Shares out.:	1.1 B				
Market Cap.:	\$63 B				
Long-Term Debt	\$4.5 B	P/E: 1998A		1999E	
LT Debt/ Total Cap	\$11%		22.5x		22.3x
Div/Yield	\$1.40/ 2.5%				
52-wk Range:	\$87-\$50				

Recently Announced Spin-Offs...

Enron Files to IPO Azurix Water Unit

Comparables

On March 16th, Azurix filed a registration statement for an IPO. Azurix is owned by the Atlantic Water Trust which is a subsidiary of Enron (NYSE: ENE). Enron is one of the largest producers and marketers of natural gas and electricity. Enron is in the S&P 500 and Dow Utility Index. Enron hopes to raise \$750 million in the initial offering, \$350 million would be retained by Azurix and \$400 million would go to Atlantic Water Trust. Azurix is a six month old unit of Enron. Azurix was created by the acquisition of Wessex Water Ltd. in October. IPO details have yet to be finalized, but Azurix is expected to trade on the NYSE under "AZX", and the IPO is expected in May.

About Azurix

Azurix is a global water company engaged in the business of acquiring, owning, operating and managing water and wastewater assets, providing water and wastewater related services and developing and managing water resources. Ms. Mark, Azurix chairwoman, has indicated that they intend to raise capital to pursue global water projects and compete against much larger competitors Vivendi SA and Suez Lyonnaise des Eaux SA.

Industry

Azurix estimates that the global water industry has total annual revenues of approximately \$300 billion. In addition, the World Bank and other sources have estimated that over \$600 billion will be spent on worldwide water and wastewater infrastructure over the next decade, and according to the Azurix registration statement there have been over \$30.6 billion water and wastewater privatizations since 1992.

Company	Philadelphia Suburban	California Water	United Water
Ticker	PSC	CWT	UWR
Current Price	\$ 22.00	\$ 25.56	\$ 20.81
Shares Out. (000,000)	27.77	12.6	39
Market Cap (000,000)	\$ 611	\$ 322	\$ 812
Enterprise Value (000,000)	\$ 876	\$ 481	\$ 1,521
EPS			
1998 Actual / Pro Forma	\$ 1.03	\$ 1.45	\$ 1.27
1998 Trailing P/E	21.4	17.63	16.39
1999E	\$ 1.08	\$ 1.56	\$ 1.18
Forward P/E	20.4	16.4	17.6
12 month Trailing			
EBITDA Per Share	N/A	5.00	N/A
EBITDA Multiple	N/A	5.1	N/A
12 month Trailing			
Trailing Sales	\$ 151	\$ 186	\$ 356
Price to Sales	4.05	1.73	2.28
Book Value	8.33	\$ 13.41	\$ 1.58
Price to Book	2.64	1.91	13.18
Turnover's			
Account Rec. Turnover	N/A	13	N/A
Current Asset Turnover	4.73	6.9	3.1
Working Capital Turnover	-78.24	-6.4	-5.5
Financing Leverage			
Current Ratio	0.94	0.48	0.64
Debt to Capital	53%	48%	92%
Debt to Book Equity	115%	94%	1152%
Debt to Enterprise Value	30%	33%	47%
Liabilities to Equity	336%	225%	2692%
NOTES:			
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Recently Announced Spin-Offs...

HP to Spin Off Its Measurement Operations

Hewlett-Packard, the #2 computer company worldwide (behind IBM), is a top provider of computers, peripherals, and computer-related services, which account for nearly 85% of sales. **HP also makes testing and measurement equipment and medical electronics, divisions it plans to combine and separate into a stand-alone company.** More than half of HP's sales comes from outside the US. To further fuel its growth, HP is restructuring itself as an Internet specialist providing Web hardware, software, and support to corporate customers. The families of co-founders David Packard and Bill Hewlett together own nearly 20% of the company. On March 2, the day HP announced the restructuring, the stock advanced \$2 3/4 to \$68 5/8. The carveout is expected to take place in September or October. The breakup should result in improved focus and a faster growth rate.

HP joins the growing list of companies that has voluntarily broken themselves up to become more nimble. In an attempt to focus on its core computer and printer business, HP plans to spin-off its \$7.6 billion-a-year test and measurement equipment operations. The measurement businesses accounted for 15% of HP's overall revenue of \$47.1 billion. The operations will be spun-off as an independent company by the first half of next year. HP hopes to make a public offering of about 15% this year, then distribute the remaining shares to its stockholders. Hewlett-Packard's major products include the powerful computers called servers that run networks of desktop machines. It also has a large printer business, along with a range of roughly 29,000 products. Lower prices for personal computers have cut into HP's profits of late, contributing to a stock price that has lagged behind the overall market the last two years. Shares of HP are up about 17% over the past two years, compared to a 50% plus return of the S&P 500 index. While the company has been turning a profit, annual revenue growth has slowed from 20% plus in the early '90s to just under 10% last year.

