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Continuous Research on Corporate Spin-Offs

SPIN-OFF RESEARCH

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International Spin-Off's Catching On

Under pressure to increase shareholder value, many of Europe's largest corporations are spinning off operations that have little to do with their core businesses and profiting handsomely. Divestitures represent a dramatic change in thinking from a decade ago, when companies wanted diverse operations to help buffer the effects of the business cycle. Now, some international companies are catching the spin-off fever.

Germany Leads the Surge

In June, German chemical giant **Bayer (OTC: BAYZY ADR)** plans to IPO its AGFA unit for **\$3.9 billion**. Best known for its aspirin, Bayer AG is one of the world's biggest chemical makers (comparable in size to DuPont, BASF, and Hoechst). Bayer's operations include health care, agricultural products, polymers (including plastics and rubber), chemicals, and photographic and electronic prepress products. Bayer is comprised of more than 350 companies in 150 countries, with the majority of its sales in Europe. It will keep a 25% to 30% stake in AGFA after it spins off the imaging business. AGFA gets the majority of its sales from digital imaging products such as medical scanners.

DaimlerChrysler has already spun off its 10% stake in phone network Debitel, which is now valued around \$2.5 billion. **Veba, (NYSE:VEB ADR) a German conglomerate, plans to list its Stinnes division**, a logistics supplier, on the Frankfurt Exchange to raise roughly \$3.3 billion. One of Germany's largest diversified companies, VEBA operates PreussenElektra, which supplies about a fifth of Germany's electricity. Integrated oil company VEBA Oel owns 56% of ARAL, Germany's #1 gas station chain. VEBA's Degussa-Huls unit makes basic and specialty chemicals, performance chemicals, polymers, methacrylate chemicals, and silicon wafers. The company's 40%-owned o.tel.o communications joint venture is Germany's #3 wireless operator (behind Mannesmann and Deutsche Telekom) through its 60% stake in E-Plus, and o.tel.o's Tele Columbus unit is the #2 cable operator (Deutsche Telekom is #1). Other businesses include trading, transport, and real estate development. **Stinnes, distributes and transports a wide variety of goods in Germany and abroad**, including minerals, metals, chemicals, steel, industrial goods, building materials, plumbing fixtures, and heating tiles. The company also operates building supply retail chains, car service outlets, and full-line wholesaling. Stinnes' logistics sector provides European land transport in 28 countries, air and sea freight, and warehouse management services. VEBA has announced plans to reorganize Stinnes as a company concentrating on distribution and logistics by selling its retailing operations and some freight units. **It plans to offer as much as 49% of the company to the public.**

Siemens (OTC: SMALY ADR), the electronics giant, plans to spin off its semiconductor unit, **Infineon**, for \$5.4 billion in late 1999 or early 2000. The conglomerate has operations in communications, semiconductors, energy, health care, information systems, transportation, lighting, and industrial products. Its wholly owned subsidiaries include lamp maker Osram and Siemens Nixdorf Informationssysteme (SNI), a PC, server, and software maker. Bosch-Siemens Hausgerate, a joint venture with Robert Bosch, is a major manufacturer of appliances. In a major restructuring plan, the firm said it would shed its troubled outfits, such as its semiconductor unit.

Commerzbank (OTC:CRZBY ADR) is moving toward a spin-off of its online unit. It is the #3 commercial bank in Germany (behind Deutsche Bank and Dresdner Bank), offering a full range of consumer and business banking through more than 1,000 branches (as well as online banking via its COMLINE program). On May 21, Commerzbank said it planned to restructure its online subsidiary Comdirect in July as a step toward floating the unit. Comdirect recorded after tax profits of 4.3 million marks (\$2.3 million) in 1998. The bank plans to expand Comdirect cross-borders to other areas in Europe. The online bank has 195,000 customers, of which 150,000 use the account for online stock trading.

Last month, **Gehe AG, Europe's number one drug wholesaler, said it would spin off its profitable business products mail-order activities to shareholders by September** as it focuses on its drug wholesale and retail operations. Other lines of business include rehabilitation services and supplies, infusion therapy, and mail-order pharmaceuticals. The company also sells mail-order office furniture and other merchandise through Kaiser & Kraft, which it intends to spin off to shareholders. Gehe will combine its Kaiser & Kraft, Topdeq and K&K America mail-order businesses that sell furniture, equipment and supplies to businesses into a unit called Takkt AG by July 1. By September 1, shareholders will receive one share of Takkt for every share of Gehe they hold. The company believes that investors will find it easier and more transparent to analyze results as separate operations. Takkt will be Europe's largest mail-order company for business-related products. The units comprising the new company had 1998 sales of about 1.1 billion deutsche marks (\$590 million), with pretax profit of 112 million marks. Gehe is 50.24 percent owned by closely held Franz Haniel & Cie.

Germany is not the only country adopting the spin-off technique. Recently, **San Paolo-IMI SpA, Italy's top bank, approved a plan to spin-off real-estate holdings into a separate company.** The bank plans to spin 1.3 trillion lire (\$711 million) in real-estate assets into a new company called **Beni Stabili SpA**. San Paolo wishes to give 84 percent of the shares in the new company, or one share for each share currently held. It will keep the balance of the property company for itself. Shareholders will vote on the proposal in late July. The new company will have 1.59 trillion lire in assets at the completion of the spin-off, which is **seen occurring in late 1999**. San Paolo is not the first Italian company to attempt to extract value from property holdings. **Istituto Nazionale Assicurazione SpA**, Italy's number 3 insurer, became the first financial company to break off its real estate holdings into a separately traded group in November when it spun off 5 trillion lire of real estate into **Unione Immobiliare SpA**.

Metra Oyj, the world's largest maker of Marine and power-plant diesel engines, last month announced it plans to cut its stake in **Sanitec** unit to below 75 percent by carving out the sanitary products unit. **The shares are expected to be listed on the Helsinki Stock Exchange by mid-July.** Metra plans to later reduce its Sanitec stake to below 50 percent. As a second step in separating itself from the unit that makes washbasins, bathtubs and other sanitary products, **Metra plans to later give Sanitec shares and cash (worth a total 400 Markkaa or \$71 million) to its shareholders as a dividend.** Sanitec sales last year were \$608.9 million. Further restructuring may be in the cards for Metra. It is expected that the diesel unit could eventually be liberated. Last fall Metra postponed the planned spin-off of the diesel engines business due to low profitability in the unit.

We expect the spin-off theme to accelerate in Europe as companies strive to operate more efficiently and extract value from embedded businesses.

Tracking Stock Primer

Last month, JC Penney soared on plans to issue "tracking" shares of its **Eckerd** subsidiary. On March 10th, **DuPont** announced plans to create a tracking stock for its **Life Sciences business**, causing the stock to surge 6% over three days. In the last week of May, **DLJ issued tracking stock for DLJdirect**, its online-trading subsidiary. **Ziff-Davis** issued tracking stock for **ZDNet** earlier this year. **Quantum** plans to split into two tracking stocks, disk drives and storage systems sometime this year. This year is shaping up to be the biggest ever for tracking stocks in terms of total number of deals. This year's handful of announced deals compares to a typical one or two tracking deals a year. In 1998, **Sprint** and **Genzyme Corp.** issued tracking stock (Sprint PCS and Molecular Oncology). In the prior year, **only Georgia Pacific** tried the tracking route with its issuance of Timber Group shares. **Why the sudden surge in tracking deals?** We suspect that companies are fearful that Clinton's budget plan could make future deals unattractive by removing the tax-free status they currently enjoy. Thus, companies mulling such a transaction are likely to move ahead this year to avail themselves to current advantages. Because of the likelihood of greater than normal tracking deals this year, and the confusion they cause for investors we decided to provide some general information on the restructuring technique.

Overview

Companies have historically issued tracking stock far less frequently than they have undertaken traditional carve-outs and spin-offs. It is most appropriate when a spin-off or carve-out cannot be effective because legal separation from the parent might impair the financial flexibility of either the parent or subsidiary. A spin-off may not be a desirable option if it has negative tax implications.

What is "Tracking Stock"?

Tracking stock, also known as "targeted stock" or "letter stock", is a separate class or series of stock issued by the parent company that is designed to provide a return to equity investors linked to the performance of a distinct unit. Tracking stock does not represent a legal ownership interest in the assets of the subsidiary (we prefer to own the "thing" that owns the "thing"). Like other parent company shareholders, tracking stockholders have claims on all the parent's assets as a whole. From the parent's standpoint, there is no change in managerial operating control, and there continues to be only one governing board of directors. The parent and the subsidiary maintain legal and tax consolidation.

Advantages of Issuing Tracking Stock?

The issuance of tracking stock potentially enhances the company's stock value by enabling the investment community to evaluate more accurately the different businesses of the company. It retains parent control and permits continuation of synergies such as shared administrative expenses and lower borrowing costs. It could provide the company with an additional acquisition currency.

Implementation

A tracking stock program can be implemented several ways: a pro rata distribution, an IPO, or an exchange offer. The parent can distribute some or all of the tracking stock to the existing shareholders of the parent common stock through a pro-rata distribution (i.e., USX, Georgia Pacific, US West, TCI, and Pittston) or through an exchange (i.e., TCI Ventures). The parent may issue all or a portion of the tracking stock in an IPO while retaining the balance (i.e., Circuit City- CarMax). The parent can use the tracking stock as "currency" in a financing or in an acquisition (i.e., GM - Hughes Electronics, GM - EDS, and Genzyme - Tissue Repair). A shareholder vote is required to create a new class of parent company stock and amend the corporate charter. Tracking stock recapitalizations add complexity to the company's capital structure and financial statements.

Conflicts of Interest

The issuance of tracking stock can raise corporate governance issues. In particular, company management and the board of directors have a fiduciary responsibility to allocate capital properly among the various subsidiaries and to set an appropriate dividend policy for the different classes of stock. A separate, independent board of directors is not created for the tracked business. Tracking issues are really "trust me" securities.

Tracking Stocks Can be Unwound

Tracking stock can be exchanged into parent or other tracking stocks at any time at a premium (usually, 15% - 20%) over prevailing market levels, or can be exchanged into the common stock of the tracked subsidiary itself. In June 1996, GM replaced its EDS tracking stock with actual common shares of EDS in a tax-free exchange. In 1998, US WEST separated into two independent public companies -one reflecting its communications businesses, the other, its multimedia assets.

Accounting

The parent typically files separate tracking business financials as a supplement in the consolidated financial statements to aid investors in understanding the financial performance of the tracked business and its prospects. Although the tracking stock tracks the performance of a particular subsidiary, it is a class of parent stock, and the tracking stock remains consolidated under the parent without recognition of minority interest. Thus, there is no impact on consolidated net income. Issuances of tracking stock are reflected as increases in parent net worth.

The Upshot

We have never been very excited about tracking shares. Our view would be that they are terrific for the companies issuing shares (they get to have their cake and eat it too), but not so great for investors in tracking shares. The biggest problem is that tracking shares are really not separate and thus are **immune from takeovers**. They do not "act" like true spin-offs. The ingredients for value creation has not changed (management control and the tax structure of the earnings).

Tracking Stocks: Recent Transactions

| Parent | Tracking Stock | Issued |
|-----------------|-----------------------|--------------------|
| AutoNation | AutoNation.com | Pending |
| JC Penney | Eckerd | Pending |
| DuPont | DuPont Life Sciences | Pending |
| Quantum | Disk Drive Storage | Pending Pending |
| DLJ | DLJ Direct | 05/26/99 |
| Ziff-Davis | ZDNet | 03/31/99 |
| Sprint | Sprint PCS | 11/17/98 |
| Genzyme Corp. | Molecular Oncology | 11/16/98 |
| Georgia Pacific | Timber Group | 12/17/97 |
| Circuit City | CarMax | 02/04/97 |

SPIN-OFF ANNOUNCEMENT CALENDAR

| Announced | | | | | |
|--------------------------------------|-------------|-----------------|----------------------------------|------------|-----------|
| Company | Symbol | Date | Spin-Off | Symbol | Type |
| ALLEGHANY TELEDYNE | ALT | 04/22/98 | CONSUMER DIVISION / ELECTRONICS | | |
| BARNES AND NOBLE | BKS | 03/18/99 | BARNESANDNOBLE.COM | BNBN | CO |
| BILLING CONCEPTS | BILL | 04/22/99 | SYSTEMS AND SOFTWARE | | |
| CARRAMERICA REALTY | CRE | 05/07/99 | HQ GLOBAL WORKSPACES | | |
| CENTURY BUSINESS | CBIZ | 04/06/99 | INSURANCE UNIT | | |
| CITIZENS UTILITIES | CZN | 05/18/98 | TELECOMMUNICATIONS | | |
| COMPAQ COMPUTER | CPQ | 01/16/99 | ALTAVISTA | | CO |
| COMPUSA | CPU | 02/04/99 | DIRECT GROUP | | |
| DELIAS | DLIA | 01/04/99 | iTURF | TURF | CO |
| DELTA WOODSIDE | DLW | 02/09/99 | APPAREL DIVISION | | |
| DUPONT | DD | 05/11/98 | CONOCO | COC | CO |
| | | 03/10/99 | LIFE SCIENCES | | TR |
| DLJ | DLJ | 03/17/99 | DLJDIRECT | DIR | TR |
| ENRON | ENE | 03/16/99 | AZURIX | AZX | CO |
| ESSEF | ESSF | 05/08/98 | ANTHONY & SYLVAN POOLS | SWIM | |
| GENCORP | GY | 12/17/98 | SPECIALTY POLYMERS | | |
| HARCOURT GENERAL | H | 05/17/99 | NEIMAN MARCUS | NMG | CO |
| HARRIS CORP. | HRS | 04/14/99 | LANIER WORLDWIDE | | |
| HEWLETT-PACKARD | HWP | 03/02/99 | MEASURING EQUIPMENT | | |
| HRPT PROPERTIES | HRP | 12/24/98 | SENIOR HOUSING PROPERTY TRUST | SN | |
| IDT CORP. | IDT | 05/14/99 | NET2PHONE | | |
| IMS HEALTH | RX | 11/12/98 | GARTNER GROUP | IT | CO |
| JC PENNEY | JCP | 05/18/99 | ECKERD DRUG CHAIN | | TR |
| KANSAS CITY SOUTHERN IND. | KSU | 02/03/98 | FINANCIAL SERVICES | | |
| KUSHNER-LOCKE | KLOC | 04/12/99 | U.S.SEARCH.COM | SRCH | |
| LSB INDUSTRIES | LSB | 08/05/98 | AUTOMOTIVE BUSINESS | | |
| LIMITED | LTD | 05/03/99 | LIMITED TOO | | |
| MAGNA INTERNATIONAL | MGA | 05/25/99 | VENTURES | | |
| MEDITRUST (PAIRED STOCK) | MT | 11/12/98 | HEALTHCARE FINANCING BUSINESS | | |
| MEDPARTNERS | MDM | 11/11/98 | PHYSICIAN PRACTICE MANAGEMENT | | |
| MILLER | MLR | 05/13/99 | ROADONE | | |
| NAVARRE | NAVR | 03/03/99 | NET RADIO | NETR | |
| OAK INDUSTRIES | OAK | 04/21/99 | LASERTRON | | |
| ODETICS | ODETA | 03/02/99 | ODETICS ITS | | |
| | | | ODETICS BROADCAST | | |
| OGDEN | OG | 03/11/99 | ENERGY /ENTERTAINMENT & AVIATION | | |
| QUANTUM | QNTM | 03/01/99 | DISK DRIVE | | TR |
| | | | STORAGE | | TR |
| PC QUOTE | PQT | 04/26/99 | PC QUOTE.COM | | |
| POMEROY COMPUTERS | PMRY | 01/15/99 | POMEROY SELECT | PSIS | |
| NABISCO GROUP HOLDINGS (RJR NABISCO) | NGH | 03/09/99 | RJR REYNOLDS | RJR | WI |
| RSL COMMUNICATIONS | RSLC | 05/03/99 | DELTA THREE INC. | | |
| SGI | SGI | 02/26/99 | MIPS TECHNOLOGY | MIPS | CO |
| SYNETIC | SNTC | 03/26/99 | CAREINSITE | | |
| TELEPHONE & DATA SYSTEMS | TDS | 12/21/98 | AERIAL COMMUNICATIONS | AERL | CO |
| TENNECO | TEN | 04/29/99 | SPECIALTY PACKAGING | | |
| TORONTO-DOMINION | TD | 04/30/99 | WATERHOUSE SECURITIES | | |
| US INDUSTRIES | USI | 05/18/99 | USI DIVERSIFIED | | |
| VIACOM | VIA.B | 05/06/99 | BLOCKBUSTER | | |
| WALL DATA | WALL | 05/03/99 | RUMBA & CYBERSPACE | | |
| WATTS INDUSTRIES | WTS | 12/15/98 | OIL AND GAS BUSINESS | | |
| WILLIAMS COMPANY | WMB | 11/20/98 | COMMUNICATIONS GROUP | WCG | |