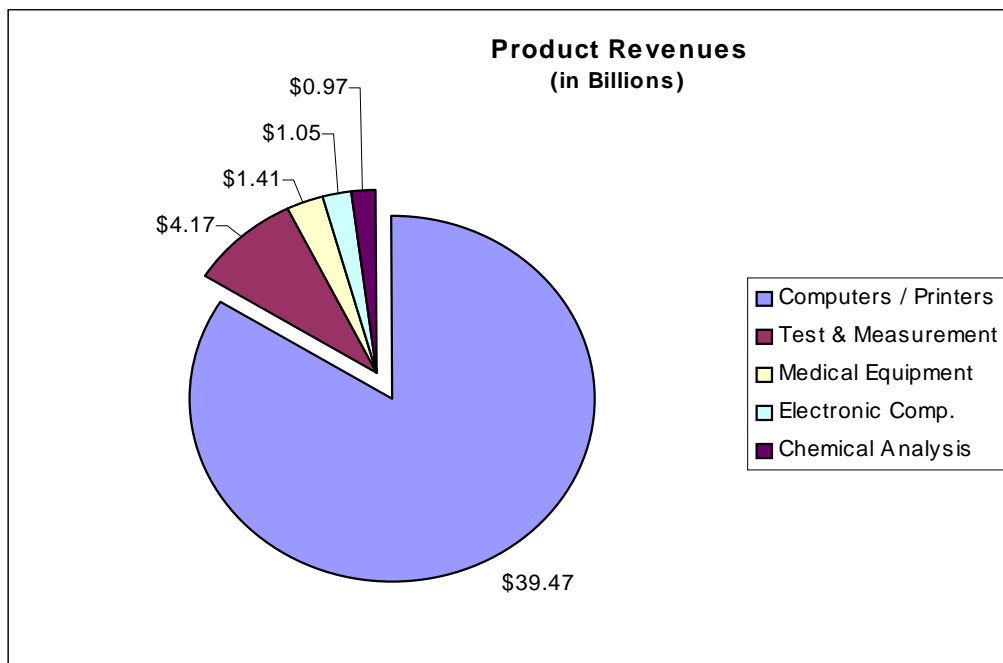
HP's measurement group includes divisions that manufacture electronic testing equipment, medical devices and electronic components. HP's largest measurement competitors include Tektronix and Teradyne. Most of HP's measurement businesses did not meet internal expectations last year. **The spin-off is intended to occur in a two-step process consisting of an IPO of 15% of the measurement business by year end, followed by a tax-free distribution of the remaining 85% about six months later to HP holders.** Measurement chief Ed Barnholt expects revenue growth to rebound to double digits in the measurement business. The measurement business has seen sales growth drag down to 1% in 1998 from 10% due to weakness in Asia and the semiconductor industry. The measurement business intends to pursue opportunities in the communications (LAN,WAN, and broadband), life sciences, and healthcare markets.

e-Services

HP also announced that it would create an Internet division to spark its computer business. HP thinks it can capitalize on the Internet by promoting e-services such as data mining, accounting, pay-per-use software, and consumer services. The company's OpenView software has proved popular. It manages as much as 70% of the world's Web sites, HP claims. HP also offers Internet security software, electronic-commerce software and Internet services. In the past HP has not had a cohesive strategy for selling its Internet services. The new division aims to increase Internet-related revenue.

Fiscal First Quarter Highlights

HP reported EPS of \$0.92. Revenue growth slowed to 1%, the worst result since before 1995. International revenue grew 3% year over year to 57% of total revenue, while domestic revenue dropped 2% to \$5.1 billion. It appears that the fundamental outlook continues to be challenging. HP's book to bill was 0.97, its worst since Q1 1992. HP reported total revenue of \$11.9 billion. Gross margins improved to 33.1% up from 31.6% in Q498. SG&A was 16.4% of revenue up from 15.8% in Q198. Test & Measurement's revenue (8% of revenue and 11% of gross profit) declined. Revenue was \$919 million, down 14% year over year. The Medical Electronic revenue (3% of revenue) declined 13% Y/Y to \$307 million. Electronic Components revenue (2% of revenue) also declined to \$228 million, down 10% Y/Y. Chemical Analysis (2% of revenue) grew 8% year over year to \$244 million. Book Value per share reached an all-time high of \$16.70. Inventory turns improved to 4.9 times up from 4.4 in Q198 and 4.8 in Q498. Cash decreased to \$3.7 billion or \$3.53 per share. HP has 1.05 billion shares outstanding and a market capitalization of \$72.5 billion. First call consensus earnings estimates for 1999 are \$3.43, suggesting a P/E multiple of 20x.



Test & Measurement	Medical Equipment	Electronic Comp.	Chemical Analysis
1st. In overall test and measurement products	1st. In acute care patient monitoring	1st. In LED lamps, displays and auto exterior lighting	1st. In gas chromatography systems
1st. In communication test equipment.	1st in cardiovascular ultrasound imaging	1st. In infrared transreceivers for mobile communications	1st. In liquid chromatography systems
2nd. In digitalizing oscilloscopes	2nd. In external defibrillators	1st. In optical encoders	2nd. In benchtop mass spectrometry

Recently Announced Spin-Offs...

Navarre To Carveout its Online Music Provider NetRadio

On March 3, 1999 Navarre (NASDAQ: NAVR), seller of prerecorded music and software, filed with the SEC for a public offering of a portion of its NetRadio business, an Internet network with 150 audio channels and sites selling CDs and software. Customers include mass merchandisers, wholesale clubs, and specialty chains. Founder, chairman, president, and CEO Eric Paulson owns 18% of Navarre. Everen Securities is the underwriter. The proposed symbol of NetRadio is "NETR". The company hopes to raise a maximum of \$37 million in the offering.

NetRadio is a leading network broadcaster of original audio content programming on the Web. NetRadio broadcasts more than 120 channels of music, news, sports and entertainment information 24 hours a day, seven days a week. By providing highly focused and narrowly targeted content, listeners can enjoy their favorite music and news. The site is categorized into 14 broad genres of music, including Jazz, Modern Rock, Classical, Pop Hits, etc. Navarre Corporation is the largest distributor of CD-ROM products in America. Navarre provides media products, distribution and merchandising in the area of music CDs, software, video and DVD media.

The music channels keep listeners on their Web site for over 20 minutes and the content is segmented by Communities of Similar Interest (COSIs) targeted to distinct listener demographics. Nielsen/I-pro, an independent consultant that monitors Internet traffic, has estimated that over 880,000 unique visitors listened to 120 music and news channels in December 1998. Nielsen/I-pro has also estimated that, during December 1998, the average time a visitor spent listening to their channels was approximately 21 minutes. NetRadio believes that attracting users through audio entertainment creates a "sticky" Web site by extending the time visitors spend on their Web site.



Recently Announced Spin-Offs...