{CO} Carve-out

{TR} Tracking

Calendar Highlights

| | | | | | | | | | |
|---------------------------|------------|--|---------------|----------------|------------------|-----------------|------------------|-------------|---------------------|
| Price (5/28/99): | \$12 1/2 | Listed | | | Date | Spin-Off | Tax | | |
| Shares Out. | 36.8 m | Parent | Symbol | Options | Spin-Off | Symbol | Announced | Date | Exempt Ratio |
| Market Cap | \$460 m | Billing Concepts | BILL | | Software Company | | 4/22/99 | 9/30/99 | 1:1 |
| 210-949-7000 | | <p>Billing Concepts Corp. will split into two publicly traded companies: a billing clearinghouse firm and a software company. The Systems and Software division will operate under an undetermined corporate name, and the LEC Billing division will operate under the name Billing Concepts. The separation is expected to take place by September 30th. Billing Concepts Board has approved the spin-off. Shareholders will receive one share of the software company for each share of Billing Concepts held. Further details of the split will be available in June or July. Billing Concepts' CEO, Parris Holmes, will serve as chairman of both Billing Concepts and the new software company.</p> <p>Billing Concepts is a third-party provider of billing clearinghouse and information services to the telecommunications industry. In addition to processing call records, the firm provides a range of other services, including billing inquiry services, data processing, tax filings, accounting services and an advance-funding program. Billing Concepts looks at the records of more than 1,300 local telephone companies to determine how much is owed to its customers. Billing Concepts works for companies that provide telecommunications services -- including local and long-distance telephone service, operator service, Internet access, data services, and paging that are itemized on users' local telephone bills. Local telephone companies collect from end users, and Billing Concepts collects money from the local phone companies. The company also offers custom, convergent billing solutions through its Modular Business Applications (MBA) software, which supports billing for multiple services on one bill. Billing Concepts supports multiple services such as Internet, PCS, cellular, paging, cable, local service, long distance and Carrier Access Billing (CABS). With over 600 customers throughout North America, the Company offers billing solutions for service providers including LEC, Competitive Local Exchange Carrier (CLEC), Independent Local Exchange Carrier (ILEC) and Internet Service Provider (ISP) companies.</p> | | | | | | | |
| FY: September | | | | | | | | | |
| <u>2 QTR</u> 1999 vs 1998 | | | | | | | | | |
| Sales: | \$45.7 | | | | | | | | |
| | \$44.1 | | | | | | | | |
| EBITDA | \$10.8 | | | | | | | | |
| EBIT | \$8.6 | | | | | | | | |
| EPS: (First Call) | <u>99E</u> | | | | | | | | |
| | \$0.76 | | | | | | | | |
| Report: May 99 | | | | | | | | | |

| | | | | | | | | | |
|------------------|----------|---|---------------|----------------|-----------------|-----------------|------------------|-------------|---------------------|
| Price (5/28/99): | \$11 1/8 | Listed | | | Date | Spin-Off | Tax | | |
| Shares Out. | 80.5 m | Parent | Symbol | Options | Spin-Off | Symbol | Announced | Date | Exempt Ratio |
| Market Cap | \$895 m | Century Business | CBIZ | Y | Insurance | | 4/6/99 | | |
| 216-447-9000 | | <p>The company generates about 85% of sales by providing outsourced business services, primarily to small and medium-sized businesses across the US. It offers accounting, tax, and valuation services, benefits administration, human resources and payroll services, and performance consulting. Century operates more than 200 offices in 36 states, as well as some 650 Century Small Business Solutions franchises in 47 states. The company, which has grown through an aggressive acquisition strategy (including nearly 70 purchases in 1998), is divesting its specialty insurance division.</p> <p>Century's Board of Directors has determined that the risk-bearing specialty insurance segment of the Company, which includes Century Surety Company and Evergreen National Indemnity, is no longer part of Century's strategic long-term growth objectives. CBIZ has engaged the Donaldson, Lufkin & Jenrette to advise the firm on its available alternatives. These alternatives may include the sale of the division in whole or part, the spin-off of the division to shareholders. Specialty insurance revenue, which accounted for approximately 96% of the Company's total reported revenue in 1996, represented approximately 15%, or \$54.5 million of 1998's total revenue of \$352.0 million. Century Surety Company and Evergreen National Indemnity Company are approved to write insurance business on both an admitted and a non-admitted basis in 46 states. Both insurance companies are rated A- by A.M. Best.</p> | | | | | | | |
| Report: May 99 | | | | | | | | | |

Calendar Highlights

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|-------------------|----------------------------|---|---------------|----------------|-----------------|-----------------|------------------|-------------|---------------|--------------|
| Price (5/28/99): | \$8 1/8 | Listed | | | Date | Spin-Off | Tax | | | |
| Shares Out. | 91.48 m | Parent | Symbol | Options | Spin-Off | Symbol | Announced | Date | Exempt | Ratio |
| Market Cap | \$743 m | CompUSA | CPU | | Direct Group | | 2/4/99 | 1999 | | |
| 972-982-4000 | | <p>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.</p> <p>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.</p> <p>Preliminary Q3 Results</p> <p>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.</p> | | | | | | | | |
| FY: June | | | | | | | | | | |
| <u>3 QTR</u> | <u>1999</u> vs <u>1998</u> | | | | | | | | | |
| Sales: | \$1,700 | \$1,450 | | | | | | | | |
| Op. Inc. | (\$2.6) | \$42.6 | | | | | | | | |
| EPS: (First Call) | <u>99E</u> | (\$0.02) | | | | | | | | |
| Report: March 99 | | | | | | | | | | |

| | | | | | | | | | | |
|-------------------|----------------------------|---|---------------|----------------|------------------|-----------------|------------------|-------------|---------------|--------------|
| Price (5/28/99): | \$37 13/16 | Listed | | | Date | Spin-Off | Tax | | | |
| Shares Out. | 79.6 m | Parent | Symbol | Options | Spin-Off | Symbol | Announced | Date | Exempt | Ratio |
| Market Cap | \$3.0 b | Harris Corp. | HRS | Y | Lanier Worldwide | | 4/14/99 | Sept 99 | | |
| 407-727-9100 | | <p>Harris Corp. (NYSE: HRS) announced its intention to spin-off its office equipment unit, Lanier Worldwide. The restructuring will create two independent pure play companies in Communication Equipment and Office Equipment. The spin-off will take the form of a tax-free stock dividend of Lanier Worldwide stock, and is expected to take 4-6 months to complete. The spin-off is subject to the final approval of the Harris Board of Directors. The new company will apply for listing on the NYSE. Lanier Worldwide has about 10,000 employees in more than 1600 sales and service offices around the world. Lanier Worldwide generated 38% of revenues and net income of 44.7% percent of Harris's reported \$2.7 billion revenues for nine months ending April 2nd.</p> <p>Description</p> <p>Harris will be a much more integrated organization with six divisions and about 12,000 employees, all focused on communications. Harris will provide communications equipment, systems and support services - concentrating on the wireless, broadcast, government systems and network support markets.</p> <p>Harris's performance has been mixed at best. Since reaching an all time high of \$55 5/16, on March 25th, 1998, Harris recently put in a two year low of \$27 5/16 on April 7th, a 50% retracement. The S&P 500 index has been up over 20 percent in comparison. Currently, Harris (HRS: \$37) is trading 16Xs 99' First Call EPS estimates. The break-up may result in Harris being dropped from the S&P 500 index. Harris has 79 million shares outstanding with a market capitalization of \$3.0 billion and debt of \$1.1 billion.</p> | | | | | | | | |
| FY: June | | | | | | | | | | |
| <u>3 QTR</u> | <u>1999</u> vs <u>1998</u> | | | | | | | | | |
| Sales: | \$949 | \$961 | | | | | | | | |
| Op. Inc. | \$56.7 | \$88.1 | | | | | | | | |
| EPS: (First Call) | <u>99E</u> | \$2.32 | | | | | | | | |
| Report: May 99 | | | | | | | | | | |

Calendar Highlights ...

| | | | | | | | | | | |
|------------------|----------------------------|--|---------------|----------------|-----------------|---------------|------------------|-------------|---------------|--------------|
| Price (5/28/99): | \$ 12 | Listed | | Date | Spin-Off | Tax | | | | |
| Shares Out. | 11.3 m | Parent | Symbol | Options | Spin-Off | Symbol | Announced | Date | Exempt | Ratio |
| Market Cap | \$135 m | Navarre | NAVR | Y | NetRadio | NETR | 3/3/99 | | | IPO |
| 612-535-8335 | | <p>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.</p> <p>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.</p> <p>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.</p> | | | | | | | | |
| FY: March | | | | | | | | | | |
| Full Year | <u>1999</u> vs <u>1998</u> | | | | | | | | | |
| Sales: | \$210.4 | \$196.6 | | | | | | | | |
| Op. Inc. | \$1.6 | | | | | | | | | |
| Report: April 99 | | | | | | | | | | |

| | | | | | | | | | | |
|-------------------|----------------------------|---|---------------|----------------|-----------------|---------------|------------------|-------------|---------------|--------------|
| Price (5/28/99): | \$48 3/16 | Listed | | Date | Spin-Off | Tax | | | | |
| Shares Out. | 18.5 m | Parent | Symbol | Options | Spin-Off | Symbol | Announced | Date | Exempt | Ratio |
| Market Cap | \$903 m | Oak Industries | OAK | Y | Lasertron | | 4/21/99 | | | IPO |
| 781-890-0400 | | <p>Oak Industries has four operating segments consisting of coaxial connector products used in the cable television industry, crystals and oscillators for wireless base stations telecommunications applications, fiber-optic components used in wired telephony networks and the manufacture of components for gas ranges and switches and encoders used in a variety of applications. Lasertron produces fiber optic components used in wired telephony to transmit and amplify signals.</p> <p>First Quarter Oak Industries Inc. reported sales for the first quarter ended March 31, 1999 of \$104.8 million, an increase of 32 percent over sales of \$79.2 million for the first quarter of 1998. Oak reported net income of \$6.0 million, or \$0.33 per share (diluted), for the first quarter of 1999. This was a decrease of 7 percent from net income of \$6.5 million, or \$0.35 per share (diluted), for the first quarter of 1998.</p> <p>Lasertron reported record sales for the first quarter 34 percent higher than sales during the first quarter of 1998, and 14 percent higher than sales during the fourth quarter of 1998. Operating income increased 58 percent over income in the first quarter of 1998. Strong sales of its 980nm pumps led this growth. Lasertron produces high powered pump lasers that allow more information to be sent over fiber-optic networks. On a unit basis, Lasertron's shipments of 980nm pump modules in the first quarter increased 100 percent compared to pump shipments in the first quarter of 1998. Lasertron's sales of high-power (>150 mW) pumps for long-haul DWDM systems continued to increase, and were 688 percent greater than sales of such pumps in the first quarter of 1998 and 29 percent higher than comparable shipments in the fourth quarter of 1998. Lasertron achieved a 28 percent increase in sales of DFB source lasers during the first quarter, compared to sales a quarter earlier, led by a substantial increase in sales of DFBs for shorter-haul DWDM systems designed for use in metropolitan-area systems.</p> | | | | | | | | |
| FY: December | | | | | | | | | | |
| Full Year | <u>1998</u> vs <u>1997</u> | | | | | | | | | |
| Sales: | \$347 | \$314 | | | | | | | | |
| Op. Inc. | \$51 | \$47 | | | | | | | | |
| EPS: (First Call) | <u>99E</u> | \$1.90 | | | | | | | | |
| Report: May 99 | | | | | | | | | | |

Calendar Highlights ...

| | | | | | | | | | | |
|------------------|------------|---|---------------|----------------|------------------------|-----------------|------------------|-------------|---------------|--------------|
| Price (4/30/99): | \$25 13/16 | Listed | | | Date | Spin-Off | Tax | | | |
| Shares Out. | 51.5 m | Parent | Symbol | Options | Spin-Off | Symbol | Announced | Date | Exempt | Ratio |
| Market Cap | \$ 1.3 b | Ogden | OG | Y | Entertainment/Aviation | | 3/11/99 | 3qtr | | |
| 212-868-6100 | | <p>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. 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.</p> <p>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.</p> <p>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.</p> | | | | | | | | |
| FY: Dec | 1998 | | | | | | | | | |
| Sales | \$1.69 b | | | | | | | | | |
| Net Income | \$86.9 m | | | | | | | | | |
| EPS (Diluted) | \$1.70 | | | | | | | | | |
| EPS | <u>98A</u> | <u>99E</u> | | | | | | | | |
| | \$1.70 | \$1.87 | | | | | | | | |
| Multiple | 13.8X | | | | | | | | | |
| Report: March 99 | | | | | | | | | | |

| | | | | | | | | | | |
|------------------|---|---------------|---------------|----------------|-----------------|-----------------|------------------|-------------|---------------|--------------|
| Price (5/28/99): | \$8 3/8 | Listed | | | Date | Spin-Off | Tax | | | |
| Shares Out. | 11.2 m | Parent | Symbol | Options | Spin-Off | Symbol | Announced | Date | Exempt | Ratio |
| Market Cap | \$93 m | PCQuote | PQT | N | PCQuote.com | | 4/26/99 | | | IPO |
| 312-913-2800 | <p>PC Quote, Inc. (Amex: PQT), a provider of real-time/delayed stock and market quotes and engineer of HyperFeed(TM) 2000, the fastest datafeed available, announced its intention to change its corporate name to HyperFeed Technologies, Inc. The firm will submit the request to its shareholders for approval at its June 1999 Annual Meeting. Separately, PCQuote.com, Inc., a subsidiary of PC Quote, announced that it intends to make an initial public offering of its common stock. PCQuote.com intends to file a registration statement for the offering and anticipates completing the offering as soon as practicable after the registration statement becomes effective. PC Quote is a provider of delayed and real-time financial market data to financial and consumer markets worldwide.</p> <p>PC Quote offers real-time/delayed securities quotes and financial news to both professional clients and individual investors. Its flagship HyperFeed service transmits real-time financial data via satellite or digital data lines to servers at the customer locations. PC Quotes' MarketSmart subscription Web service provides real-time financial information over the Internet. The company also offers free delayed stock quotes on its Web site. Chicago based PC Quote lost \$6.4 million on \$23 million in sales in 1998.</p> <p>In April, PC Quote (Amex: PQT) announced a strategic partnership between its newly incorporated subsidiary, PCQuote.com and CNNfn the financial network. Under a limited exclusive licensing agreement, PCQuote.com will provide CNNfn's financial news to users of its financial content website. PCQuote.com users will have access to continuously updated business stories from CNNfn, with direct links back to the full range of financial information and services offered on the CNNfn.com site. Over the term of the agreement, CNNfn will acquire a minority equity position in PCQuote.com. CNNfn.com, which averages more than 1 billion page views a year, is a source for business news, financial intelligence and free business services.</p> | | | | | | | | | |
| FY: December | | | | | | | | | | |
| Full Year | 1998 vs 1997 | | | | | | | | | |
| Sales: | \$23 | \$17 | | | | | | | | |
| Op. Inc. | (\$4.7) | (\$2.9) | | | | | | | | |
| Report: May 99 | | | | | | | | | | |

Calendar Highlights ...

| | |
|-------------------------------|-------------------|
| Price (5/28/99): | \$ 3 1/2 |
| Shares Out. | 6.6 m |
| Market Cap | \$ 23 m |
| 305-889-1600 | |
| FY: January | |
| <u>Full Year 1999 vs 1998</u> | |
| Sales: | \$175 \$163 |
| Net Income: | (\$19) (\$11.4) |
| EPS: | |
| Diluted | (\$2.85) (\$1.63) |

| Parent | Listed | | | Symbol | Date Announced | Spin-Off Date | Tax | |
|------------|--------|---------|----------------|--------|----------------|---------------|--------|-------|
| | Symbol | Options | Spin-Off | | | | Exempt | Ratio |
| Perfumania | PRFM | N | Perfumania.com | | 4/20/99 | | | IPO |

Perfumania's plans for an initial public offering of its Web business sent the stock soaring 51%, or \$1.4375 to \$4.25 on April 20th. Perfumania.com Inc. a wholly-owned subsidiary of Perfumania, Inc., (NASDAQ:PRFM), the nation's largest perfumery chain, announced that it intends to make an initial public offering of its common stock. The Company intends to raise approximately \$15-20 million and anticipates offering shares representing approximately 33% of the common stock to be outstanding following the offering. The Company intends to file a registration statement for the offering within the next 60 days and anticipates completing the offering as soon as practicable after the registration statement becomes effective. Perfumania.com, Inc. was incorporated in January 1999 as a subsidiary of Perfumania, Inc. and is an online retailer of fragrances and fragrance related products.

Description

A retailer and wholesale distributor of brand name and designer fragrances, Perfumania also sells the private-label Nature's Elements cosmetics line. Its stores (Perfumania, Class Perfumes, Perfumania Plus) offer 175 fragrances (including Chanel, Estee Lauder, and Fendi) discounted up to 60% below suggested retail prices. Perfumania has more than 280 stores in 36 states, Puerto Rico, and Washington, DC, which sell merchandise online. Its wholesale division distributes fragrances in the US and overseas. The family of chairman and CEO Ilia Lekach (also chairman of supplier Parlux Fragrances) owns more than half of Perfumania's stock.

| | |
|--------------------------------|-----------------|
| Price (5/28/99): | \$23 5/16 |
| Shares Out. | 168.8 m |
| Market Cap | \$3.9 b |
| 203-863-1000 | |
| FY: December | |
| Specialty Packaging | |
| <u>Full Year 1998 vs 1999E</u> | |
| Sales: | \$2,785 \$3,000 |
| EBIT | \$0,346 \$0,390 |
| EBITDA | \$0,560 |
| Automotive | |
| <u>Full Year 1998 vs 1999E</u> | |
| Sales: | \$3,237 \$3,400 |
| EBIT | \$0,301 \$0,374 |
| EBITDA | \$0,560 |
| Report: May 99 | |

| Parent | Listed | | | Symbol | Date Announced | Spin-Off Date | Tax | |
|---------|--------|---------|---------------------|--------|----------------|---------------|--------|-------|
| | Symbol | Options | Spin-Off | | | | Exempt | Ratio |
| Tenneco | TEN | Y | Specialty-Packaging | | 4/29/99 | 4 qtr 99 | | |

Tenneco announced the spin-off of its Specialty Packaging unit. Under terms of the transaction, **Tenneco shareholders will receive one share of the new packaging company for each Tenneco share they own. The spin-off is expected to be tax-free and to be completed in the fall.** Management has not decided how to distribute Tenneco's \$3.7 billion in debt (net debt is about \$2.8 billion), but disclosed that they expect that the packaging company's debt will be investment grade and the auto-parts business to be non-investment grade. The automotive division makes Monroe shock absorbers and Walker mufflers. The packaging business makes Baggies and Hefty OneZip food storage bags. Both companies will be based in Lake Forest, Illinois. The much-anticipated spin is the final move in the Tenneco's transformation from a seven-headed conglomerate a decade ago.

Company Description

A global manufacturing company, Tenneco has operations in automotive parts (42% of 1998 sales) and packaging (57% of 1998 sales). The Automotive arm is one of the world's leading manufacturers and marketers of automotive exhaust and ride-control systems for both the original equipment and the replacement markets, supplying one in four shock absorbers and mufflers sold worldwide. Sales in 1998 were \$3.24 billion. Tenneco Packaging manufactures packaging products for consumers, institutional, and industrial markets. Tenneco Packaging makes Hefty and Baggies plastic bags and produces clear plastic single-use food containers, aluminum foil, pressed paperboard, and polystyrene foam. Packaging generated \$2.79 billion in revenue in 1998. Packaging Corporation of America, its 45%-owned joint venture with investment firm Madison Dearborn Partners, makes containerboard. Tenneco has more than 260 facilities in 32 countries. The company's automotive segment posted an operating loss of \$4 million in 1998, versus a gain of \$77 million in the prior, due to deterioration in the aftermarket segment. Soft demand led to an inventory buildup and hurt results. Tenneco has struggled under the weight of its debt obligation. In 1998, Tenneco's earnings slumped 12% to \$319 million, or \$1.89 a share, despite 5% revenue growth to \$7.6 billion.