Odetics Expands 355 Applications To Include Broadcast And GYYR Operations

On March 2, 1999, Odetics Inc. (NASDAQ: ODETA & ODETB) announced that it is pursuing a private letter ruling from the Internal Revenue Service to proceed with **three separate tax free spin-offs of its Odetics ITS, Inc., Gyyr, Inc. and Odetics Broadcast businesses** in transactions structured to comply with section 355 of the Internal Revenue Code. The company previously disclosed intentions to pursue a private letter ruling for a tax-free spin-off of its Odetics ITS business (which it planned to carveout and then spin). Spinning off these businesses is an integral step for them to obtain the necessary financing for their growth, according to Odetics. Any spin-off will be dependent on obtaining the IRS ruling and the market conditions at the time of receiving the ruling. **ATL Products Inc. was spun off to Odetics shareholders in October 1997 (and bought out by Quantum last fall).**

Odetics

Originally commissioned to design digital recorders for NASA, Odetics' surveillance and information storage products are used everywhere from broadcast studios to convenience stores. Its video management systems automate the storage and retrieval of news spots and commercials in TV broadcasting, and its time-lapse VCR's provide surveillance at banks, ATMs, and retail stores. The Telecom division of Odetics supplies timing and synchronization products used in cellular phones, space-borne digital recorders, and satellites commissioned for classified government programs.

Appellate Court Date Set for Odetics vs. StorageTek, et al

On March 3, 1999, Odetics announced that it has been notified that the United States Court of Appeals for the Federal Circuit in Washington, D.C. has selected April 12, 1999 to hear appeals and cross appeals in the case of Odetics, Inc. vs. Storage Technology Corporation, Visa International Service Association, Inc., Visa USA, Inc., and Crestar Bank, Inc. On March 27, 1998, a jury awarded Odetics, Inc. \$70.6 million upon finding StorageTek liable for willful infringement, inducement to infringe and contributory infringement with respect to a patent owned by Odetics, Inc. The Odetics' appeals are in response to a ruling issued on August 3, 1998 by the federal judge in the case of Odetics, Inc. vs. Storage Technology Corporation, et al to overturn the jury verdict and to enter judgement as a matter of law in favor of Storage Technology Corporation, et al.

Odetics Third Quarter Results

For its third quarter ended December 31, 1998, Odetics reported a net loss from continuing operations of \$3,839,000, or \$0.49 per share, compared to net income from continuing operations of \$11,000, or \$0.00 per share, reported for the third quarter ended in the previous fiscal year. Odetics' net sales and contract revenues were \$20,167,000, compared to \$24,304,000 reported in the third quarter of the previous fiscal year. For the nine months ended December 31, 1998, Odetics reported a net loss from continuing operations of \$13,267,000, or \$1.77 per share, compared to a net loss of \$1,463,000, or \$0.22 per share, in the comparable nine month period of the previous fiscal year. Weighted average shares outstanding were 7,493,000 and 6,794,000 for the nine months ended December 31, 1998 and 1997, respectively. For the nine months ended December 31, 1998, Odetics reported net sales and contract revenues of \$62,069,000, compared to \$67,882,000 reported in the comparable nine month period of the previous fiscal year.

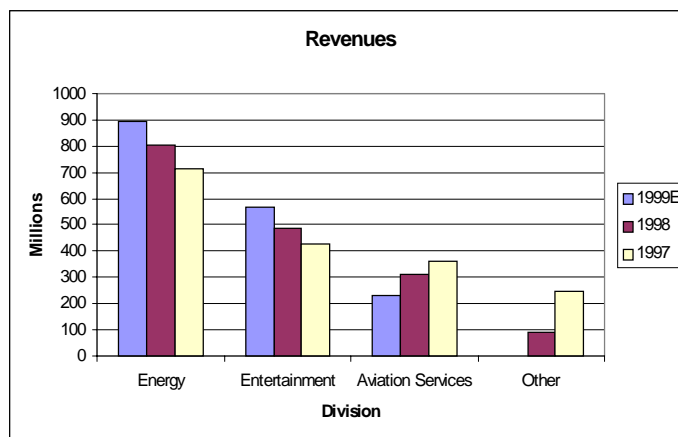
Recently Announced Spin-Offs...

Ogden Retains Goldman Sachs to Review Separation

On March 11, 1999, Ogden Corp. (NYSE: OG) announced plans to pursue the separation of its slow growth Energy division and faster growth Entertainment and aviation divisions. The separation plans are expected this summer. Ogden is a highly diversified company consisting of three main product divisions. Ogden reported total revenues of \$1,692.4 million in 1998 down from \$1,749.7 million in 1997. Fourth quarter revenues were \$393.9 versus \$402.2 million. Ogden is expected to carve-out less than 20% of the Aviation / Entertainment division late this year and apply for a tax free ruling to spin-off the remaining portion early in 2000.

Ogden Entertainment

Ogden is a diverse entertainment company that generated \$485 million in 1998 revenues. Attractions include amusement and theme parks located in New York, Florida, California and Illinois. Ogden's overseas locations include Argentina and Spain. Ogden Entertainment recently acquired the (60 Room) Iguazú Grand Hotel Resort and Casino in Argentina. Ogden Entertainment has four primary divisions which are Venue Management, Food & Beverage/Concession, Themed Attractions and Specialty Gaming. Targeted annual growth over the next five years by management is 15%, 15%, 25% and 25%, respectively.



Ogden Aviation

Ogden Aviation is a provider of support services to more than 350 airlines at 116 airports in 24 countries. Ogden builds, finances and operates major airport facilities and infrastructure projects, and provides a complete range of ground and passenger handling operations from terminal check-in to aircraft maintenance and ramp services. Ogden moves 1.4 billion pounds of goods every year. Ogden provides air freight handling at 28 airports and cargo terminal operations at 18 airports throughout North America, Europe, South America and the Pacific Rim. Operations include warehouses ranging up to facilities totaling 355,200 square feet and the handling of both unitized and loose cargo, valuables, live animals, perishables and outsized freight. Ogden handles more than 5.4 billion gallons of the aviation industry's fueling needs with operations at 26 installations worldwide. Ogden has the ability to design, finance and construct fuel storage facilities and hydrant systems to meet the total fueling needs of airline and airport customers. Management has targeted annual growth for ground operations and airport management at 20%, 25%, respectively.