Fresh Spin-Off Situations

Barnesandnoble.com Goes Public

On May 25th, Barnesandnoble.com (BNBN) sold 18 percent of the company (25 million shares) to the public in an initial stock offering. The deal was priced at \$18 a share, 50% greater than originally planned. Shares rose a "disappointing" 27% on their first day of trading. The IPO was the largest Internet public offering ever in terms of shares and proceeds. Shares of Barnesandnoble.com traded as high as \$26 1/2 before ending the day at \$22.9375. The offering price had been expected to be between \$11 and \$13 a share, but was raised due to strong demand. **The stock is listed on the NASDAQ national market under the symbol "BNBN."** The company has 142 million shares outstanding; 140 million shares are Class A common stock, and there are 1 million shares each of Class B and Class C common stock. The deal raised \$421.6 million, after commissions and expenses. The company will use the proceeds to fortify a war chest to battle rival Amazon.com.

The IPO at \$18 implied a market value for barnesandnoble.com of \$2.5 billion. It closed the month of May at \$23 3/16 for a market capitalization of \$3.28 billion. **Barnes & Noble's current 41% stake in the IPO is worth over \$1.3 billion or \$19 1/2 per Barnes & Noble share. BKS stock price closed May at \$28 3/16. This suggests that the bricks and mortar "stub" is trading at an imputed value \$8 1/2 per share.** The IPO was initially planned for last fall, but the company withdrew the offer due to the weak IPO climate. In October of last year, European media giant Bertelsmann purchased 50 percent of the company for \$200 million. A nice trade, considering that the stake is now worth \$1.3 billion. .

Barnesandnoble.com's site's registered customer base rose by 450,000 to 1.7 million. Owned equally by bricks-and-mortar retailer Barnes & Noble and Bertelsmann (owner of #1 US publisher Random House), the online seller of books, magazines, and software has more than 750,000 titles in stock. Barnesandnoble.com features discounts, book summaries, author biographies, e-books and readers, and online author chats. It also offers reviews from users and sources such as *The New York Times Book Review*. Through pacts with portals like America Online and Microsoft's MSN, it attracts potential customers from about 175 countries. Barnesandnoble.com also sells videos, music, and other items.

The company's **sales surged to \$61.8 million in 1998, up 417 percent over 1997's results.** In March 1999, MediaMetrix (Nasdaq:MMXI), an online audience measurement company, reported that Barnesandnoble.com's Web site was the fourth most visited shopping site. Additionally, it ranked among the top 30 largest Web sites on the Internet. Jupiter Communications, a media research firm, estimates that about 36.5 million U.S. households will make at least one online purchase this year, up from nearly 10 million households at the end of 1998. According to the red herring, Barnesandnoble.com anticipates significant operating losses "for at least the foreseeable future." **The company racked up losses of over \$83 million on revenues of \$61.8 million in 1998.** The amended statement includes first quarter 1999 results (ended March 31) for Barnesandnoble.com. Sales for the quarter were \$32.3 million, an increase of 259% from the comparable 1998-quarter, and a 25% increase from the fourth quarter 1998. Barnesandnoble.com's 1999 first quarter loss was \$20.2 million. More than 450,000 new customers shopped for the first time at Barnesandnoble.com during the quarter, bringing the total customer count to more than 1.7 million. Additionally, Media Metrix, Inc., the leader in Internet audience measurement, has revised its WWW Audience Ratings for March 1999 updating

Barnesandnoble.com's reach to 4.810 million unique visitors or 7.8% of all Web users. This corrected rating, which will be reflected in their April 1999 report, makes Barnesandnoble.com the fourth largest shopping site and a top 30 Web site. The proceeds of the IPO will be used for expansion, including new systems and distribution initiatives, as well as acquisitions. Leonard Riggio, chairman and CEO of Barnes & Noble, Inc., will serve as chairman of Barnesandnoble.com.

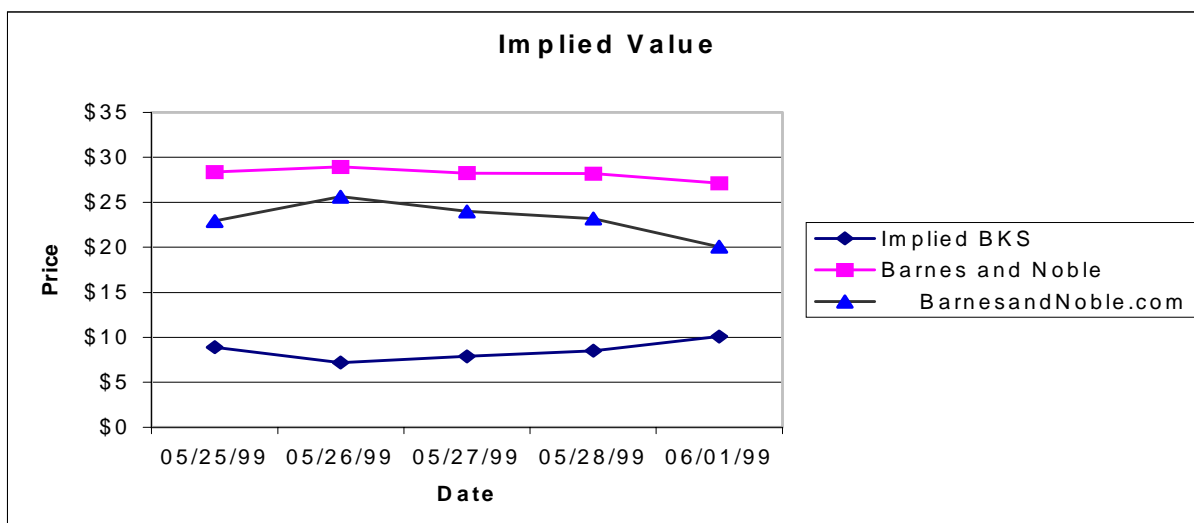
Barnes & Noble is the #1 bookseller in the US, where it accounts for one of every eight books sold. The company operates more than 1,000 stores, including more than 500 superstores (Barnes & Noble, Bookstop, and Bookstar) and about 480 mall stores (B. Dalton, Doubleday, and Scribner's), and is still growing rapidly. In addition, Barnes & Noble run a leading direct-mail bookselling business and a book publishing business. CEO Lenny Riggio owns about 25% of Barnes & Noble.

Valuation

The most imposing competitor and closest comparable of Barnesandnoble.com is Amazon.com (Nasdaq:AMZN). Since earnings for Internet companies are usually nonexistent, analysts typically use price-sales to value e-stocks. Using \$18 a share, Barnesandnoble.com's price-sales ratio is 41.0 times 1998 revenues.

Barnes & Noble (BKS)

Barnes & Noble operate 521 Barnes & Noble stores and 484 B. Dalton bookstores as of January 30, 1999. In November 1998, the company announced its planned acquisition of privately held Ingram Book Group, the largest book wholesaler in the U.S. It is expected the deal to close in early fiscal 1999. Barnes & Noble reported FQ4 total sales of \$1.029 billion, up 6% yr/yr, helped by a 4.7% superstore comp and the addition of new superstores over the past year. The mall-based business reported a -2.6% comp versus 1.6% a year earlier. The core retail segment reported FQ4 EPS of \$1.07, basically flat versus \$1.05 in the prior year. 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 the end of FY 1997. Ignoring the losses due to the Internet division, the core business earned \$1.35 in 1998.



Fresh Spin-Off Cont...

Creative Computers, Inc. Sets Timing for Spin-off of uBid

May 18, 1999 Creative Computers, Inc. (NASDAQ: MALL), a California based direct marketer of computer equipment said that it will distribute all of the 7,329,883 shares of uBid, Inc. (NASDAQ: UBID) owned by Creative. The **distribution is intended to be a tax-free spin-off and is payable on June 7, 1999 to stockholders of record as of May 24, 1999**. The number of uBid shares to be distributed for each share of Creative Computers stock will be determined based on the number of Creative shares outstanding on the record date. Based on the number of shares of Creative common stock currently outstanding, **Creative stockholders will receive approximately 0.7 of a share of uBid common stock for each share of Creative common stock held on the record date**. Creative Computers, brought uBid public December 4th, 1998. Using month end prices each share of Creative has \$23 1/2 uBid embedded in it. This implies the stub business is being valued at \$6 3/4 per share. When uBid was initially carved out of Creative the core business was valued at a negative \$50 per share. Currently, the implied Creative trades at \$6 7/8.

Creative Computers

Creative Computers, Inc. is a direct marketer of personal computers and related products. The Company offers over 55,000 products to its customers. The Company creates demand for its products through full-color PC Mall, MacMall and ComputAbility catalogs, out-bound marketing, Internet marketing and its Web sites, and other promotional materials. The Company's staff of over 400 sales executives, telemarketing, customer service and technical support personnel provide customer service.

UBid

UBid is an online auction site offering excess, closeout and refurbished products to consumers and small businesses. UBid offers customers the chance to walk away from its online auction with a great deal on a new computer or a refurbished camcorder. Customers register for the auction at the company's Web site, where they also enter and monitor their bids (bidding starts at \$7). The company obtains computers and consumer electronics (mostly closeout and refurbished items) from more than 90 manufacturers and other retailers and distributors. Name brands include AT&T, Apple, Canon, Compaq, Dell, IBM, and Sony. Products typically sell at substantial discounts to retail prices. UBid has a limited operating history, conducting its first auction in December 1997.

Historically, uBid has focused exclusively on the "principal" auction market, in which it buys refurbished and excess products and then re-sells them through its site. The company is expected soon launch the "**uBid Auction Community**", where it will begin to move into agented transactions and third party, e-Bay-like auction services, where uBid simply facilitates the business-to-consumer auction process.

Valuation

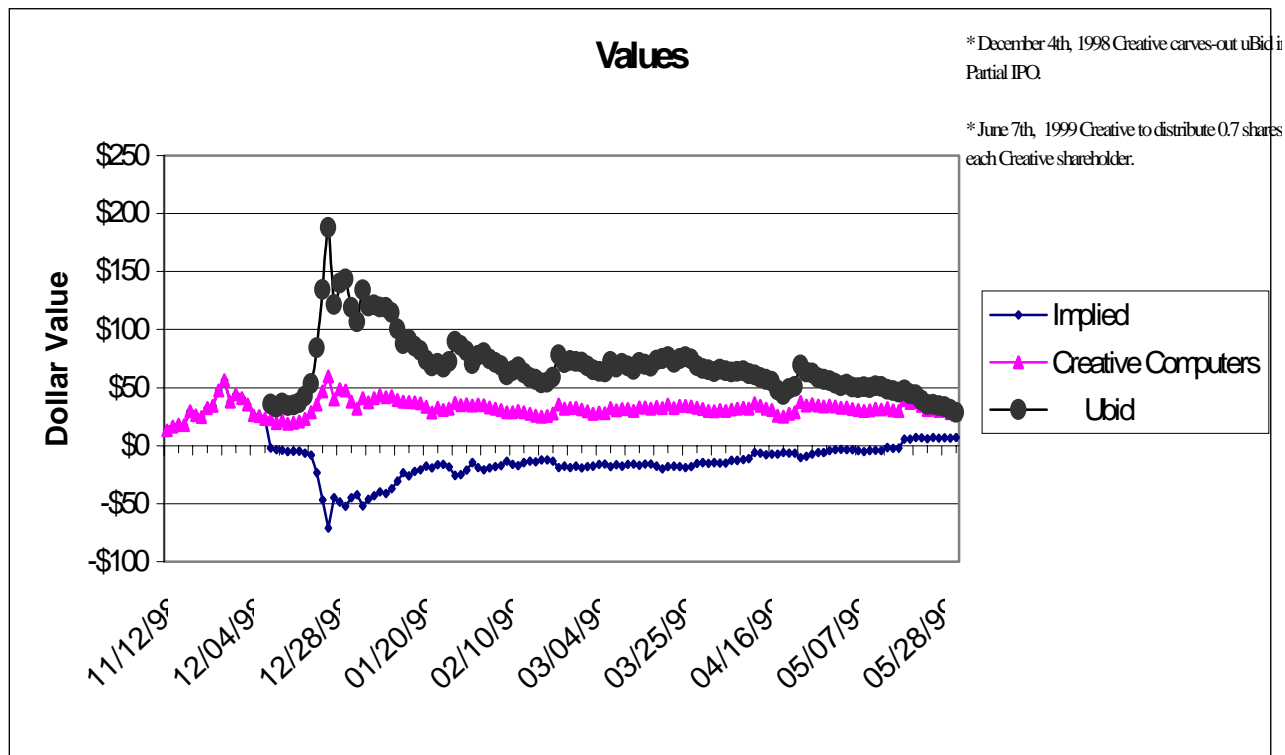
According to consensus estimates, uBid is expected to lose \$1.85/share this year and \$1.25 in year 2000. The company generated \$34.3 million in revenues in Q1 and lost \$3.3 million or \$0.37 a share. Sales increased 42% over Q4 1998. Gross margins were 8.6%, roughly flat compared to Q4. At current levels, uBid sports a market capitalization of \$440 million based on its 9.146 million shares outstanding. This amounts to 3x estimated 1999 sales of \$145 million. Last year uBid reported sales of \$48 million. In other words, uBid is trading at 9x 1998 sales.

Risks

We feel there are significant risks to uBid's stock. First, we do not see any meaningful **barriers to entry** to the online auction business. We expect other, better-capitalized companies to enter the fray, attempting to copy eBay's successful model. EBay facilitates consumer-to-consumer transactions without requiring the company to become involved in fulfillment, sourcing, or other physical-world processes. Two, "**overhang**". In June, the company plans to complete the spin-out from Creative Computer, which currently holds 7.3 million shares or 80% of uBid's. At least half of these shares will suddenly become eligible for sale on June 9, 1999 (180 days following uBid's IPO on December 4, 1999). We expect investor awareness of this potential overhang could cause weakness in the stock.

Stock Data

| | |
|-----------------------------------|--------------|
| Symbol/Exchange: | UBID/OTC |
| Price (close 5/28): | \$33 9/16 |
| Market Value/ Shares Outstanding: | \$307/ 9.146 |
| Range: | \$189 - \$30 |
| Book Value/ Share (Q498): | \$2.37 |
| Price /Book: | 20x |
| Estimated 99 Sales | \$145 E |



Fresh Spin-Off Cont...

DLJ Direct Tracking Stock Goes Public

May 26, DLJdirect, a unit of DLJ, went public. The eighth-biggest U.S. securities firm **increased the sale of DLJdirect to 16 million shares, priced at \$20 each. The IPO raised \$320 million**, up from 15 million shares for \$13 to \$15, DLJ originally planned. The IPO priced Tuesday May 25th, and began trading on the New York Stock Exchange the next day under the symbol DIR. DLJdirect has 100 million shares outstanding as a separate company and New York-based DLJ holds an 84 percent stake. **The unit rose sharply with strong demand in the aftermarket. DLJ direct closed the month of May at \$43 suggesting a market value of value of \$4.3 billion.** At this price, DLJdirect is trading at **36x last years' sales of \$118 million.** DLJdirect is a subsidiary of Donaldson, Lufkin & Jenrette. DLJ's businesses include securities underwriting; sales and trading; investment and merchant banking; financial advisory services; investment research; venture capital; correspondent brokerage services; online, interactive brokerage services; and asset management. Parent company DLJ, ended the month may at \$66 15/16. **DLJ's 84% stake in DLJdirect is worth about \$3.6 billion or \$26.75 per DLJ share. This suggests the stub was trading at an implied value of \$40 1/4 at month end.**

The shares sold are so-called tracking shares. They'll reflect the performance of DLJdirect separate from its parent yet offer investors no voting rights or claims on corporate assets. Cash raised in the sale will be used to repay debt and to expand worldwide. DLJdirect UK is expected to start service this quarter, and the company said it's exploring joint ventures in 11 other countries on five continents. The company will plans to spend about \$65 million on advertising this year to compete for clients with rival online brokers such as E*Trade and Ameritrade.

Parent, DLJ has appreciated over 70% this year. In an amended federal filing on the share sale, DLJ allocated to DLJ Direct the net proceeds from 11 million of the shares, an increase from 10 million. **DLJ, which is 71 percent owned by the Equitable Cos., retains an 84-percent interest in the unit** and pockets the proceeds from 5 million of the IPO'd DLJdirect shares, or about \$100 million. DLJdirect itself received the proceeds from 11 million shares, \$220 million.

Trades made over DLJdirect rose about 43 percent to a daily average of 19,062 in the first quarter. DLJdirect had 243,000 active accounts on March 31, up 16 percent in the quarter. **Revenue almost doubled to \$47.2 million, while profit reached \$7.2 million** compared to a loss of \$2.2 million in the year-earlier quarter. DLJdirect, which is based in Jersey City, NJ, has about 590,000 accounts. The unit, with 400 employees, posted pretax profits of \$2.5 million last year on revenues of \$118 million. The online brokerage unit repaid a \$33.1 million loan made yesterday by an affiliate on May 20th. The amount represents DLJdirect's \$30.1 million in equity on March 31 plus a \$3 million profit the online brokerage recorded in April, according to the filing. It also repaid \$11.6 million drawn on a \$20 million revolving credit agreement with an affiliate, which it used to fund its 50 percent stake in SFG Securities Inc., a joint venture with Sumitomo Bank Ltd. in Japan. The Philadelphia Stock Exchange (PHLX) announced that it would begin trading put and call options on DLJdirect on Thursday, June 10, 1999.

Valuation

E*Trade Group, the No. 2 online broker, is valued by the stock market at about 38 times 1998 revenue, while **DLJdirect (the nation's eighth-largest Internet broker) is valued at about 36 times revenue.** Other financial companies are also selling shares in online units. Toronto-Dominion Bank filed to sell \$1 billion of stock in **TD Waterhouse Securities Inc.**, the No. 3 online broker, and **Fleet Financial Group Inc.** may sell shares in its Internet broker, the 10th-largest.

Fresh Spin-Off Cont...

Enron To IPO Azurix

Enron, the #1 buyer and seller of natural gas in the US, also builds and manages worldwide natural gas transportation, power generation, liquids, and clean fuels facilities. Although most of its business is in domestic gas operations and power services, it focuses on emerging markets with power plant and pipeline projects (Bolivia, Brazil, China, and Puerto Rico). Enron operates a natural gas pipeline in Argentina, markets gas in Europe, and has oil and gas exploration and production units. It is also entering the water business and building a fiber-optic telecommunications network. **Azurix was formed as a subsidiary by Enron to acquire, manage, and develop water and wastewater businesses around the world.** With deregulation sweeping through the global water industry, Azurix hopes to use Enron's experience with the deregulation of the gas and electricity acquire a number of formerly government-owned water businesses in Europe, Asia, and elsewhere. The first major purchase by Azurix was its \$2.4 billion acquisition of Wessex Water in the UK.