1999 Management Forecasts			
Entertainment \$ in Millions	Venue Food & Beverage	Themed Attractions	Specialty Gamimg
Revenues	\$ 415.30	\$ 110.10	\$ 44.00
EBITDA	48.90	25.40	6.80
EBIT	34.10	15.40	4.80
Joint Venture	(1.00)	(1.50)	
Total Income	33.10	13.90	4.80
Aviation \$ in Millions	Ground	Airport Mgmt Privatization	
Revenues	\$ 229.10		
EBITDA	44.00		
EBIT	30.30		
Joint Venture	1.30	8.40	
Total Income	31.60	8.40	
Energy \$ in Millions	Power Generation	Environmental Consulting	
Revenues	\$ 735.60	\$ 160.30	
EBITDA	179.40		
EBIT	102.20		
Joint Venture	18.60		
Total Income	120.80		

OGDEN ENERGY GROUP (OEG)

Ogden Energy, (OEI) designs, builds, owns, acquires, operates, maintains and manages international and domestic independent power projects using biomass, coal, geothermal, hydroelectric, landfill gas and natural gas. **Ogden Waste to Energy, (OWTE)**, operates more large-scale waste-to-energy facilities than any other company in the world, serving the waste disposal needs of more than 17 million people. **Ogden Water Systems (OWS)** is an international water and wastewater services company. Ogden Water Systems specializes in facility and system-wide design management, technical operations, water and wastewater technologies, environmental controls, community relations, risk transfers and management, and guarantees to support a multitude of project financing options. **Ogden Environmental and Energy Services (OEES)** is a consulting engineering firm specializing in developing cost-effective, reliable and informed solutions to the environmental and infrastructure needs of industry, utilities and government. Management has targeted growth at 10-15% over the next 5 years.



Recently Announced Spin-Offs...

Quantum To Issue Tracking Stock To Reflect Hard Disk Drives and Storage Systems

On March 1, Quantum made several announcements to improve the visibility of the company's Hard Disk Drive (HDD) and DLT tape drive systems (DLT) to emphasize effort to move into higher value devices and systems. The company announced plans to put into place a "tracking stock" program that would create two classes of stock-- one reflecting financial performance of the disk drive business (70% of Quantum's sales) and the other reflecting the performance of the higher-growth, highly profitable DLT tape and related systems businesses. The intention of the tracking stock plan is to replace the current QNTM common stock with 0.5 shares of Quantum Hard Disk (QHDD) stock and 1.0 shares of Quantum DLT Storage Systems (QDSS) stock. Each tracking stock will have their own income, balance and cash flow statements, which, in theory, will make it easier to understand and value. Quantum expects it to take 4 -6 months to complete the transition into tracking stock. The plan required approval from shareholders and regulators.

Description

The nation's #2 maker of disk drives (behind Seagate). The company makes high-end hard disk drives, solid-state disk drives, cartridge tape drives, and tape-drive-related products for such customers as Compaq, Hewlett-Packard, Apple, IBM, and Dell. Although its hard disk drives for the desktop computer market account for the majority of its sales, Quantum also competes in the market for high-end disk drives, which are used by network-serving computers. Quantum's tape-drive business has benefited from the increased use of the Internet, corporate Intranets, and database servers, which require frequent backup. Quantum partners with Matsushita-Kotobuki Industries of Japan for more than 80% of its manufacturing. Quantum acquired ATL Products in September 1998 for \$300 million in stock. ATL products is a manufacturer of mid-to-high-end tape library storage systems and is run as a separate entity. Quantum's sales for the fiscal year ending March 1998 were \$5.8 billion.

FQ3 Results

Quantum generated \$1.326 billion in sales and EPS of \$0.29. Total revenue grew 14% Q/Q and fell 13% Y/Y. Reported earnings of (\$0.64) included special charges of \$89 million (to write-off in-process R&D for ATL Products) and \$101 million (for the closing of its recording head joint venture with MKE). Quantum's **desktop disk drive** business enjoyed improving demand and gross margin trends in the quarter. Desktop disk drive revenue grew 7% Q/Q to \$811 million (down 23% Y/Y) on unit shipments of 6.5 million (down 2% Y/Y, up 13% Q/Q). **Specialty Storage sales** (including DLT tape and storage systems) rose to 28% of sales. DLT increased 13% Q/Q to \$419 million and was above expectations. **ATL** showed promise in its first quarter as a Quantum-based company with \$54 million in sales (up 12% Q/Q on a pro-forma basis) on a 10% Q/Q unit shipment increase. ATL recently introduced its new P3000 automated DLT tape library, which is capable of holding 16, drives and 326 cartridges for a total capacity of up to 11.4TB. The new system carries an ASP between \$80,000 and \$100,000 and is currently shipping to leading OEMs.

Gross margin rose 150 basis points Q/Q to 18.0% and was driven by tamer pricing in the desktop environment and a better mix of products during the quarter (a higher shift to DLT tape and ATL sales. Operating expenses of \$161 million rose 3% Y/Y, and 8% Q/Q due to increased DLT-related marketing and the incorporation of ATL Products. R&D increased \$5 million Q/Q to \$88 million or 6.6% of sales, while Marketing and Selling increased \$6 million Q/Q to \$51 million, or 3.9% of sales. During the quarter, cash rose \$128 million Q/Q to \$707 million or \$4.16 per share.

Quantum has 170 million shares outstanding and a current market capitalization of \$3.1 billion. At current stock levels (\$18 3/8), the company is trading at 26.5x First Call consensus estimates for 1999 (ending March 31, 1999) of \$0.70 a share. First Call estimate of 2000 is \$1.80 suggesting a multiple of about 10x.

Recently Announced Spin-Offs...

RJR Plans To Spin-Off Its U.S. Cigarette Unit

On March 9th, RJR Nabisco's (NYSE: \$25) announced a plan to sell the company's international tobacco business and spin off the domestic tobacco business to RJR shareholders as a separate company. This would enable the surviving company, to be called Nabisco Group Holdings, to focus on popular snacks, including Oreo cookies, Ritz crackers and Nilla Wafers. RJR Nabisco Holdings (NYSE:RN) said it would split its food and domestic tobacco operations after selling its international tobacco operations to Japan Tobacco in an \$8 billion deal. It will use the proceeds to help reduce its \$9.1 billion debt, leaving the domestic Tobacco Company in a better position to compete in the United States.

RJR has been under pressure for several years from some of its major stockholders to separate the businesses in the \$17 billion conglomerate so they could rise or fall on their own merits. After the sale, the RJR board plans to spin off its domestic tobacco operations, R.J. Reynolds Tobacco Co., to RJR shareholders. The Tobacco Company will keep its name and will retain its headquarters in Winston-Salem, N.C. The spin-off would leave RJR Nabisco with an 80.6 percent stake in Nabisco Holdings Corp., the food division. RJR would change its name to Nabisco Group Holdings. The new corporate structure allows people filing tobacco suits to continue to make claims against either R.J. Reynolds Tobacco Co. or the renamed RJR Nabisco. Analysts had long warned that simply spinning off the food division into a separate independent company would face a prolonged court challenge because plaintiffs would charge the company with putting valuable assets out of their reach. Carl Icahn, is pushing for an alternative plan to spin off the Nabisco food operation, about 20 percent of which is already traded publicly as Nabisco Holdings.

RJR believes that by spinning off tobacco (in a tax-free deal), and not food, RJR will avoid any possibility of fraudulent conveyance (the dispersal of assets in order to shelter them from possible tobacco liability claims). The new parent company, Nabisco Group Holdings, would still retain potential tobacco liability for the period leading up to the spin-off. Thus, its main asset, the 80.6% stake in Nabisco Foods, could be, could be used to satisfy potential claims.

Tobacco Stub Valuation Appears Attractive

Tobacco stocks have come under heavy selling on the news that Phillip Morris (NYSE:MO) lost an \$80 million dollar lawsuit. MO is selling at a two year low. RJR is back to \$25. **We would be comfortable accumulating RJR at these levels.** At current market values of RN and NA (with an 80.5% stake in NA, each RN share represents an interest in the company's tobacco operations and approximately 0.6535 shares in Nabisco), the "Tobacco Stub" is being valued at a negative \$2.25 a share. The Tobacco Stub's value has traded as high as \$14.40 on October 16, 1995, and reached a low of negative \$4.90 on April 18, 1998. We believe the US tobacco business is worth at least \$10 per RN share, bringing a sum of the parts valuation to the \$37 area (\$10 + \$27 worth in Nabisco value). We would view an investment in RN as akin to buying a free call option on near-term initiatives to unlock shareholder value. Given RN's lackluster stock market (RN has underperformed the S&P 500 every year since 1993) and operating performance (EPS of \$2.62, \$2.95, and \$2.10 for 1996, 1997, and 1998, respectively), we expect material actions to enhance shareholder value will be embraced.

Risks

The trial calendar of multiple large-scale tobacco litigation cases will likely cast a shadow on the industry. The recent verdict against MO will increase the investment community's focus on individual smoking and health cases. Carl Icahn, who controls over 6% of RN stock, could dump his shares. Following his unsuccessful 1996-proxy battle, Icahn sold his stake in a single, large block transaction.

Recently Announced Spin-Offs...

Synetic To Carveout CareInsite in IPO

On March 26, Synetic (NASDAQ: SNTC), announced that CareInsite, the company's healthcare electronic commerce subsidiary, filed a registration statement with the SEC relating to the **IPO by CareInsite**. Merrill Lynch & Co. will be a managing underwriter of the offering. **CareInsite is developing and intends to provide an Internet-based healthcare electronic commerce network for interactive use by physicians, payers, suppliers and patients.**

Synetic, a healthcare plastics and healthcare communications operation, makes surgical plastics and provides medical information services. Its plastics division, Porex Technologies, makes plastics used mostly in medicine, including blood filters, pipette tips, and plastic surgery implant parts. The goal of the communications branch, Avicenna, is to use the Internet to provide a fast, secure, data delivery network for health care professionals in order to cut costs and improve patient care. Synetic has made key alliances with other medical networks to further its aim. In January, it agreed to manage the operations of The Health Information Network Connection (THINC) and provide online clinical, financial, and transaction services to the New York area's 40,000 physicians. In addition, Synetic has forged a strategic alliance with Cerner Corporation, a leading provider of clinical and management information systems to over 1,000 health organizations worldwide. Chairman Martin Wygood owns almost 30% of the company.

For the six months ended 12/31/98, sales rose 44% to \$43.7 million. Net income before extraordinary items fell 41% to \$2 million. Results reflect the acquisition of Point Plastics, partially offset by a decrease in interest income. Synetic has about 20 million shares outstanding, implying a market capitalization of \$1.15 billion.

On February 18, 1999, Merck & Co., Inc. and Merck-Medco Managed Care filed a complaint in the Superior Court of New Jersey against Synetic, Synetic Healthcare Communications, Inc. (since re-named CareInsite, Inc. The plaintiffs assert that Synetic, CareInsite and the individual defendants are in violation of certain non-competition, non-solicitation and other agreements with Merck and Merck-Medco, and seek to enjoin Synetic, CareInsite and the individual defendants from conducting the company's healthcare e-commerce business and from soliciting Merck-Medco's customers. Synetic could be prevented indefinitely from pursuing the development and deployment of its healthcare e-commerce services.