The offering is **expected to price around June 7th and raise up to \$750 million** (36.6 million shares at \$20.50), or \$863 million assuming exercise of underwriters' overallotment options. Merrill Lynch & Co. will serve as the lead underwriter for the proposed offering. **Based on the projected offering price, Enron's 34% stake in Azurix is worth \$830 million or \$2.33 per Enron share.** Azurix expects to retain approximately \$327 million of the IPO proceeds, after deducting underwriting costs and expenses, for general corporate purposes, including working capital and the expansion of its business through acquisitions. The remaining proceeds will be received by Atlantic Water Trust (AWT), an Enron affiliate in which Enron holds a 50 percent voting interest and institutional investors hold an indirect 50 percent voting interest. AWT will own a majority of Azurix common stock upon completion of the IPO. **Azurix is a global water company that owns, operates and manages water and wastewater assets, provides water and wastewater related services and develops and manages water resources.** Azurix intends to provide a broad range of services to owners of water and wastewater systems in municipal and industrial markets around the world. The services include operations management and engineering, residuals management and underground infrastructure remediation and development. The company is **expected to trade on the NYSE under the symbol "AZX"**. Azurix generated \$91.2 million in net income on \$464.2 million in revenues in 1998 on a proforma basis, or \$0.78 per share. EBITDA would have been \$298.1 million proforma in 1998. After the offering there will be 118 million diluted shares outstanding. **If the deal prices at the midpoint of the price talk (\$19 - \$22), Azurix will be launched with a \$2.4 billion market capitalization.** Post IPO, Azurix will have a Debt-to-Capital ratio of 28%. Management indicated at the roadshow that they intend to lever the debt/capital to 50%.

Recently Azurix announced that it will be awarded the water and wastewater concessions for two regions of the province of Buenos Aires, Argentina. The company received notice on May 18 from The Privatization Committee that it had been pre-awarded the concessions, and official awards are expected to be made on June 8. Azurix bid \$438.6 million for the 30-year concessions. The concessions encompass Region A, the southern area of the province, which includes the large industrial city of Bahia Blanca and a population of 430,000 and Region C, with a population of 1,520,000, including the provincial capital and industrial center of La Plata and the rural areas in the interior of the province. Azurix will fund the transaction through a combination of debt financing and equity capital. Subject to certain regulatory approvals, Azurix expects to take possession on June 18, 1999.

Global Water Industry

The global water industry includes the collection, treatment, storage and supply of drinking water, and the collection, treatment and disposal of wastewater. Public (municipal and other governmental) and private (non-governmental) water companies serve industrial, commercial and residential customers. Azurix estimates that

the global water industry has total revenues of approximately \$300 billion. In addition, the company estimates that over \$600 billion will be spent on worldwide water and wastewater infrastructure over the next decade. Azurix believes that opportunities exist for private sector participation in the global water industry, including taking part in water and wastewater privatizations, providing water and wastewater related services to municipal and industrial water markets and developing and managing water resources. Azurix hopes to participate as governments and industrial companies recognize that transferring ownership, operation or management of water and wastewater assets (outsourcing) to private parties may be more efficient and cost-effective than owning or operating such assets.

Business Strategy

Azurix intends to build a diversified portfolio of water and wastewater assets, including both established businesses with stable returns and concessions and projects in emerging markets with significant development requirements and potential for growth and enhanced returns. They intend to acquire water and wastewater assets through participation in public tenders and privately negotiated transactions throughout the world. Following the acquisition of water assets, Azurix plans to increase revenues by expanding customer bases and services and improving the accuracy and timing of billing and collection procedures. In addition, the company intends to grow operating income by reducing operating costs, increasing efficiency and applying sophisticated financing techniques.

Services

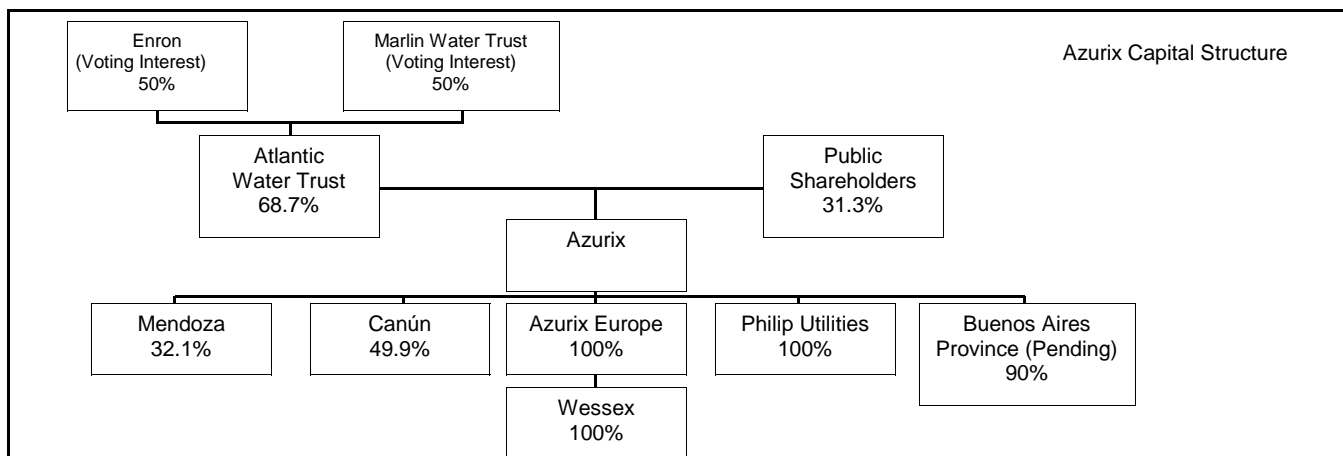
Azurix will provide a range of services to municipal and industrial customers, including services to design, build, operate or maintain water and wastewater assets. Services to dispose of wastewater and biosolids that result from wastewater treatment. Azurix will also supply underground infrastructure remediation services to repair and replace water distribution and collection systems.

IPO Proceeds

The proceeds from the IPO will be approximately \$327 million. Azurix intends to use \$254.2 million to repay advances from Enron and other third party indebtedness. They intend to use the remaining proceeds, along with funds to be drawn under the senior credit facility, to fund the acquisition of the Buenos Aires, Argentina water and wastewater concessions.

Balance Sheet Data

The balance sheet at March 31, 1999 (adjusted for the IPO offering), would show that Azurix had \$208.2 million in cash (or cash equivalents), working capital of \$124 million, and total assets of \$3.544 billion. Long-term debt was \$872.5 million and shareholders' equity was \$1.94 billion. Net tangible book value per share as of March 31, 1999 (after effect of offering) was \$9.27.



Fresh Spin-Off Cont...

RJR Nabisco To Spin RJ Reynolds

On March 9, RJR Nabisco Holding Corp. (NYSE: RN) announced a plan to spin-off its RJ Reynolds Tobacco Holdings Corporation to RJR Nabisco shareholders as a separate, publicly traded tobacco company. RN shareholders of record as of May 27 will receive 1 share of RJ Reynolds Tobacco for every 3 shares of RN on June 14. Currently, RN has 325.4 million shares outstanding. RJR will have 108.5 million shares outstanding. The dividend will be tax-free. The sale of Reynolds International to Japan Tobacco left RJ Reynolds Tobacco Holdings Corp. as the U.S. domestic tobacco division of RJR Nabisco Holdings. The RJ Reynolds Tobacco division makes Winston, Camel, Doral and Salem cigarettes and is second in market share in the U.S. to Philip Morris (24% vs. 49%, respectively). After the spin-off, RJR Nabisco Holding Corp. will change its name to Nabisco Group Holdings Corp. and plans to trade on the NYSE as "NGH". The company's primary asset will be an 80.5% interest in Nabisco Holdings Corp. (NYSE: NA), the maker of Oreo cookies, Ritz crackers and Planters Nuts. RJ Reynolds Tobacco Holding Corp. will begin to trade on the NYSE as "RJR". Nabisco Holdings has scheduled a road show to begin on June 3. RJR "When Issued" trading began on June 1st at \$33 per share implying a market capitalization of \$3.6 billion. NGH "When issued" trading began at \$20 1/2.

Shareholders, including Carl Icahn who threatened a proxy fight, have pressured RJR Nabisco to separate the tobacco and the food businesses. This transaction should help the stock of Nabisco Holdings Corporation, which advocates have argued that the market discounts it, because of the impact that any future tobacco liabilities. Shareholders believe that tobacco plaintiffs could target RJR Nabisco Holding Corp. if the tobacco unit is unable to pay its claims. Separating the two businesses may draw legal challenges from people who have claims over tobacco-related illnesses. On May 20, RJR Nabisco announced that RJ Reynolds will indemnify the to be formed Nabisco Group Holdings Corp. from tobacco liability after the separation. Under the terms of the spin-off agreement, Nabisco Group Holdings would not be liable for tobacco claims unless RJ Reynolds files for bankruptcy. The agreement also restricts the RJ Reynolds' ability to pay dividends and make share repurchases if RJR does not maintain investment-grade rating. Furthermore, the sale of Reynolds International will reduce RJR Nabisco's debt level that remained from its 1988 leveraged buyout.

Pressures and Risks

Currently, RJR Nabisco is part of the S&P 500 index. After the dividend, Nabisco Holding Group is expected to remain part of the index, but RJR is not. This could put short-term selling pressure on RJR as index funds sell their shares of RJR. Additional events that may impact RJR and the tobacco industry are future lawsuits from state governments and from individuals, additional taxation on products and more governmental regulation of products (including labels detailing contents).

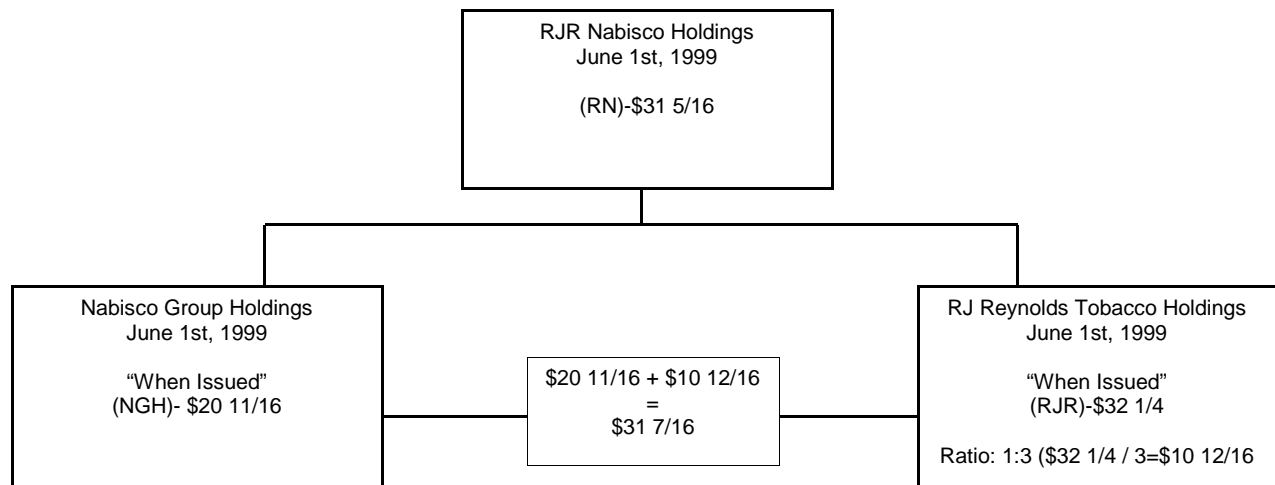
Yield

Nabisco Holdings Corp. has a dividend yield of about 2%, RJR is expected to have a dividend yield of about 9%, contingent on its investment grade rating. This high yield could potentially offset some of the initial selling pressure as investors seek higher yields.

Valuation

Although facing increased tobacco litigation, the company is expected to generate EBITDA of about \$1.35 billion in 1999, or an EBITDA per share of \$4.10, before the distribution. RN has 325.4 million shares outstanding pre-distribution. Using an EBITDA multiple of 3x, the price of RJR is estimated to be \$12.30. Discounting this price for tobacco liabilities by 20% lowers the price to \$9.96 per share. Upon completion of the distribution, RN shareholders will hold 108.5 million shares of RJR. Based on EBITDA of \$1.35 billion, the EBITDA per share is \$12.40. If we use an EBITDA multiple of 3x, we estimate an implied value of about \$37.34 per share. Discounting 20% for tobacco liabilities reduces the price to about \$29.87 per share.

| RJ Reynolds Tobacco (NYSE: RJR) | 1999 E | |
|--|------------------|-------------------|
| | Pre-distribution | Post-distribution |
| Cash Earnings Per Share | 2.11 | 6.33 |
| P/E Ratio | 5.90 | 5.90 |
| DPS (estimate) | 1.06 | 3.17 |
| Dividend Yield (estimate) | 9.25% | 9.25% |
| Shares Outstanding (millions) | 325.4 | 108.5 |
| EBITDA - 1999 estimate (millions) | 1,350 | 1,350 |
| EBITDA/Multiple | 3.0 | 3.0 |
| EBITDA/Share | 4.1 | 12.4 |
| Estimated price | \$ 12.45 | \$ 37.34 |
| Est. Price less 10% liability discount | \$ 11.20 | \$ 33.60 |
| Est. Price less 20% liability discount | \$ 9.96 | \$ 29.87 |
| Debt - pro forma | | 2,065.0 |
| Market Capitalization | | 4,050.0 |
| Enterprise Value | | 6,115.0 |
| Enterprise Value / EBITDA | | 4.5 |



Fresh Spin-Off Cont...

Time Warner Carves-Out Time Warner Telecom

Time Warner (NYSE: TWX) recently carves out 20% of Time Warner Telecom (NASDAQ: TWTC). Twenty million shares were priced at \$12 raising \$248 million. TWTC opened on May 12th at \$21, implying a market capitalization of \$2.1 billion. The imbedded value per share to Time Warner is \$0.90. The company is controlled by class B share owners Time Warner (62%), MediaOne (19%) and Ne-warehouse (19%), effectively controlling 97% of TWTC.

Time Warner Telecom (TWTC)

TWTC is a facilities-based local exchange carrier in selected metropolitan areas across the United States. They offer a wide range of business telephony services, primarily to medium and large-sized telecommunications business end-users, long distance carriers, internet service providers, wireless communications companies and government entities. The telephony services include dedicated transmission, local switched, long distance, data and video transmission services and high-speed dedicated internet access. TWTC deployed digital telephony switches in 16 of its 19 service areas as of December 31, 1998, operating networks in 19 metropolitan areas that spanned 6,968 route miles; contained 272,390 fiber glass miles and offered service to 4,321 buildings.

Revenues

TWTC's top ten customers accounted for 37.8% of 1998 revenues, of which AT&T comprised 13.4% and MCI-Worldcom 10.3%, respectively. TWTC total revenues have grown at an annual compounded growth rate of 134% over the last three year. Revenue is comprised of two segments, dedicated transport services and switched services. For year end 1998, dedicated transport services contributed \$84 million or 69% of total revenues, and switched services \$37 million or 31%, up from 14% in 1996.

Time Warner First Quarter Results

Time Warner and Time Warner Entertainment (TWE), reported combined operating income before amortization of intangible assets (EBITA) of \$1.254 billion, up 47%, on revenues of \$6.200 billion, up 2%, for the first quarter of 1999. In 1998 combined EBITA was \$852 million on revenues of \$6.049 billion. EBITA grew 24% and revenues 7% in the quarter when normalized for the effects of certain cable-related transactions that occurred in 1998 and for a gain in 1999 from the early termination of a video distribution agreement between Warner Home Video and MGM/UA.

| EBITA | First Quarter | |
|----------------------------|-----------------|---------------|
| Time Warner | 1999 | 1998 |
| Publishing | \$ 94 | \$ 85 |
| Music | 102 | 93 |
| Cable Networks (TBS) | 184 | 153 |
| Filmed Entertainment (TBS) | 29 | -15 |
| Cable | 66 | 74 |
| Intersegment Elimination | 10 | -19 |
| Time Warner EBITA | <u>\$ 485</u> | <u>\$ 371</u> |
| Entertainment Group | 1999 | 1998 |
| Filmed - Warner Bros. | \$ 346 | \$ 119 |
| Broadcasting - WB Network | -41 | -38 |
| Cable Network - HBO | 125 | 109 |
| Cable | 337 | 307 |
| | <u>\$ 767</u> | <u>\$ 497</u> |
| Intercompany Elimination | 2 | -16 |
| Combined EBITA | <u>\$ 1,254</u> | <u>\$ 852</u> |

EBITA Breakdown By Segment

PUBLISHING

The company's publishing division reported EBITA, at a record \$94 million, up 11%, compared to \$85 million for the year-earlier period. Contributing to the quarter's results was double-digit advertising performance, primarily at *Time*, *Fortune*, *People*, *In Style* and *Entertainment Weekly*. These gains were somewhat offset by softness at American Family Enterprises Inc., which is partially owned by Time Inc. Time Inc.'s *In Style* was number one on Adweek's list of "the 10 biggest buzz-inducing magazines of the year." *Entertainment Weekly* and *Sports Illustrated* were nominated for National Magazine Awards for General Excellence; *Time* was nominated in the Public Interest category; and *People Online* was nominated for General Excellence in New Media.

MUSIC

Warner Music Group reported first-quarter EBITA of \$102 million, up 10%, compared to \$93 million in the first quarter of 1998. Contributing to the EBITA growth were increased sales of both domestic and international recorded music. Warner Music Group artists won 24 Grammy Awards in February.

CABLE NETWORK

The TBS cable division reported a record \$184 million, up 20%, versus \$153 million a year earlier. Both subscription and advertising revenues posted double-digit increases. During the quarter, TNT posted the largest net increases in primetime delivery of adults 18-49 and 25-54 among all basic cable networks. In addition, the Cartoon Network had its strongest first quarter ever in the delivery of households, kids 2-11 and kids 6-11. CNN/U.S. posted an 8% gain in total day delivery during first quarter 1999 versus first quarter 1998. The CNN Web sites served 1.6 billion page impressions in first quarter 1999, up nearly 200% over first quarter 1998, factors for the sites' growth were attributed to coverage of Kosovo, the NCAA Basketball Tournament and the Dow hitting 10,000.