CareInsite

The company is developing and intends to provide an Internet-based healthcare electronic commerce network for interactive use by physicians, payers, suppliers and patients. CareInsite intends to market a comprehensive set of transaction, messaging and content services to physicians, to payers such as managed care organizations and pharmacy benefit managers, or PBMs, to suppliers such as pharmacies and clinical laboratories and to patients. Physicians will be able to use a web browser to access relevant clinical, administrative and financial information of payers and suppliers through our "CareInsite" system to make more informed decisions at the point of care. CareInsite generated \$10.3 million in sales in 1998 (FY ended June). Merrill Lynch is the lead underwriter for the IPO. The company is hoping to raise as much as \$62 million through an initial public offering of its common stock. Proceeds from the sale will be used for working capital and general corporate purposes as well as possible acquisitions.

Implied Value of Stubs

Parent: Subsidiary:	Symbol	Shares Held by Parent	# of Average Shares	Price Close 2/26/99	Market Capitalization	Stub Implied Value	Carve-Out Value
Adelphia Comm.	ADLAC		31,200,000	63	1,965,600,000	60.29	2.71
Hyperion Telecom	HYPT	6,970,000	22,300,000	12 2/16	84,511,250		
AMR Corp.	AMR		182,396,000	58 9/16	10,681,565,750	31.84	26.72
Sabre Group	TSG	107,420,000	129,900,000	45 6/16	4,874,182,500		
ARC International	ATV		14,280,000	1 8/16	21,420,000	(0.68)	2.18
Ballantine of Omaha	BTN	3,179,290	14,270,000	7 8/16	23,844,675		
Cabletel Communications	TTV	3,312,450	6,540,000	2 3/16	7,245,984		
Boise Cascade	BCC		56,370,000	40 13/16	2,300,600,625	30.27	10.55
Boise Office products	BOP	53,438,490	65,730,000	11 2/16	594,503,201		
CBS	CBS		707,420,000	40 13/16	28,871,578,750	14.87	25.94
Infinity Broadcasting	INF	700,000,000	840,000,000	25 12/16	18,025,000,000		
MarketWatch.com	MKTW	4,382,750	11,750,000	73 14/16	323,775,656		
Citizens Utility	CZN		259,800,000	7 12/16	2,013,450,000	6.30	1.45
Electric Lightwave	ELIX	41,151,600	49,800,000	9 2/16	375,508,350		
Creative Computers	MALL		10,250,000	30 2/16	308,781,250	(15.30)	45.43
Ubid	ubid	7,136,000	8,909,000	65 4/16	465,624,000		
Dupont	DD		1,126,940,000	40 13/16	45,993,238,750	30.90	9.92
Conoco	COC	455,000,000	627,380,000	24 9/16	11,175,937,500		
Flowers Ind.	FLO		99,820,000	24 10/16	2,458,067,500	6.55	18.08
Keebler	KBL	49,445,000	84,300,000	36 8/16	1,804,742,500		
Ford	F		1,140,800,000	56 11/16	64,669,100,000	52.61	4.08
Hertz	HRZ	86,904,000	107,920,000	53 8/16	4,649,364,000		
Jefferies Group	JEF		24,000,000	47 7/16	1,138,500,000	15.35	32.09
Investment Tech.	ITGI	15,176,000	18,200,000	50 12/16	770,182,000		
Kansas City South.	KSU		109,690,000	57	6,252,330,000	45.88	11.12
DST Systems	DST	20,300,000	49,010,000	60 1/16	1,219,268,750		
Limited	LTD		231,700,000	39 10/16	9,181,112,500	(4.33)	43.95
Intimate Brands	IBI	211,600,000	252,400,000	48 2/16	10,183,250,000		
News Corp	NWS		1,058,800,000	40 13/16	43,212,275,000	26.80	14.01
Fox Corp	FOX	547,000,000	632,000,000	27 2/16	14,837,375,000		
PepsiCO	PEP		1,500,000,000	39 3/16	58,781,250,000	38.39	0.80
Pepsi Bottling Group	PBG	55,000,000	155,000,000	21 11/16	1,192,812,500		
Pittway cI,A,B	PRY		21,250,000	26 4/16	557,812,500	21.59	4.66
US Satelite Broadcasting Co.	USSB	3,772,440	89,820,000	17 2/16	64,603,035		
Cylink	CYLK	8,610,000	28,700,000	4	34,440,000		
Republic Industries	RII		467,090,000	12 6/16	5,780,238,750	8.49	3.89
Republic Services Group	RSG	112,162,500	175,412,500	16 3/16	1,815,630,469		
RJR Nabisco	RN		325,020,000	25	8,125,500,000	(2.24)	27.24
Nabisco	NA	213,019,100	264,409,100	41 9/16	8,853,606,344		
Silicon Graphics	SGI		187,600,000	16 9/16	3,107,125,000	6.22	10.34
Mips Technology	MIPS	31,800,000	37,290,000	61	1,939,800,000		
Telephone & Data Systems	TDS		61,160,000	56 8/16	3,455,540,000	(1.73)	58.23
U.S. Cellular	USM	70,700,000	87,380,000	44	3,110,800,000		
Aerial Communications	AERL	58,100,000	71,790,000	7 12/16	450,275,000		
USA Networks	USAI		159,320,000	35 13/16	5,705,647,500	24.18	11.63
Ticketmaster-Online	TMCS	55,111,000	69,490,000	33 10/16	1,853,107,375		