FILMED ENTERTAINMENT

The TBS division posted record first-quarter EBITA of \$29 million versus a loss of \$15 million for the same period in 1998. First-quarter 1999 revenue decreased because of fewer theatrical releases offset in part by higher international television and improved home video revenues including New Line Cinema's *Rush Hour*.

ENTERTAINMENT GROUP FILMED ENTERTAINMENT WARNER BROS.

TWE's Filmed Entertainment division set a record \$346 million EBITA versus \$119 million for the comparable 1998 period. Included in the record first quarter 1999 results was a net gain of approximately \$215 million in connection with the early termination and settlement of a long-term distribution agreement for MGM/UA home video product. Without this gain, EBITA increased 10% principally relating to improved results from Warner Bros.' worldwide theatrical and home video operations. First quarter revenue included the highly successful theatrical results of *You've Got Mail* (\$241 million worldwide box office to date) and *Analyze This* (\$86 million domestic box office to date).

BROADCASTING

The WB Network's loss was \$41 million in the quarter, compared to a loss of \$38 million a year ago. The increased loss is directly attributable to a lower allocation of losses to the Tribune Company, owner of a minority interest in WB Network's. The losses reflect the continued rollout of the network's national broadcast operations.

CABLE NETWORKS

HBO had record EBITA of \$125 million, up 15%, compared to \$109 million a year earlier. The quarter's results primarily reflect increased subscription revenues from the division's core businesses, HBO and Cinemax. HBO received top industry awards, including one Academy Award, five Golden Globes and three George Foster Peabody Awards. HBO HDTV (high definition television) kicked off in prime time with U.S. Marshals on March 6.

CABLE

Time Warner Cable posted a record combined EBITA of \$403 million compared to \$381 million a year ago. These results reflect strong internal EBITA growth of 10% when normalized for the effects of certain transactions, including the sale or exchange of various cable television systems in 1998. Time Warner Inc.'s cable operations generated first-quarter EBITA of \$66 million. Time Warner Entertainment's cable operations posted first-quarter EBITA of \$337 million. The cable division's double-digit growth reflects an increase in basic cable, advertising and pay-per-view revenues. At the end of the first quarter, Time Warner Cable served approximately 12.9 million subscribers and passed approximately 21 million homes, which is more than 20% of total U.S. television households.

Market Profile – TimeWarner Telecom

| | | | |
|----------------------|-----------|-----------------|-----------|
| Price (5/28) | \$25 5/8 | Revenues (1998) | \$121.8 m |
| Share Out. | 100 m | EBITDA Margin | (18.6%) |
| Market Cap. | \$2,562 m | Debt | \$ 408 m |
| Enterprise Value | \$2,970 m | Debt/Equity | 101% |
| Book Value Per Share | \$3.53 | Price to Book | 7.25 x |

Fresh Spin-Off Cont...

Wyndham International Sets Terms for Interstate Spin-Off

May 27, Wyndham International, Inc. and Patriot American Hospitality, Inc. (Wyndham), whose shares are paired and trade together (NYSE:PAH \$5), disclosed the terms of its planned spin-off of Interstate Hotels Corporation (Interstate). Wyndham International will distribute 92% of Interstate in the form of a dividend to Wyndham's shareholders. The distribution is subject to the Securities and Exchange Commission declaring effective the registration statement for the spin-off. The remaining 8% of Interstate will be owned equally by Wyndham and Marriott International, Inc. (NYSE:MAR). Wyndham shareholders will receive one share of Interstate for every 30 shares of Wyndham. Fractional shares will be paid in cash based on market value. Wyndham currently has approximately 168 million shares and equivalents outstanding, not including approximately 97 million shares currently held by counterparties to forward equity transactions. **The spin-off of the management operation, Interstate Hotels Co., was called for under a settlement deal following Marriott's lawsuit last year to block Patriot's merger with Interstate.** The distribution will be payable June 10, 1999, to Wyndham shareholders of record at the close of business on June 7, 1999, and will result in a **taxable dividend to Wyndham shareholders. Wyndham expects that Interstate's shares will be included in the Nasdaq National Market system under the symbol IHCO.**

Patriot American Hospitality is a real estate investment trust (REIT) that concentrates on hotels. The REIT owns, manages, leases, or franchises more than 480 properties in North America, the Caribbean, and Europe. Patriot American is one of only three publicly traded paired-share REITs that can both own and manage properties. The company manages its portfolio through Wyndham International. Its hotels operate under names including Grand Bay, Carefree Resorts, Wyndham, and ClubHouse. The company is abandoning its REIT status. **Upon completion of the spin-off of Interstate, Wyndham's portfolio will include 311 hotels and resorts with more than 74,000 rooms.** The new public company will act as independent manager of roughly 200 hotels that the old Interstate managed, including 42 Marriott brands. Shares of Patriot closed unchanged at 5-1/16, off a high of 25-11/16.

Patriot American Hospitality was once a high-flying hotel REIT that almost crashed into bankruptcy. Recently, they announced a definitive agreement for a **\$1 billion equity infusion that will resolve its current liquidity crisis.** However, current shareholders will see their ownership stake diminished substantially, with the **new investors initially owning about 29% of the company.** In 1997, the company paid around \$195 million to obtain the tax-advantaged paired-share REIT structure, which analysts thought would dominate the industry. Only five of these structures existed and no more could be created because of changes in the tax law. To reap the benefits of having this structure, Patriot and the other paired-share companies went on an acquisition binge. Their stocks soared throughout 1997 as strong underlying hotel fundamentals and an influx of capital boosted prices.

In early 1998, the president proposed legislation that limited the benefits of the paired-share structure, which Congress passed in the middle of 1998. To fund its acquisition spree, Patriot took on a good deal of debt, much of it short term. Of the company's expanded \$2.7 billion credit facility used to complete the Interstate transaction, \$750 million was due within the first year and another \$450 million was due within the second year. At the time this facility was entered, Patriot intended to float a longer term debt offering to pay off the short-term maturities. Another financing mechanism used by Patriot was an

"equity forward," where the company borrowed money with shares of its own stock as collateral. If its stock price rose, it would pay off the debt with stock (obtaining the benefit of the higher stock price). If the stock price fell, the company intended to repay the forward with borrowing from its line of credit or from a long-term debt issuance. Management (as well as many investors and analysts) were anticipating great performance for the company and expected the stock price to rise.

The rosy scenario expected by investors didn't pan out. The governmental restrictions on the future use of the paired-share structure hindered prospects for growth via acquisition and turned investment sentiment away from the paired-share REIT stocks. The door to fresh capital that the company needed was effectively closed. Having significant debt and forward equity maturities when the company had no cash and extremely limited access to capital crippled the company. It was at the mercy of bankers and vultures interested in picking up specific assets at fire-sale prices. After months of negotiations, the company settled on an agreement that will preserve Patriot's assets, but cost current shareholders at least 29% of the company. The \$1 billion equity infusion by an Apollo-led investor group is expected to close in about 5 weeks. Patriot reported Q1 results on May 13. EBITDA was \$184 million. FFO per share was \$0.46.

Series B Preferred Securities and the Rights Offering

On April 28, 1999, Patriot announced it had agreed to offer holders of its common shares as of a record date (to be set later in 1999) the right to purchase up to \$300 million of convertible preferred (Series A Preferred) upon completion of the investor group's \$1 billion equity investment. If fully subscribed, the rights offering would reduce the investor group's \$1 billion investment to \$700 million.

Longer term, investors in Patriot common stock will have to contend with the payment in kind (PIK) feature of the Apollo-led investor group's preferred stock, which leads to progressively more dilution over time (over six years). There is also a "make whole" provision that which appears at odds with common shareholders interests. The provision is triggered upon a change in control. A change in control would cause a roughly \$782 million cash payout (6 years of cumulative 9.75% dividends on its \$1 billion investment) to the investor group on top of its original \$1 billion investment. Additionally, shareholders that purchase the Series A Preferred securities in the rights offering would receive the same accelerated payment in the event of a change in control. This "make whole" provision seems to incentivize Apollo's group to sell the company. Any future sale would require the approval of at least 50% of common shareholders as well as two-thirds of the Series B Preferred holders. The Series A Preferred stockholders, assuming completion of the rights offering, will not have voting rights.

Market Data:

| | | | |
|--------------------|-------------|-------------|------------------------|
| Shares Out: | 168 M | FY: | December |
| Market Cap: | \$840 M | FY Revenue: | \$2.1 B 1998 |
| Long-Term Debt | \$4 B | FFO: 1998A | \$1.77 |
| LT Debt/Total Cap: | \$60% | FFO: 1999E | \$1.67 Zacks Consensus |
| Div/Yield: | \$0.00/0.0% | P/FFO 98A | 2.8X |
| Range: | 26 - 4 | P/FFO 99E | 3.0X |

Recently Announced Spin-Offs

Talk of Tracking Stock for AutoNation.com

May 25, AutoNation (formerly Republic Industries) Co-Chief Executive Wayne Huizenga said they had hired Merrill Lynch to devise strategic moves to lift the company's long-depressed stock price. Huizenga also **told shareholders at the company's annual meeting that AutoNation was considering creation of a tracking stock for AutoNation.com, the company's Internet sales site**, which produced \$150 million of revenues in January, February and March. AutoNation's shares have been depressed despite rising sales fueled by the company's aggressive acquisition campaign. Shares of AutoNation, which sold half a million vehicles in 1998, closed out May at \$16 3/8, with a yearly high of \$27 and a low of \$10. Huizenga said he hoped to issue some of the tracking stock to AutoNation's shareholders if the proposal won tax-free status from the U.S. government. AutoNation recently sold off an interest in a waste hauling business after U.S. tax authorities refused to consider a proposed spin-off of the multi-billion dollar operation as tax-free. Instead, they sold 100 million shares of Republic Services, Inc. (NYSE: RSG) at \$16.875 per share. As a result of the sale, AutoNation expects to receive net cash proceeds of approximately \$1.2 billion. Huizenga owns more than 12 percent of AutoNation's 447 million shares. AutoNation now has 380 dealerships across the United States. The company is continuing to buy back its shares and had \$150 million left under a \$500 million share repurchase program begun last summer.

Transformed by entrepreneur Wayne Huizenga (Waste Management, Blockbuster Video), the former Republic Industries is now AutoNation (AN), the largest car dealer in the fragmented US market. The company owns or has deals to acquire about 400 new car franchises and over 40 used car stores. AutoNation offers auto financing and insurance and sells auto parts. It owns Alamo Rent A Car, CarTemps USA, and National Car Rental, making it a top US car-rental company. In separate moves to focus on its auto businesses, AutoNation has sold its security systems and monitoring operations and spun off its solid-waste business.

First Quarter Results

In April, the company reported first quarter EPS for continuing operations of \$0.11, up 38% from \$0.08 last year. Results do not include the company's solid waste operations, which have been sold. Net income from continuing operations grew 36% to \$51 million and EPS increased 35%. Total sales increased 72% to \$5.4 billion, driven primarily by acquisitions. Operating margins were 1.6%, versus 2.0% last year, hurt by auto rental operating loss. Total operating income improved 37%, to \$84 million. The company repurchased 8.6 million shares under its previously authorized repurchase program, and ended the quarter with 465 million shares.

Auto Retail Results

Auto retail sales were \$4.6 billion in the quarter, up 95%. Operating profits increased 89%. Margins were flat at 2.3% versus 2.4% last year. In total for the quarter, the company retailed 105,000 new vehicles versus 51,000 last year. At quarter end, AutoNation operated over 360 dealerships, 36 company owned Megastores and 8 DriversMart franchises. New vehicle revenues increased 112% to \$2.5 billion versus \$1.2 billion last year, driven by acquisitions, and a strong 16% increase in same store sales. Used vehicle sales increased 59.3% to \$1.1 billion versus \$700 million last year.

Auto Rental Results

Rental revenue increased 2% to \$791 million, with volume and price each up about 1%. The segment produced a \$5 million operating loss for the quarter. Management attributed the weak rental results to "hardware and software issues" with the Odyssey system rollout at National Car Rental.

Recently Announced Spin-Offs

CarrAmerica Plans IPO for Executive Suites Affiliate

CarrAmerica Realty Corp. plans to carveout a piece of their executive-suites business, which provides short-term office space and services catering to computer, telecommunications and Internet firms, in an **IPO offering in the fourth quarter of this year**. The move will allow CarrAmerica, a real estate investment trust (REIT) based in Washington, to separate a higher growth business from a more-staid REIT operation. **HQ Global Workplaces**, based in Dallas, provides administratively staffed, short-term office space and services as an alternative to long-term office leasing. HQ has 260 business centers under development. Among its current users are Microsoft, 3Com, Oracle and Netscape.

CarrAmerica Realty owns about 300 office properties nationwide. The REIT has properties in high-growth California and Florida cities, as well as in Atlanta; Austin, Texas; Chicago; Dallas; Denver; Phoenix; Portland, Oregon; Salt Lake City; Seattle; and Washington, DC. Through acquisitions, the REIT has entered the executive office suite market, in which space (complete with secretarial and other support services) is leased for short terms. The company has, existing or under-development, 150 such centers. An entity affiliated with Security Capital Group owns 44% of the REIT. Currently, CarrAmerica and its affiliates own a controlling interest in a portfolio of approximately 273 operating office properties and have 45 office buildings under development in key growth markets. CarrAmerica, which has been posting double-digit percentage earnings gains in the past two years, has seen its stock drop 25% from 52-week highs amid a downturn in REIT shares. Currently CarrAmerica trades around \$25 a share.

HQ Global Workplaces

CarrAmerica has invested about \$305 million. HQ has annualized revenue of about \$200 million. CarrAmerica is expected to retain a 40% to 60% stake in HQ. The new company will not be a REIT, and is expected to be compared to business-services and outsourcing companies. HQ offers high-tech Internet connections, videoconferencing, secretarial services and a big reception area. The average lease term is about six months, and the typical tenant renews at least once. HQ has \$0.31 per share in EBITDA. Assuming that HQ is worth at least what CarrAmerica has invested (\$305 million), we have a **minimum valuation of \$3.88 per CRE share**.

First Quarter

May 7, CarrAmerica Realty Corporation (NYSE: CRE) reported a 12.9% increase in Funds From Operations (FFO) per diluted share for the first quarter of 1999 as compared to the same period in 1998. First quarter FFO was \$54.9 million, or \$.70 per diluted share, compared to \$42.1 million, or \$.62 per diluted share, for the same period in 1998. Same store portfolio operating income during the quarter grew 5.6% over the same period in 1998, primarily as a result of increasing rental rates and increased occupancy. The occupancy rate for same store properties was 96.1% in the first quarter for 1999, vs. 94.9% for first quarter 1998. Rental rates increased an average of 2.2% on 266,000 square feet of expiring leases in operating properties executed in the first quarter. During the quarter, CRE sold \$266 million of assets at a 9.2% cap rate, realizing \$17.6 million after tax gain.

Market Data:

| | | | | |
|------------------|-----------|-----------------------|----------------|-------------|
| Date: | 2/26/1999 | Shares out: | 78.5 million | |
| Price: | \$25 1/4 | Debt to Total Capital | 46% | |
| 52 Week Range: | 30 - 19 | NAV | \$28 to \$29 | |
| Annual Dividend: | \$1.85 | FFO 98A | \$2.63 | P/FFO= 9.6X |
| Dividend Yield: | 7.32% | Market Cap: | \$1.98 billion | |

Recently Announced Spin-Offs...

Harcourt General to Distribute Neiman Marcus Stock to Shareholders in Tax-Free Spin

May 17, 1999-- Harcourt General, Inc. (NYSE:H) and The Neiman Marcus Group, Inc. (NYSE:NMG) announced a plan, subject to shareholder approval of both companies, to spin off Harcourt General controlling interest in The Neiman Marcus Group to Harcourt General shareholders in a tax-free distribution that is expected **to be completed in the fall of 1999**. Under the plan, approximately 21.4 million shares of the 26.4 million NMG shares currently held by Harcourt General will be exchanged for a new class of NMG stock (Class B Stock) that will elect approximately 80% of the Board of Directors of NMG. The NMG Class B Stock will in turn be distributed to the shareholders of Harcourt General. All of the other shares of NMG, including approximately 5 million shares that will be retained (about 10%) by Harcourt General, will be redesignated as Class A Common Stock and will be entitled to elect approximately 20 percent of the Board of Directors of NMG. Harcourt stock rose \$4 3/8, or 8.8%, to \$54, and Neiman Marcus was unchanged at \$30 1/2 on the news. The proxy information should be available early July. **At Neiman's May 17 closing price, the distribution is worth roughly \$9 per Harcourt share.**

Recapitalization

The recapitalization and spin-off transactions have been approved by both the Harcourt General and NMG Boards of Directors, as well as a committee of independent directors of The Neiman Marcus Group. Completion of the transaction is contingent upon approval of the spin-off's tax-free status by the Internal Revenue Service; approval of the recapitalization plan by holders of NMG shares that are not held by Harcourt General; and approval by shareholders of both companies of a new class of "low voting" stock in each company that will have one-tenth of a vote per share. The new low voting stock would be used by the companies to raise equity capital and as an acquisition currency. Harcourt General currently owns approximately 26.4 million shares, or about 54 percent, of NMG's Common Stock. Richard A. Smith and members of his family currently hold approximately 28 percent of the equity securities of Harcourt General and will own the same percentage of the NMG Class B Common Stock following the spin-off.

Spin-off

Under the plans for the spin-off, Harcourt General common stockholders will receive approximately three-tenths of a share of NMG Class B Common Stock for every share of Harcourt General that they own. The 1.1-for-1 conversion rate and annual cash dividend on Harcourt General's Series A Cumulative Convertible Stock will be adjusted to reflect the distribution of NMG shares.

Financial Information

In fiscal 1998 (ended Oct.31), The Neiman Marcus Group contributed \$2.37 billion of Harcourt General's total revenues of \$4.24 billion and represented \$1.52 billion of Harcourt General's assets of \$4.45 billion. The Neiman Marcus Group contributed 75 cents per share to Harcourt General's 1998 diluted earnings per share of \$1.96. The Neiman Marcus Group's reported financial results would not change as a result of the spin-off.

About The Companies

Harcourt, publishes scientific and technical books, journals, children's books, adult fiction, and nonfiction. Harcourt, Inc.'s other publishing imprints and operations include Holt, Rinehart and Winston, and Steck-Vaughn Publishing. About 55% of its revenues come from its nearly 55% interest in The Neiman Marcus Group, which operates fashion and specialty retailers Neiman Marcus and Bergdorf Goodman. The company also offers outplacement consulting through its Drake Beam Morin subsidiary.

NMG

Neiman Marcus department stores offer high fashion, high-quality women's and men's apparel accessories, fine jewelry, china, crystal, silver, and gourmet foods. The Neiman Marcus Group operates 33 stores in nearly 20 states and the District of Columbia (with concentrations in Texas and California), as well as two Bergdorf Goodmans in New York City and nearly 10 clearance centers. Its direct-marketing business, NM Direct, distributes catalogs. Neiman Marcus also owns stakes in firms that make cosmetics and handbags. The retailer offers extravagant special events, one-of-a-kind items, and especially attentive salespeople. Publisher Harcourt General owns about 54% of the company.

Summary

The planned spin-out on Harcourt's retail unit, Neiman Marcus Group, will leave Harcourt as a pure-play education company focused primarily on educational and professional publishing, distance learning, and computer-based training. We believe the component pieces of Harcourt will command higher valuations as separate businesses. By simplifying its business mix we believe Harcourt expands its potential shareholder base, providing possible upside to the stock's valuation. Neiman contributes roughly 1/3 rd of Harcourt's total EPS. Eliminating Neiman suggests that Harcourt earns \$1.50 for FY 1999. Harcourt is a major player in college publishing (education publishing represented 38% of proforma revenues). In addition, Harcourt dominates several high-margin segments of the scientific, technical, medical & professional publishing markets (28% of proforma FY98 revenue). This business is characterized by high margins (19% in FY 98), recurring revenues, and high free cash flow. McGraw-Hill, a close comparable trades around 25X 2000 EPS. Applying this multiple to the nearly \$2.00 (proforma FY2000), we expect "new" Harcourt to earn, suggests that the stub is worth \$50 per share. The NMG stake is currently worth about \$9 per share.

Q2 Highlights

Harcourt reported a Q299 loss of \$0.35 (excluding one-time gains of \$0.03) per share. Revenues advanced 13% to \$1.168 billion. The company's publishing and educational services division reported a Q2 loss of \$40.5 million, versus \$34 million in Q298 on a 15.2% increase in revenue. The reported operating income contribution from Neiman Marcus Group totaled \$60.1 million versus \$65.4 million in the prior year. Harcourt has lost \$0.64 in the first six months of its fiscal year.

Neiman Marcus, Harcourt's 54%-owned division, reports a one-quarter lag, so the Q299 results reported by Harcourt included Neiman's earnings for the previously reported 2/99 quarter. Reflecting promotional discounting in the Christmas season, Neiman's earnings fell 8.0% on an 11.4% revenue gain. Neiman's results for its 5/99 quarter (which are consolidated on Harcourt's Q3 results), reflected a 43% earnings improvement. At Neiman's 5/27 closing price \$27 7/8, the distribution is worth roughly \$8 1/4 per Harcourt share.

Harcourt General:

| | | | |
|---------------|-----------|------------------|---------|
| Date: | 5/26/1999 | Shares Out: | 71M |
| Price: | \$51 | Market Cap: | \$3.6 B |
| Ann. Dividend | 0.80 | 52 Week Range | 42 - 62 |
| Yield: | 1.58% | Fiscal Year Ends | October |

Neiman Marcus Group:

| | | | |
|-------------|---------|------------------|---------|
| Price: | \$28 | 52 Week Range | 15 - 43 |
| Shares Out: | 50M | EPS 98 A | \$2.13 |
| Market Cap: | \$1.4 B | P/E 98A | 13.1x |
| FY Ends | July | EPS Consensus 99 | \$1.95 |

Recently Announced Spin-Offs...

IDT Corp. To Carveout Net2Phone Unit in IPO

May 18th, America Online, GE Capital and Softbank are among the principal stockholders in a \$50 million IPO filed by IDT Corp. for its Net2Phone Internet telephony unit. The listed underwriters are Hambrecht & Quist, BT Alex. Brown and Bear Stearns. IDT (IDTC) will own 66.2 percent of Net2Phone or 27.6 million shares; Softbank will be the second largest stockholder with 10.8 percent or 4.6 million shares. Net2Phone Chairman and President Clifford Sobel will own 8 percent or 3.3 million shares. America Online and GE Capital will each own 5.4 percent or 2.3 million shares. The percentages are based on 41.7 million shares including 4.7 million shares of common stock, 27.6 million shares of Class A stock and 9.4 million shares of Class A common stock issueable upon conversion of the Series A preferred stock at the same date. Shares of IDT Corp. fell 15/16 to 27 1/4 on Tuesday May 18th. The Net2Phone IPO has been anticipated for months. On April 9, shares of IDT jumped 29.4 percent after reports that Softbank was in talks to invest in Net2Phone. Softbank, whose shares trade in Tokyo under the symbol "SFTBF," owns about 28 percent of Yahoo (YHOO). Net2Phone peddles long distance phone service that's cheaper than traditional calling. International calls are typically 50- to 70 percent cheaper. **We estimate that the IPO could take place as early as July 1999.**

Description

IDT provides international and domestic **long distance telecommunications service, Internet access and, through its Net2Phone unit, Internet telephony services.** IDT's callback telephone system allows overseas phone callers in more than 170 countries to bypass non-US long-distance companies, which often charge exorbitant rates for international calls. The company also sells transmission services wholesale and provides Internet access services and prepaid calling cards. Through Net2Phone, users can make telephone calls through the Internet to anywhere in the world, usually at lower rates than are available through cellular or land-line services. **Net2Phone, is the #1 Internet telephone carrier,** with 250,000 customers. The company delivers these services over a network consisting of 60 switches in the U.S. and Europe and owned and leased capacity of 16 undersea fiber optic cables. In addition, the company obtains additional transmission capacity from other carriers. IDT also maintains a high-speed network that carries Internet traffic in order to support both its Internet access and its Internet telephony services.

Net2Phone

Net2Phone's products allow users to make telephone calls through the Internet to anywhere in the world, usually at a much lower cost than cellular or land-line calling. Callers can use a telephone, a fax machine, or a computer to connect with Net2Phone's services. Netscape has agreed to embed the company's PC2Phone software in its Internet browsers. Net2Phone was founded in 1997 as a subsidiary of IDT. Net2Phone has contracts with America Online unit Netscape, ZDNet (ZD) Yahoo, Excite(XCIT), and InfoSpace.com. Net2Phone served about 250,000 active customers and is handling more than 20 million minutes of use per month as of March 31. **Revenue for the six months of fiscal 1999 was \$13.2 million, up from \$12 million in all of fiscal 1998.** The company had 174 full-time employees as of May 12. The company also launching a new product called PC2PC, which will provide high-quality Internet telephony from one personal computer to another. It'll allow two participants in an online chat room discussion to establish direct voice communication with each other while maintaining anonymity.

Market Data:

| | | | |
|----------------------|---------|--------------------------|-----------|
| FY Ends | July | EPS 98A | \$0.56 |
| Current Price (5/28) | \$22 | EPS 99E (consensus 7/99) | \$0.38 |
| 52 Week Range | 9 - 35 | P/E (99E) | 58x |
| Shares Out: | 36 M | FY Revs 98A | \$335.4 M |
| Market Cap: | \$792 M | FY Revs 99E | \$670 M |

Recently Announced Spin-Offs...

JC Penney to Create “Tracking Stock” for Eckerd Drugstore Chain

On May 18th, JC Penney’s (NYSE: JCP) stock appreciated eleven percent (up \$5 to \$50 ³/₄) as it announced plans to create a tracking stock for its wholly owned Eckerd Drugstore Chain. Eckerd has more than 2,900 stores in 24 states, primarily in the Northeast, Southeast, and Southwest. A player in the photo finishing business, Eckerd features overnight photo services in all stores and photos-in-an-hour Express Photo labs in nearly 600 stores. Eckerd, like other pharmacies, has benefited from managed care prescription sales, which account for more than 75% of its prescription revenues.

The tracking stock is expected to be created in the fourth quarter of 1999, and will require stockholder approval. It is projected that proceeds of the IPO will raise \$1 billion which will be used to fund a share repurchase program. JC Penney will then proceed to spin-off Eckerd Drugstores to JC Penney shareholders in a tax-free distribution, pending an IRS ruling within twelve months of the IPO. Recently, Congress has mentioned its intention to close the loop-hole in creating tax-free “Tracking Stocks”. If this loophole closes in the interim we would anticipate a grandfather clause to complete pending deals. As a result we anticipate further tracking stocks to be announced in 1999.

As we have stated in several past reports, we are not big fans of tracking stocks. The tracking stock finances are broken out independently, but shareholders do not actually own the subsidiary. Legally, shareholders own the parent. The subsidiary’s management is controlled by the parent’s Board of Directors limiting independence which may bring up conflict of interest issues, and tracking stocks are also immune from takeovers. Value creation has not changed (management and the tax structure of earnings remain the same). This would suggest “Tracking Stocks” should trade at a slight discount to their peer group.

On the Store Front

JC Penney the No. 4 retailer operates nearly 1,150 department stores in the U.S., Puerto Rico, Mexico, and Chile. The company’s long-term plan is to re-emphasize and increase private label brands to fifty percent of department store sales (40% FY98). Operating profit totaled \$167 million for the first quarter compared with \$234 million in last year’s period, a decline of 28.6 per cent. Management attributed the decline in operating profits by sales at the same level as last year and special promotional programs designed to rebalance inventory levels. Operating profit as a per cent of sales declined. Direct Marketing Services recorded first quarter revenue of \$274 million, up \$28 million or 11.4 per cent over last year, primarily due to insurance and membership services increases.

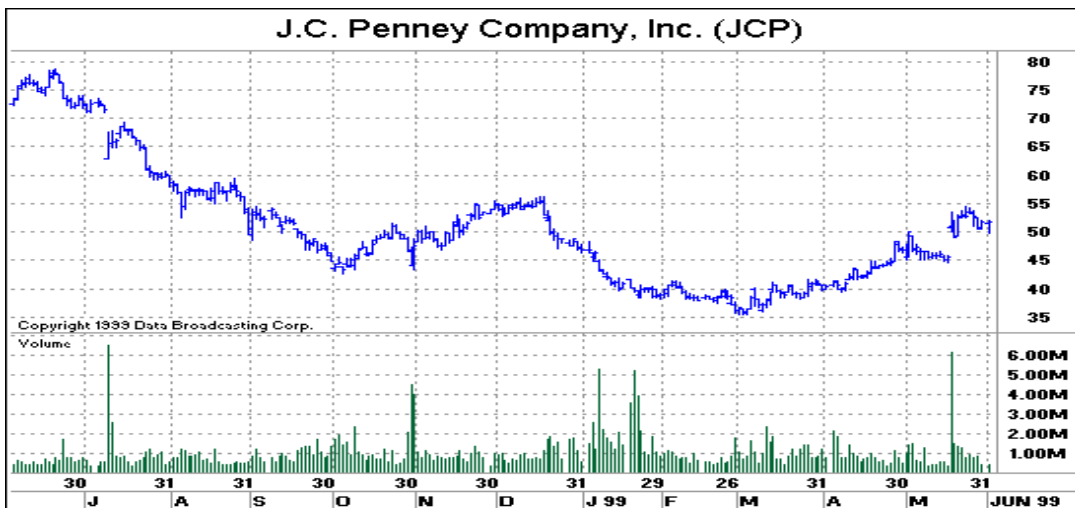
What are the Receivables Worth?

As part of its restructuring, JC Penney plans to outsource its credit card receivables valued at approximately \$4 billion. Management has been approached by several interested parties, and intends to pay down debt upon completion of the receivable sale. What are the receivables worth? We can only estimate that the receivables will be valued at a discount to their intrinsic value. How much, is the question needed to complete a more comprehensive valuation, until further details are available we have kept the debt level in our model at current levels. However, if our model were to assume the transaction occurred at a twenty-percent discount, it would raise \$3.2 billion for debt repayment. This repayment would increase JC Penney projected store value by \$12 dollars per share.

Synergies

Management is projecting \$125 million in expense reductions. While synergies may exist, given cross-marketing opportunities, management may be too optimistic given their operating performance. We would rather see results before factoring them in to our EBITDA projections.

| 1999 Estimates | | | | |
|--|-----------|-----------|------------------|-----------|
| | JC Penney | Eckerd | Direct Marketing | Combined |
| Revenues | \$ 19,718 | \$ 11,151 | \$ 1,124 | \$ 31,993 |
| EBITDA | 1,701.63 | 567.59 | 256.32 | \$ 2,526 |
| EBITDA Margin | 8.63% | 5.09% | 22.80% | 7.89% |
| EBITDA Multiple | 9 | 12 | 9 | |
| Enterprise Value | \$ 15,315 | \$ 6,811 | \$ 2,307 | \$ 24,433 |
| Less Debt | 8,005 | 1,500 | - | 9,505 |
| Less Preferred Stock | 475 | - | - | 475 |
| Equity Value | \$ 6,835 | \$ 5,311 | \$ 2,307 | \$ 14,453 |
| Implied Value | \$ 27.03 | \$ 21.01 | \$ 9.12 | \$ 57.17 |
| Notes: | | | | |
| Growth Rate Projected | 2% | 8% | 10% | |
| EBITDA Margin Projected | 8.63% | 5.09% | 22.80% | |
| Implied value assuming share repurchase, assumes 253m shares outstanding | | | | |
| Debt level is pre-paydown from proceeds of receivable sale | | | | |
| EBITDA margins based on 1998 10K | | | | |



JC Penney Selected Data

| Store | 1999E | 1998 | 1997 | 1996 |
|---|-------|----------|-------------|----------|
| Department Stores | | | | |
| Number of Stores | | | | |
| Beginning of year | 1,148 | 1,203 | 1,228 | 1,238 |
| Openings | | 12 | 34 | 36 |
| Closings | | (67) | (59) | (46) |
| End of year | | 1,148 | 1,203 | 1,228 |
| Gross selling space (in millions) | | 115.3 | 118.4 | 117.2 |
| Sales (in millions) | | \$15,402 | \$16,047 | \$15,734 |
| Sales including catalog desks (in millions) | | 18,208 | 19,089 | 18,694 |
| Sales per gross square foot | | 156 | 157 | 159 |
| Sales per store (in millions) | | 13.416 | 13.339 | 12.813 |
| Sales including catalog per store (in millions) | | 15.861 | 15.868 | 15.223 |
| Sales growth per store | | 0.58% | 4.11% | 5.94% |
| Sales growth per store including catalog | | -0.05% | 4.24% | 5.11% |
| Catalog | | | | |
| Number of Stores | | | | |
| Department stores | | 1,139 | 1,199 | 1,226 |
| Freestanding sales centers and other | | 512 | 554 | 569 |
| Drugstores | | 139 | 110 | 107 |
| Total | - | 1,790 | 1,863 | 1,902 |
| Sales (in millions) | | \$ 3,929 | \$ 3,908 | \$ 3,772 |
| Sales (in millions) per store | | 2.195 | 2.098 | 1.983 |
| Sales growth per store | | 4.64% | 5.77% | 0.75% |
| Eckerd | | | | |
| Number of Stores | | | | |
| Beginning of year | 2,756 | 2,778 | 2,699 | 645 |
| Openings | 275 | 220 | 199 | 47 |
| Acquisitions | 141 | 36 | 200 | 2,020 |
| Closings | | (278) | (320) | (13) |
| End of year | 3,172 | 2,756 | 2,778 | 2,699 |
| Gross selling space (in millions) | | 27.6 | 27.4 | 26.4 |
| Sales (in millions) | | \$10,325 | \$ 9,663 | \$ 3,147 |
| Sales per gross square foot | | 350 | 314 | 261 |
| Sales per store (in millions) | - | 3.746 | 3.478 | 1.166 |
| Sales growth per store | | 7.70% | 198.32% (1) | -59.37% |
| Source: JC Penney 10k | | | | |

(1) Eckerd was acquired in 1996.

Recently Announced Spin-Offs...

Limited Plans To Spin Off Children's Unit

Limited (NYSE:LTD), continuing a pattern of disposing noncore businesses recently announced it will **spin off Limited Too** (a chain of 321 clothing stores targeted at 10 and 11 year-old girls). The Limited operates more than 5,400 stores, focusing primarily on clothing for women. The 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, which operates Victoria's Secret (lingerie stores and catalog) and Bath & Body Works (personal care product stores) and is moving into cosmetics. The Limited split-off its 84% stake in Abercrombie & Fitch in April of 1998. We do not believe that the spin announcement is much of a surprise, as we have speculated in past issues that a partial IPO was likely. Limited's past spin-off's have been rewarding. Intimate Brands' stock has tripled since its spin in 1995, while Abercrombie & Fitch's stock has more than quadrupled since its spin-off in late 1996.

On May 3rd, The Limited announced the **100% spin-off of Limited Too, which should take place in late July or early August**. We believe that the value of the Limited Too division to Limited shareholders is approximately \$3 per share. The spin-off is expected to be dilutive by about \$0.10 per share. In addition, Limited made a series of announcements which should have a positive impact on the company's stock price. Limited conducted a **Dutch Auction for up to 15 million shares** (6 % of the number outstanding). The offer commenced on May 4 will expire at 12:00 midnight on June 1. The program enabled shareholders to sell their shares at a price not less than \$50 and not more than \$55 per share, representing a 12-23% premium to the stock price prior to the announcement. At the midpoint of the range, the self-tender offer would cost LTD about \$790 million. **Limited plans to sell 60% of Galyan's to an affiliate of Freeman Spogli & Co. Limited expects to receive \$190 million** from this sale (implied value to LTD shareholders is about \$1 per share). The transaction is expected to be completed in June or July.

Despite the recent move in Limited's stock, we believe that the company still trades at a significant discount to its breakup value. Backing out the value of Intimate Brands, Limited Too and Galyan's, we estimate that **Limited stub still trades at a negative value**. The balance sheet will remain solid after the repurchase. LTD ended 1998 with about \$870 million in cash and generates excess cash flow. Limited should have \$600 to \$700 million in cash following the repurchase of the stock and the sale of Galyan's.

Limited Stub (without IBI and Limited Too) has a Small Negative Implied Value

Limited on a stand-alone basis is at about a negative \$0.25 per share. We estimate the value of Limited Too per Limited share at approximately \$3 per share, while the value of Galyan's is around \$1. Intimate Brands is worth approximately \$45 per every Limited share ($\$48.75 - \$3 - \$1 - \$45 = -\$0.25$, as of May 28th). We would estimate that Limited Too generated roughly \$35 million in EBIT in 1998, on revenues of \$377 million.