Spin-Off Calendar by Date

Parent	Symbol	Listed		Symbol	Listed		Date Announced	Spin-Off Date	Tax	
		Options	Spin-Off		Options	Date			Exempt	Ratio
DuPont	DD	Y	Conoco	COC	Y	5/11/98	10/22/98	Y		IPO
Torchmark	TMK	Y	Waddell & Reed	WDR	Y	11/17/97	11/6/98	Y		.0569:1 A .2447:1 B
News Corp	NWS	Y	Fox Entertainment	FOX	Y	6/29/98	11/11/98	Y		IPO
Creative Computers	MALL	N	uBid	UBID	N	7/6/98	12/4/98	Y		IPO
CBS	CBS	Y	Infinity Broadcasting	INF	Y	8/27/98	12/9/98	Y		IPO
Stac	STAC	N	Hi/fn	HIFN	N	8/5/98	12/15/98	Y		1:3.9
PennzEnergy	PZE	Y	Pennzoil-Quaker State	PZL	Y	4/15/98	12/30/98	Y		1:1
Hilton Hotels	HLT	Y	Park Place Entertainment	PPE	Y	6/30/98	12/31/98	Y		1:1
Grand Casinos	GND	N	Lakes Gaming	LACO	N	6/30/98	12/31/98	Y		1:4
Cincinnati Bell	CSN	N	Convergys	CVG	Y	4/27/98	12/31/98	Y		1:1
Bindley Western	BDY	Y	Priority Healthcare	PHCC	N	10/24/98	12/31/98	Y		.46:1
Rockwell International	ROK	Y	Conexant Systems	CNXT	Y	6/29/98	12/31/98	Y		1:2
Host Marriott	HMT	Y	Crestline Capital Corporation	CLJ	Y	4/17/98	12/29/98	Y		1:10
CBS / Data Broadcasting	DBCC	Y	Marketwatch.com	MKTW	N	10/13/98	1/19/99	Y		IPO
Olin	OLN	Y	Arch Chemicals	ARJ	N	7/30/98	2/9/99	Y		1:2
General Motors	GM	Y	Delphi Unit	DPH	Y	8/3/98	2/5/99	Y		IPO
Pulitzer Publishing	PTZ	N	Pulitzer Inc.	PTZ	N	5/26/98	3/22/99	Y		1:1
PepsiCO	PEP	Y	Pepsi Bottling Group	PBG		7/28/98	3/31/99			IPO
Varian Associates	VAR	Y	Varian Inc.	VARI	Y	8/21/98	4/5/99	Y		1:1
			Varian Semiconductor	VSEA	Y	8/21/98	4/5/99	Y		1:1
Columbia/HCA	COL	Y	LifePoint Hospitals			7/29/98	April	Y		
			Triad Hospitals			7/29/98	April	Y		
Jefferies Group	JEF	Y	Investment Technologies Group	ITGI	N	3/18/98	April	Y		.62:1
IMS Health	RX	Y	Gartner Group	IT		11/12/98	2nd qtr	P		1:8
Western Wireless	WWCA		Voicestream Wireless Corp.			10/27/98	2nd qtr	Y		
Enron	ENE	Y	Azurix	AZX	N	3/16/99	1999			IPO
Navarre	NAVR		Net Radio	NETR	N	3/3/99	1999			IPO
Citizens Utilities	CZN	N	Telecommunications			5/18/98	4th qtr	P		
Kansas City Southern Industries	KSU	Y	Financial Services			2/3/98	4th qtr	P		
LSB Industries	LSB	N	Automotive Business			8/5/98	1999	P		
Odetics	ODETA	N	Intelligent Transportation Unit			5/4/98	1999			IPO
Allegheny Teledyne	ALT	Y	Consumer Division / Electronics			1/19/99	1999	P		
Meditrust	MT	Y	Health Care Financing Business			11/12/98	1999	P		
MedPartners	MDM	Y	Physician Practice Management			11/12/98	1999	P		
Williams Co.	WMB	Y	Communications Group			11/20/98	1999	P		
Watts Industries	WTS	Y	Oil and Gas Business			12/15/98	1999	P		
Gencorp	GY	Y	Specialty Polymers			12/17/98	1999	P		
Telephone & Data Systems	TDS	Y	Aerial Communications	AERL		12/21/98	1999	P		
Pomeroy Computers	PMRY	Y	Pomeroy Select	PSIS		1/15/99	1999	P		
HRPT Properties	HRP	Y	Senior Living	SN		12/24/98	1999			IPO, .1:10
Compaq Computer	CPQ	Y	AltaVista			1/26/99	1999	Y		IPO
Tenneco	TEN	Y	Packaging			7/21/98	1999			
Viacom	VIA.B	Y	Blockbuster Entertainment				1999			
Delta Woodside	DLW	Y	Apparel Division			2/9/99	1999	N		
Silicon Graphics	SGI	Y	Mips Technology	MIPS	N	2/26/99	1999/2000	P		IPO / CO
Essef Corp.	ESSF	N	Anthony & Sylvan Pools	SWIM		5/8/98	Filed			IPO
Barnes and Noble	BKS	Y	BarnesandNoble.com	BNBN		3/18/99	1999			IPO
Ogden Corp.	OG		Energy / Entertainment			3/11/99	1999			IPO
RJR Nabisco	RN	Y	Tobacco			3/9/99	1999			
Synetic	SNTC	Y	CareInsite			3/26/99	1999			IPO