First Quarter Results

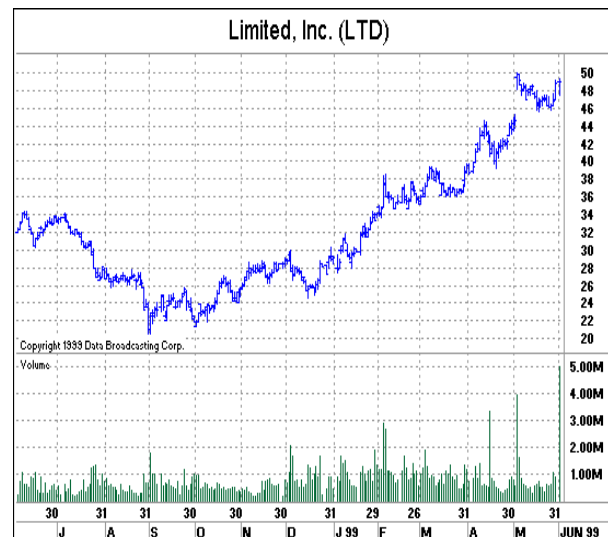
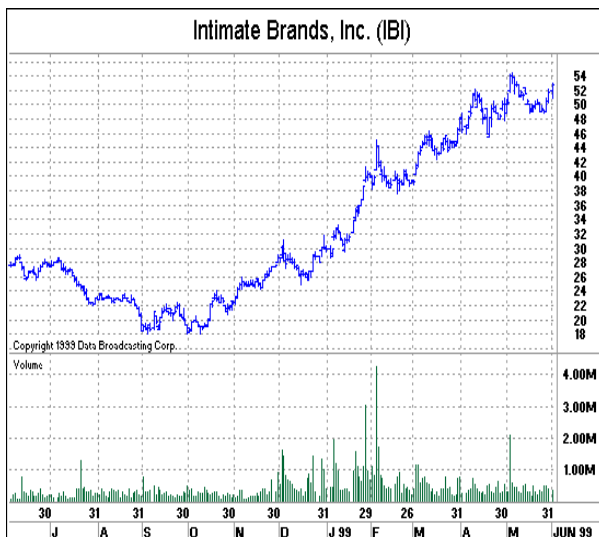
Limited reported Q199 EPS of \$0.14, up 56% from Q198's \$0.09, which reflected strong performance at Express, Lane Bryant, Lerner, Limited Too, and Intimate Brands (NYSE:IBI). Excluding Q198 sales of Abercrombie & Fitch (NYSE:ANF), total sales for the quarter rose 5%, from \$2,008 million to \$2,105 million, on a 12% gain in comp-store sales. Operating income rose 5.1%, from \$46 million to \$69 million, with EBIT margins increasing 80 basis points to 3.3%. By segment, IBI reported operating income of \$84.2 million, an 18% increase over Q198's \$71.4 million. The apparel divisions reported an operating loss of \$8.0 million compared to a loss of \$27.5 million in Q198. The other businesses (Galyan's and Henri Bendel) reported an operating loss of \$6.8 million versus income of \$2.1 million last year. Gross margin improved 270 basis points to 31.4% (up 240 basis points at the apparel division). The SG&A ratio was 28.1%. Inventory ended the quarter up 11% in total, reflecting a 12% increase in inventory per square foot at the apparel divisions and a 20% increase in inventory per square foot at IBI.

Market Data -Limited

| | | | |
|--------------|----------|----------------|--------|
| FY Ends | January | Dividend: | \$0.60 |
| Price (5/28) | \$48 3/4 | Yield: | 1.23% |
| Shares Out: | \$235 M | EPS 98A | \$1.46 |
| Market Cap: | \$11.5 B | EPS 99E (1/00) | \$1.73 |
| Range | 20 - 50 | P/E 99E | 28X |

Market Data- Intimate Brands (84% owned by Limited)

| | | | |
|--------------|---------|----------------|--------|
| FY Ends | January | Dividend: | \$0.56 |
| Price (5/28) | \$52 | Yield: | 1.0% |
| Shares Out: | 245M | EPS 98A | \$1.59 |
| Market Cap: | \$12.7B | EPS 98E (1/00) | \$1.89 |
| Range | 18 - 54 | P/E 99E | 27.5X |



Recently Announced Spin-Offs...

Magna International to Spin-Off Ventures

On May 25th, Magna International Inc. (NYSE: MGA) an Ontario, Canada based, total automotive parts engineer, designer and manufacturer, has announced its approval of the establishment of its "Ventures" company as a separate entity. Created in 1998, **Ventures**, which is the non-automotive related assets holding company for Magna, develops real estate for commercial and recreational purposes and invests in entertainment and gaming businesses.

Magna is a worldwide player in the automotive industry in engineering, designing and manufacturing. The focus is that of improving vehicle quality, plain and simple. Magna is well positioned to participate on a high level of productivity in the future due to its high level of efficiency in global manufacturing, program management, component design and engineering, and vehicle assembly. Strategic acquisitions are also rapidly fueling Magna's growth. The company has greatly enhanced its market command through 20 strategic acquisitions. Much of Magna's success is due to the "light truck" market, which includes sport utility vehicles (SUV's). This market accounts for roughly 45% of Magna's 1998 total sales and is expected to hit around 55% in 1999. A pioneer in the "hydroform" technology field, a process of using high-pressured water to expand a metal tube into a desired complex shape. The results of hydroform technology seem to be promising in the automotive industry. Magna is a leader in a potential 10 billion global market for auto parts. **However, Magna faces some serious opponents ahead, including:** vehicle demand is a cyclical industry, dependent on economic conditions and disposable income. Also, pricing pressure is continuous and pushes supplier's margins to the brink. Last, but not least, is the reality of having Delphi (spun-off from GM – see May 1999 issue) as a separate and viable market force to contend with, in the same arena, beginning next year.

As of March 1st, 1999, Magna's pro forma investment in Ventures was approximately \$550 million, comprised of \$300 million in non-automotive assets and \$250 million in cash. Magna's board has also approved in principle, a proposal to establish Ventures as a separate public company by distributing a minority equity interest in Ventures to Magna's shareholders in the form of subordinate voting shares. Once Ventures becomes established, Magna plans to reduce its ownership in Ventures to a minority equity interest as market conditions permit. For the first seven years Magna will not make any debt or equity investments in Ventures or invest in any non-automotive-related businesses other than through its investment in Ventures without the majority approval of the holders of Magna's Class A subordinate voting shares. Details have yet to be decided for **Ventures** as a separate public company.

Market Profile:

| | | | |
|------------------------|------------|----------------------|-----------|
| Price (5/28) | \$60 5/16 | Revenues (1998) | \$3,300 m |
| Share Out. | 78.5 m | Operating Margin | 6.1% |
| Market Cap. | \$ 4,755 m | Debt | \$690 m |
| 1998 EPS (Diluted) | \$3.97 | Book Value Per Share | \$44.20 |
| 1999 First Call (Est.) | \$4.90 | Price to Book | 1.37x |

Recently Announced Spin-Offs...

Miller Industries to Spin-Off RoadOne

On May 13th, Miller Industries, Inc. (NYSE: MLR) a leading provider of vehicle towing and recovery equipment and services announced its intention for a tax free spin off of its RoadOne ® division. RoadOne, the towing and recovery services business, will be spun from their towing and recovery equipment manufacturing operations unit, Miller Industries, Inc. RoadOne is the largest provider in the world of towing services, with about 40% of the market. **The spin-off would create two public companies, which management believes, will maximize both entities' potential, especially that of RoadOne.** RoadOne currently trades around \$ 4 3/8 with a market capitalization near \$207 million. MLR markets its towing services under the national brand name RoadOne ® and its towing equipment under a variety of well-recognized brands. The RoadOne division of MLR accounts for some 35% of total sales, up from 25% in the year earlier quarter. The company expects the spin-off transaction, if completed, will take place around January 1, 2000. MLR has hired Goldman Sachs & Co. to advise the transaction.

RoadOne's recent acquisition binge: RoadOne has already signed letters of intent to purchase over 100 companies. RoadOne towing services now consist of 116 subsidiaries and 1,050 affiliates have signed on, boosting RoadOne's truck force to over 7,400. Seventeen acquisitions were completed during the July quarter alone, for a total of 93 representing more than \$150 million in annualized revenue. RoadOne now owns a platform tower in 52 of the top 209 markets in the U.S. RoadOne's earnings growth is estimated to be around 30% or even greater. Management is looking to achieve rapid growth through its recent acquisition spree.

Earnings

As of January 31st, net sales for the nine months were \$384.4 million versus \$285.3 million in the first nine months of fiscal 1998. Operating income was \$24.0 million, an increase of 40% over \$17.1 million a year ago. Net income was \$10.0 million, or \$0.21 per diluted share, versus \$9.5 million, or \$0.21 per diluted share, in the same period last year. Increased revenue contributions from RoadOne(R), the Company's towing services segment, **reflecting sales growth from acquisitions** and from operations owned for more than twelve months. Offsetting these factors were continued high field labor and operating costs at RoadOne and mild weather conditions. Interest expense in the fiscal third quarter increased primarily as a result of cash used in RoadOne's acquisition program.

Market Profile: Miller Industries

FY: April

| | | | |
|------------------------|----------|------------------------|---------|
| Price (5/28) | \$4 9/16 | Revenues (nine months) | \$384 m |
| Share Out. | 46.4 m | Operating Margin | 6.27% |
| Market Cap. | \$211 m | Debt | 149.8 |
| 1999 EPS (Diluted) | \$0.33 | Book Value Per Share | 4.15 |
| 2000 First Call (Est.) | \$0.29 | Price to Book | 1.1x |

Recently Announced Spin-Offs...

RSL Communications to IPO Internet Telephony Unit

On May 3rd, RSL Communications, Ltd, announced its plans to IPO its Delta Three Inc. Internet telephone subsidiary to the public. RSL is a multinational telecommunications company, providing a catalogue of services, focusing on international long distance voice services while catering to small and medium sized businesses in key markets. RSL's services include calling cards, fax, data, Internet, international and national fixed and wireless, private line and other value-added telecommunications services. The company began operations in the United States in 1995 and **has been growing rapidly due to strategic regional investments, multiple acquisitions, joint ventures and alliances**, and the formation of its own operations in key markets. Currently, the company generates revenue in 19 countries. RSL's strategy is to capitalize on the growth, deregulation and profitability of the international long distance market, which is growing rapidly due to deregulation and the decrease in prices which accompany the onset of competition.

Four regions make up the bulk of where RSL operates: North America, Europe (14 countries), Asia/Pacific Rim and Latin America. For each region a specific, targeted strategy, is implemented such as conducting operations through a local subsidiary (operator) and staying in stride with the pace of local deregulation. By going through a local subsidiary, RSL interconnects its switches directly with the local exchange networks instead of through leased lines or dial-in-access. In the United Kingdom and Germany, RSL competes effectively through its acquiring of Motorola's business there. Motorola resells wireless services and related products in Germany to a customer base of over 350,000 subscribers. In Australia, RSL has a significant presence as well, due to a more advanced stage of deregulation.

Delta Three deals in Internet Protocol ("IP") telephony service offerings by increasing its investment in Internet gateway servers and expanding its sales and marketing channels. IP protocol is used by Delta Three as a transmission standard for voice communications over the public Internet and private intranets, extranets and dedicated lease lines at substantially reduced transmission and termination costs. Delta Three offers prepaid calling card services, PC to phone and phone to PC services to retail customers and termination to wholesale customers. The Company believes that the single switch platform (Ericsson AXE-10 switches), gives them a strategic advantage in developing new services and allows them to upgrade network software on a more efficient basis in comparison to those other global carriers which employ multiple switch technologies. Other minimizing costs for transmission are in the works, such as, the Internet and managed (IP) networks. In addition to offering IP telephony services, the Company plans to develop services on the Internet and to provide on-line customer service and billing.

First Quarter Results

RSL, reported a net loss of \$57 million, or \$1.08 a share, compared with a loss of \$35.3 million, or 85 cents a share, in the year-earlier period. RSL cited higher interest, depreciation and amortization expenses. Interest expense for the quarter was about \$29 million, compared to \$14.5 million a year ago. Depreciation and amortization expenses rose to \$37.1 million from about \$9.5 million a year earlier. Europe now represents the company's largest market segment, with 44.7% of consolidated revenue in the quarter compared to 26.8% in the year-ago period. Revenue from North America was 43.6% of consolidated revenue, versus 56.6% in the year-ago period. Revenue from Asia/Pacific and "other" was 11.6% in the quarter versus 13.8% in the year-ago period. Revenue from higher margin retail customers represented 65.9% of consolidated revenue in the period. Wholesale revenues were 17.9% of revenue in the quarter.

Recent Results

May 6, RSL completed an offering of \$175 million 9-7/8 percent Senior Notes due November 15, 2009. The issue will be guaranteed by RSL Communications, Ltd., and these Notes may not be sold in the United States. The proceeds from the offering will be used by the Company for expansion and development of the Company's infrastructure, and the funding of the Company's operating losses.

Since the announcement of its intention to IPO the Delta Three Unit, RSL's price has decline to \$23 ½, or 33 percent from a May 3rd high of \$35 1/2. This may be attributed to several insiders no longer active in management, selling shares. According to management, May 3rd, was the first day their restricted stock was available for sale. There are approximately 53 million shares outstanding consisting of two classes, A and B. Management controls class B which has 10 to 1 voting rights.

An alternative?

While we do not have an opinion on RSL or Delta Three, an alternative choice may be Net2Phone (proposed IPO by IDT, see report in this issue). Net2Phone appears to have the backing of Softbank, America Online and GE Capital.

Market Data:

| | | | |
|--------------------------|-----------|---------------------|----------|
| Current Price (5/24/99): | \$27 ½ | 1999E (First Call): | (\$4.83) |
| Shares Outstanding: | 53.19 M | Book Value: | \$1.33 |
| Market Cap: | \$1,462 M | Price-to-Book: | 20.6X |
| | | Debt/Equity: | 15.84 |

Recently Announced Spin-Offs...

U.S. Industries to Spin-off USI Diversified Division

May 18, 1999, U.S. Industries, Inc. (NYSE:USI) announced that its Board of Directors has approved a spin-off of its diversified businesses to USI's shareholders. Completion of the spin-off is subject to receipt of a tax ruling from the Internal Revenue Service, that the distribution will be tax free, to USI shareholders. **The spin-off will become effective after receipt of the tax ruling, which the company anticipates prior to year-end.** U.S. Industries has four business divisions, most of which deal with construction and home improvement. Its tools and hardware division makes BiltBest windows, Keller Ladders, and lawn and garden tools (Ames, Spear & Jackson). Its lighting division makes products for both commercial and residential purposes. A broad-ranging diversified division makes everything from work and western boots (Georgia, Durango) to Rexair vacuum cleaners to leather for car seats (Garden State). The company makes and sells Jacuzzi whirlpools and bathroom fixtures. It also makes plumbing products under the Eljer and Zurn brands. USI is expected to file in June with the SEC on the proposed spin. The company has filed with the IRS for a tax-free ruling. **After the spin, U.S. Industries will focus on three core businesses (Jacuzzi, Lighting, and Hardware).**

John G. Raos, President and Chief Operating Officer of USI, will resign to become Chairman and Chief Executive Officer of the Diversified Company, which will apply for listing on the New York Stock Exchange. The Diversified group will include Rexair ("Rainbow" brand vacuum cleaners); Garden State Tanning and Leon Plastics (automotive interiors); Jade Holdings Singapore, Huron and Bearing Inspection (precision engineered products); EJ Footwear, including Georgia Boot and Lehigh Safety Shoe; Bilt Best Windows and Native Textiles. **It is expected that an Information Statement about the new company will be filed with the SEC in June, providing additional details.**

Spin Of a Spin

U.S. Industries has publicly traded since June 1, 1995, when it was spun-off from Hanson PLC. USI was initially comprised of 19 companies with most of its operating income derived from several well-known, market leading businesses such as Jacuzzi, Ames garden tools, Ertl toys, Rexair vacuum cleaners, Lighting Corporation of America, EJ Footwear and Garden State Tanning. USI's stock price has lagged the market badly in the last 12 months. Strategically, the spin-off of Diversified should strengthen USI's 3 core businesses both in the marketplace and as an investment (3 clearly defined core businesses are easier for investors to understand and managers to manage). We expect U.S. Industries to post revenues of roughly \$3.4 billion in FY 1999 (including the spin).

USI believes Diversified could create \$900 million in value. With the \$125 million sale of Ertl, \$600MM cash (to 'parent' USI from increased leverage at Diversified prior to spin) and prospective equity market cap of Diversified of \$200 million (assuming 9x FY1999E EPS of \$0.25), USI will have created \$925 million in value, in line with management's target. 'Core' USI includes the Bath & Plumbing (Jacuzzi, Eljer, and Zurn), Lighting and Hardware (Ames, True Temper) businesses. Diversified includes Rexair vacuums, EJ Footwear, Native Textiles, Garden State Tanning (auto leather interiors), Leon and Huron (auto components), Bearing Inspection (aircraft bearing overhaul) and Jade lead-frames).

Spin-off Numbers

Diversified contributed about \$0.40 in EPS in FY1998. The spin is likely to happen in F1Q 2000 (October-December 1999). Diversified's asset base at 9/30/1998 was \$781MM, debt pro-forma for the spin and USI leveraging up the segment prior to spin will be about \$650MM (\$600MM new debt raised for parent, \$50MM in working capital). USI Diversified, will assume approximately \$600 million of USI's debt through a new bank credit facility and offering of high yield bonds. The financing will allow USI to reduce debt, to make acquisitions for its core businesses and to continue repurchasing shares. **On a pro forma basis, the new USI Diversified company had annual revenues of approximately \$890 million and annual operating income of \$108 million in 1998.** Excluding the Diversified operations, **USI had annual revenues of \$2.2 billion and annual operating income of \$216 million in 1998.**

Recent Results

USI reported FQ2 (March) 1999 EPS of \$0.33, down 20% versus \$0.41 in FQ2 1998 and \$0.02 above the First Call Consensus estimate of \$0.31. USI reiterated its comfort with the FY 1999 EPS in the range of \$1.55 - \$1.65. Based on the current USI price of \$18 1/2, the company is trading at 11.5X the midpoint estimate of \$1.60 (including Diversified). Within the Diversified Group, the sale of Ertl and continued softness at Rexair and Garden State Tanning caused operating income to fall 38% on a 22% sales decline. Diversified's operating income fell to \$23 million from \$37 million. EJ Footware and native Textiles both had down quarters year over year.