Spin-off Statistics

							CLOSING	Spin-Off	S+P 500
Spin-Off					Spin-Off	Spin-Off	PRICE	%	%
Name	Symbol	Business	Parent	Symbol	Date	Price	03/31/99	Change	Change
Arch Chemical	ARJ	Chemicals	Olin	OLN	2/9/99	18 7/8	16.75	-11%	6%
Chicago Title Corp.	CTZ	Title Insurance	Alleghany	Y	6/18/98	46 12/16	36 6/16	-22%	16%
ChoicePoint	CPS	Risk Management	Equifax, Inc.	EFX	8/7/97	35 12/16	49 14/16	40%	35%
Cognizant Technology Solutions	CTSH	Software Solutions	IMH Health	RX	6/19/98	10	27 12/16	178%	17%
Cohesion Technologies	CSON	Medical Devices, Sealant	Collagen Aesthetics	CGEN	8/19/98	5	4	-21%	17%
Conexant	CNXT	Semiconductors	Rockwell International	ROK	1/4/99	18 7/8	27.6875	47%	5%
Conoco	COC	Energy Exploration	DuPont	DD	10/22/98	24 14/16	24 9/16	-1%	19%
Convergys	CVG	Billing processing to Tele-Comm.	Cincinnati Bell	CSN	8/12/98	16 10/16	17 2/16	3%	20%
Delphi Automotive	DPH	Automotive Parts	General Motors	GM	2/5/99	18 8/16	17 12/16	-4%	4%
Dial Corporation	DL	Personal Care Products	Viad Corporation	VVI	8/16/96	13 2/16	34 6/16	162%	93%
Earthgrains	EGR	Prod. and Dist. Bakery Products	Anheuser-Busch	BUD	3/26/96	7 10/16	22 3/16	191%	98%
Fox Entertainment	FOX	Entertainment	News Corp	NWS	11/11/98	24 4/8	27 2/16	11%	15%
General Instrument (Next Level)	GIC	Communication	General Instrument	GIC	7/28/97	20 3/16	30 5/16	50%	37%
General Semiconductor	SEM	Discrete Semiconductors	General Instrument	GIC	7/28/97	14 12/16	7 4/16	-51%	37%
Hartford Financial Services	HIG	Insurance / Property and Casualty	ITT	ITT	12/20/95	47 14/16	56 13/16	19%	112%
Hartford Life	HLI	Insurance life	ITT Hartford	HIG	5/22/97	32 2/16	55	71%	51%
Hi/fn	HIFN	Data Compression & Encryption	Stac	STAC	12/17/98	20 8/16	37 8/16	83%	9%
Highland Insurance Services	HIC	Insurance	Halliburton Co.	HAL	1/24/96	21 2/16	10 9/16	-50%	67%
Hussman Corp.	HSM	Refrigeration sytems	Whitman Corp.	WH	2/2/98	13 10/16	14 11/16	8%	31%
IMS Health	RX	Healthcare Information Systems	Nielsen Media research	NMR	7/1/98	31 8/16	33 2/16	5%	12%
Infinity Broadcasting	INF	Broadcasting	CBS	CBS	12/10/98	23 2/16	25 12/16	11%	10%
Keebler Foods	KBL	Produces and distributes food products	Flowers	FLO	1/29/98	26 13/16	36 8/16	36%	31%
Land Air Corporation	LAND	Trucking	Forward Air	FWRD	9/24/98	6	5	-17%	23%
Leap Wireless	LWIN	Wireless Telecommunications	Qualcomm	QCOM	9/24/98	8	12 14/16	61%	23%
Lucent Technologies	LU	Telecommunication systems	AT&T	T	4/3/96	15 3/16	108	611%	87%
Media One	UMG	Cable operations	US West	USW	6/12/98	36 8/16	55 1/16	51%	19%
Meritor Automotive	MRA	Automotive accessories	Rockwell International	ROK	10/1/97	23 14/16	15 8/16	-35%	43%
Midas	MDS	Automotive Repair	Whitman Corp.	WH	2/2/98	16 1/16	33 6/16	108%	31%
Midway Games	MWY	Interactive Entertainment	WMS Industries	WMS	10/30/96	20	8 11/16	-57%	83%
Navigant International	FLYR	Travel Services	U.S. Office Products	OFIS	6/10/98	8 2/16	5 6/16	-34%	15%
NCR	NCR	Data, Transaction Processing	AT&T	T	1/2/97	33 12/16	50	48%	75%
Newport News Shipbuilding	NNS	Ship Building	Tenneco	TEN	12/12/96	17	31 11/16	86%	76%
Octel	OTL	Specialty Chemical	Great Lakes Chemical	GLK	5/26/98	22 12/16	12 4/16	-46%	18%
Park Place Entertainment	PPE	Gaming	Hilton Hotels	HLT	1/4/99	7 8/16	7 9/16	1%	5%
Payless ShoeSource	PSS	Footware Retailer	May Department Stores	MAY	5/9/96	28 12/16	46 8/16	62%	100%
Pennzoil-Quaker State	PZL	Car Care & Oil Products	PennzEnergy	PZE	12/31/98	15 2/16	12 6/16	-18%	5%
Quest Diagnostics	DGX	Diagnostic Testing	Corning Inc.	GLW	1/14/97	17 12/16	22 4/16	25%	74%
RCN Corp.	RCNC	Voice, Video and interactive processi	C-Tec Corporation	CTEX	10/1/97	15 14/16	33 9/16	111%	35%
Republic Service Group	RSG	Waste Management	Republic Industries	RII	7/1/98	25 8/16	16 3/16	-37%	12%
School Specialty	SCHS	Educational Supplies	U.S. Office Products	OFIS	6/10/98	15 14/16	19 9/16	23%	16%
Sonosight	SONO	Handheld Ultrasound devices	ATL Ultrasound	ATLI	4/7/98	13 6/16	13 12/16	3%	16%
Tricon Global Restaurants	YUM	Restraunts	Pepsi Corp.	PEP	10/7/97	31 2/16	70 4/16	126%	33%
uBid	UBID	Internet Auction House	Creative Computers	MALL	12/4/98	48	65 4/16	36%	9%
Valero Energy (New)	VLO	Refining and Marketing	Valero Energy	VLO	8/1/97	28 13/16	24 14/16	-14%	35%
Vencor (New)	VC	Healthcare	Vencor	VC	5/2/98	12 8/16	1 5/16	-90%	15%
Vlassic	VL	Food products	Campbell Soup	CPB	3/30/98	25 12/16	12 15/16	-50%	18%
Waddell & Reed	WRD	Asset Management	Torchmark	TMK	3/5/98	26 7/16	20 8/16	-26%	24%
Workflow Management	WORK	Print Management	US Office	OFIS	6/10/98	9	6 12/16	-15%	16%