Market Data:

FY:September

| | | | |
|--------------------|---------------|-----------|-------------|
| Price (5/21) | \$18 1/2 | Range: | \$29 - \$11 |
| Shares out: | 98 m | Dividend: | \$0.20 |
| Market Cap: | \$1.8 billion | Yield: | 1.08% |
| Consensus EPS FY99 | \$1.60 | LT Debt: | \$938 M |



Recently Announced Spin-Offs...

Wall Data May Spin its Internet Related Software

On May 3, 1999 – Wall Data Incorporated (NASDAQ: WALL) announced the spin-off or sale of its internet related software businesses, RUMBA® and Cyberprise™ units. Wall Data is a global internet company, specializing in enterprise software products and services enabling organizations to integrate and deploy applications over the Web and compete in the Net economy. Wall Data develops, markets, and supports enterprise and Internet software products and associated application tools, and provides support services. The Company's products deliver existing corporate computing systems, including various host, database, client/server, and public information to users in a browser or "Windows" based environment. The cost for the new sophistication will be surprisingly low due to the fact that it is an upgrade and not an entirely new application. Internet applications will be added to existing technology which will generously boost the output level most employees are currently able to achieve in their work. Wall Data has hired Bear Stearns and Co. to advise the restructuring.

RUMBA®, the flagship product of Wall Data Inc, is making the move to its upgraded 2000 version, which will be backed through ONESTEP® customer service, a customer support system. This new product will lead in providing better applications to access, create, organize, and publish business information while assuring a comprehensive support system and proven performance for users. Also, Wall Data announced that RUMBA 2000 will help customers lower their "cost of PC ownership." Wall Data believes in the fact that their internet related software products will lead the industry in respect to trustworthiness and reliability in mission-critical situations. Wall Data has invested in Web-enabled technology since 1994.

Cyberprise™, backed by its core product ARPEGGIO Live! is focusing on the Enterprise Information Portal (EIP) market. Enterprise class information portals will be the cornerstone upon which employees, partners and customers access a personalized view of corporate information. ARPEGGIO Live! will enable users to view multiple dynamic screens containing corporate database information and World wide Web pages at the same time.

Fourth Quarter and Year End Results

On May 20, Wall Data reported financial results for its fourth quarter and fiscal year ended April 30, 1999. Revenues for the year ended April 30, 1999 grew by 5% to \$140 million, compared with \$134 million during the same period a year ago. In the first year of sales, the Cyberprise (TM) business generated revenues of \$20 million or 14% of total revenues. Revenues from the RUMBA® product and service business totaled \$120 million, down 10% from the prior year. Excluding restructuring and non-recurring charges, the net loss for the year was \$6.5 million, or \$0.65 per share, compared to net income of \$2.3 million, or \$0.24 per share, during the same period a year ago. Including the after-tax effect of restructuring and non-recurring charges, the net loss for the year ended April 30, 1999 was \$8.9 million, or \$0.89 per share, compared to a net loss of \$5.1 million, or \$0.54 per share, during the same period a year ago. The Company's Cyberprise business generated revenues of \$2.3 million or 12% of total revenues. Revenues from the RUMBA business were \$17.8 million or 88% of total revenues. The net loss for the fourth quarter was \$14.3 million, or \$1.41 per share, compared to net income of \$0.7 million, or \$0.07 per share, during the same period a year ago. Wall Data has approximately 10.1 million shares outstanding, implying a market capitalization of \$120 million.

Potential Spinoffs

Tyco Considers Spin Off of Part of Valve, Auto Units

May 19, Tyco International Ltd., the world's biggest maker of flow-control valves, suggested it **could spin off a portion of the valve business** that caters to the U.S. residential construction market if the move creates value for shareholders, Tyco Chief Executive Dennis Kozlowski said Tyco will make a decision on a spin-off or initial public offering in the next several weeks. The business has about \$800 million in annual sales. **Tyco also is considering spinning off or offering shares in its automobile-auction unit, which also does business over the Internet.** The auto-auction business has annual sales of about \$300 million and profit of \$70 million. A decision on that division will be made by the fall. Tyco recently bought Raychem Corp. for \$3.27 billion in cash, stock and assumed debt, adding wiring, tubing and other product lines to its business as the No. 1 maker of electronic components.

MTV CEO sees Internet Ventures Spinoff

May 20, the chief executive of MTV (subsidiary of Viacom), Tom Freston said he **plans for all of the music video giant's online music ventures to go public within nine to 15 months** (roughly a dozen Web sites). Freston said other details would be released soon. The sites include three acquired Thursday, May 20th, in an alliance between MTV parent, media company Viacom Inc. and TCI Music Inc., the online arm of Liberty Media Group, the recently acquired cable programming unit of AT&T Corp. The sites would be linked to other MTV sites, as well as have some overlap with MTV's television business, said Freston. The MTV Networks Online Ventures sites include MTV.com, VH1.com and other sites acquired by MTV. Among the Web sites to be acquired from Liberty is SonicNet, which provides music news and online concerts and is considered to be one of the more established and popular music Web sites. MTV also bought The Box, a "pay-per-view" style music cable service. TCI Music acquired a 10 percent stake in MTV's Internet venture in return.

New York Times to Fold Net Holdings Into One Business Unit

Last month *the New York Times* said it would combine the company's Internet holdings into one business unit. **We believe the move could pave the way for an eventual IPO carveout and/or spin-off of the properties.** The publishing company said it would consolidate its nearly 50 Web sites, which include, among others, the site for its flagship paper (nytimes.com), its educational Web site, and its wine news online property (winetoday.com). Additionally, the new unit - Times Co. Digital - will host sites from the company's regional newspaper group, broadcast group and magazine group. New York Times said it **expects revenue from the new unit to be between \$24 million and \$26 million in 1999.** *The New York Times* Company publishes one of the world's most respected newspapers, *The New York Times*; owns *The Boston Globe*, 18 smaller dailies, three weeklies, half of the *International Herald Tribune*, and two newspaper distributors; and has stakes in two paper mills in the US and Canada. The company also operates eight TV stations, two radio stations and publishes three golf magazines. In addition, it sells wire and photo services, licenses trademarks and copyrighted material from *The New York Times*. The Sulzberger family controls the company.

For the first time, the New York Times broke out its Internet-businesses in its Q1 results. Revenues were up 18.8 in the first quarter to \$4.7 million as advertising climbed. **Registered users of the New York Times on the web exceeded 7 million**, up 100% from a year ago. The first quarter loss for the Times' Internet businesses was \$3.3 million versus only \$1.2 million a year ago. The company's sites now have over 90 million page views monthly. Seventeen of the company's 21 regional newspapers have sites and "Wine.Today" is a leading site for California wine aficionados.

Analyst Coverage

| Company | Symbol | Spin-Off Date | Broker | Recommendation | Date of Research |
|---------------------------|--------|---------------|-----------------------------|-----------------------|------------------|
| Allegheny Teledyne Inc. | ALT | 1999 | Merrill Lynch & Co. | Near-term buy | 04/29/99 |
| | | | Bear, Stearns & Co. | Attractive | 04/29/99 |
| | | | Salomon Smith Barney | Buy | 04/08/99 |
| | | | J.P. Morgan Securities | Buy | 03/01/99 |
| Arch Chemicals Inc. | ARJ | 02/09/99 | Merrill Lynch & Co. | Near-term accumulate | 05/06/99 |
| | | | Goldman, Sachs & Co. | Market outperform | 05/04/99 |
| Barnes & Noble Inc. | BKS | 05/25/99 | Brown Brothers Harriman | Short-term neutral | 05/20/99 |
| | | | Prudential Securities | Strong buy | 05/07/99 |
| | | | ING Baring Furman Selz | Hold | 04/30/99 |
| | | | ABN Amro | Outperform | 04/05/99 |
| | | | BT Alex Brown Inc. | Buy | 03/18/99 |
| | | | J.P. Morgan Securities | Long-term buy | 03/01/99 |
| Billing Concepts Corp. | BILL | 9/30/99 | ABN Amro | Buy | 04/05/99 |
| | | | Lehman Brothers | Outperform | 03/31/99 |
| | | | Prudential Securities | Hold | 03/23/99 |
| | | | Robert W. Baird & Co. | Short-term outperform | 03/17/99 |
| Century Business Services | CBIZ | 1999 | Jefferies & Co. | Accumulate | 05/11/99 |
| | | | Merrill Lynch & Co. | Near-term buy | 05/11/99 |
| | | | Tucker Cleary Capital | Strong buy | 05/03/99 |
| | | | Everen Securities | Short-term outperform | 04/28/99 |
| Citizen Utilities Co. | CZN | 4th qtr | Lehman Brothers | Buy | 03/31/99 |
| | | | Merrill Lynch & Co. | Near-term neutral | 03/01/99 |
| Columbia HCA Healthcare | COL | 05/11/99 | Merrill Lynch & Co. | Near-term buy | 05/05/99 |
| | | | Bear, Stearns & Co. | Attractive | 04/22/99 |
| | | | Salomon Smith Barney | Buy | 04/22/99 |
| | | | BT Alex Brown Inc. | Buy | 04/22/99 |
| | | | J.P. Morgan Securities | Buy | 03/01/99 |
| Compaq Computer Corp. | CPQ | 1999 | BancBoston Robertson | Buy | 05/10/99 |
| | | | ING Baring Furman Selz | Buy | 04/30/99 |
| | | | Merrill Lynch & Co. | Near-term neutral | 04/30/99 |
| | | | Bear, Stearns & Co. | Under review | 04/22/99 |
| | | | Salomon Smith Barney | Neutral | 04/21/99 |
| | | | PaineWebber Inc. | Neutral | 04/12/99 |
| Data Broadcasting Corp. | DBCC | 01/19/99 | First Albany Corp. | Buy | 05/18/99 |
| Delias*Inc. | DLIA | 04/09/99 | BT Alex Brown Inc. | Buy | 05/05/99 |
| Delphi Automotive Systems | DPH | 02/05/99 | Morgan Stanley Dean Witt | Strong buy | 05/20/99 |
| | | | Lehman Brothers | Outperform | 04/13/99 |
| | | | Goldman, Sachs & Co. | Market outperform | 03/30/99 |
| | | | BT Alex Brown Inc. | Market perform | 03/25/99 |
| | | | Merrill Lynch & Co. | Strong buy | 03/03/99 |
| | | | Donaldson Lufkin & Jenrette | Buy | 03/02/99 |
| Delta Woodside Inds. Inc. | DLW | 1999 | Wachovia Securities | Strong buy | 04/04/99 |
| | | | Prudential Securities | Hold | 03/31/99 |
| | | | Merrill Lynch & Co. | Near-term neutral | 03/01/99 |

Analyst Coverage

| Company | Symbol | Spin-Off Date | Broker | Recommendation | Date of Research |
|-----------------------------------|--------|---------------|---------------------------|----------------------|------------------|
| Du Pont (E.I.) de Nemours | DD | 10/22/98 | HSBC Securities Inc. | Underperform | 05/04/99 |
| | | | Salomon Smith Barney | Buy | 04/28/99 |
| | | | Bear, Stearns & Co. | Buy | 04/19/99 |
| | | | Deutsche Bank | Hold | 04/19/99 |
| | | | Merrill Lynch & Co. | Long-term buy | 04/05/99 |
| | | | Goldman, Sachs & Co. | Recommend list | 03/10/99 |
| Enron Corp. | ENE | 1999 | Morgan Stanley Dean Witt | Buy | 05/14/99 |
| | | | Lehman Brothers | Buy | 05/07/99 |
| | | | Prudential Securities | Strong buy | 03/31/99 |
| | | | Salomon Smith Barney | Neutral | 03/25/99 |
| | | | BancBoston Robertson | Buy | 03/18/99 |
| | | | | Near-term accumulate | 03/01/99 |
| Essef Corp. | ESSF | 07/31/99 | McDonald Investments | Hold | 04/30/99 |
| Gencorp Inc. | GY | 1999 | Lehman Brothers | Outperform | 03/31/99 |
| General Motors Corp. | GM | 02/05/99 | Morgan Stanley Dean Witt | Neutral | 05/17/99 |
| | | | ING Baring Furman Selz | Strong buy | 04/30/99 |
| | | | J.P. Morgan Securities | Buy | 04/29/99 |
| | | | Goldman, Sachs & Co. | Market outperform | 04/16/99 |
| | | | Donaldson Lufkin & Jenr | Buy | 04/16/99 |
| | | | Deutsche Bank | Buy | 04/07/99 |
| HRPT Properties Trust | HRP | 1999 | Legg Mason Wood Walker | Buy | 05/07/99 |
| | | | Warburg Dillon Read | Buy | 04/01/99 |
| | | | Prudential Securities | Accumulate | 03/31/99 |
| | | | A.G Edwards & Sons Inc. | Buy | 03/05/99 |
| IMS Health Inc. | RX | 3rd qtr | BT Alex Brown Inc. | Strong buy | 05/21/99 |
| | | | Donaldson Lufkin & Jenr | Buy | 04/06/99 |
| | | | Prudential Securities | Hold | 03/31/99 |
| | | | Bear, Stearns & Co. | Neutral | 03/26/99 |
| | | | SG Cowen | Buy | 03/09/99 |
| | | | | | |
| IDT Corp. | IDTC | 1999 | Friedman, Billings, Ram | Buy | 05/21/99 |
| | | | Kaufman Brothers | Sell | 05/20/99 |
| | | | Scott & Stringfellow Inc. | Hold | 04/05/99 |
| | | | Jefferies & Co. | Hold | 03/31/99 |
| | | | CIBC World Markets Inc. | Buy | 03/04/99 |
| | | | Bear, Stearns & Co. | Neutral | 03/04/99 |
| Investment Technology Group-(Old) | ITGI | 04/28/99 | Putnam, Lovell, de Guard | Hold | 03/17/99 |
| | | | CIBC World Markets Inc. | Buy | 03/16/99 |
| iTurf Inc. | TURF | | CIBC World Markets Inc. | Buy | 05/13/99 |
| | | | BT Alex Brown Inc. | Buy | 05/05/99 |
| | | | Hambrecht & Quist | Buy | 05/05/99 |
| | | | Wit Capital Corporation | Outperform | 05/04/99 |
| | | | J.P Morgan Securities | Buy | 05/04/99 |
| | | | Sands Brothers & Co Ltd. | Outperform | 04/22/99 |

Analyst Coverage

| Company | Symbol | Spin-Off Date | Broker | Recommendation | Date of Research |
|----------------------------|------------|---------------|-----------------------------|----------------------|------------------|
| Kansas City Southern Inds. | KSU | 4th qtr | Merrill Lynch & Co. | Near-term accumulate | 05/11/99 |
| | | | ING Baring Furman Selz | Hold | 04/30/99 |
| | | | Salomon Smith Barney | Buy | 04/27/99 |
| | | | Gruntal & Co. | Buy | 04/09/99 |
| | | | Morgan Stanley Dean Witt | Strong buy | 03/26/99 |
| LifePoint Hospitals Inc. | LPNT | 05/11/99 | Stephens Inc. | Buy | 05/21/99 |
| | | | Salomon Smith Barney | Outperform | 05/12/99 |
| | | | BancBoston Robertson St | Buy | 05/11/99 |
| Marketwatch.com Inc. | MKTW | 01/19/99 | First Albany Corp. | Accumulate | 05/11/99 |
| | | | Wit Capital Corporation | Buy | 05/03/99 |
| | | | Donaldson Lufkin & Jenrette | Buy | 03/30/99 |
| Meditrust Corp. | MT | 1999 | BancBoston Robertson St | Buy | 05/12/99 |
| | | | Warburg Dillon Read Inc. | Hold | 04/01/99 |
| | | | Sutro & Co. | Buy | 04/01/99 |
| | | | PaineWebber Inc. | Buy | 03/05/99 |
| Medpartners Inc. | MDM | 1999 | U.S. Bancorp Piper Jaffray | Buy | 05/05/99 |
| | | | SG Cowen | Buy | 04/12/99 |
| | | | Bank of America Securities | Hold | 03/31/99 |
| Navarre Corp. | NAVR | 1999 | Axxel Institutional Equity | Strong buy | 12/23/98 |
| Oak Industries Inc. | OAK | 1999 | Lehman Brothers | Outperform | 04/22/99 |
| | | | Donaldson Lufkin & Jenr | Top pick | 03/15/99 |
| Odetics Inc. | ODETA | 1999 | B. Riley & Company, Inc. | Buy | 05/12/99 |
| | | | Cruttenden Roth | Buy | 05/11/99 |
| Ogden Corp. | OG | 1999 | CIBC World Markets Inc. | Buy | 02/09/99 |
| Olin Corp. | OLN | 02/09/99 | Merrill Lynch & Co. | Near-term accumulate | 05/03/99 |
| Pepsi Bottling Group Inc. | PBG | 03/31/99 | Merrill Lynch & Co. | Near-term buy | 04/29/99 |
| | | | Goldman, Sachs & Co. | Market outperform | 04/26/99 |
| | | | Morgan Stanley Dean Witt | Strong buy | 04/26/99 |
| | | | Bear, Stearns & Co. | Buy | 04/26/99 |
| | | | Lehman Brothers | Outperform | 04/26/99 |
| | | | Salomon Smith Barney | Buy | 04/26/99 |
| Pepsico Inc. | PEP | 03/31/99 | Morgan Stanley Dean Witt | Outperform | 05/13/99 |
| | | | J.P. Morgan Securities | Buy | 04/29/99 |
| | | | Donaldson Lufkin & Jenr | Market perform | 04/23/99 |
| | | | Merrill Lynch & Co. | Near-term buy | 04/23/99 |
| | | | Salomon Smith Barney | Outperform | 04/23/99 |
| | | | Goldman, Sachs & Co. | Recommend list | 04/22/99 |
| | | | Pomeroy Computer Resources | PMRY | 1999 |
| J.C. Bradford & Co. | Strong buy | 04/27/99 | | | |
| Pulitzer Inc. | PTZ | 03/22/99 | Merrill Lynch & Co. | Near-term neutral | 04/22/99 |
| | | | Goldman, Sachs & Co. | Recommend list | 03/23/99 |
| RJR Nabisco Holdings | RN | 06/14/99 | Goldman, Sachs & Co. | Trading buy | 05/21/99 |
| | | | Brown Brothers Harrima | Short-term buy | 05/20/99 |
| | | | CS First Boston | Hold | 05/19/99 |
| | | | Merrill Lynch & Co. | Near-term accumulate | 04/26/99 |
| | | | Salomon Smith Barney | Buy | 04/12/99 |
| | | | Morgan Stanley Dean Witt | Outperform | 03/03/99 |
| | | | | | |

Analyst Coverage

| Company | Symbol | Spin-Off Date | Broker | Recommendation | Date of Research |
|----------------------------------|----------------|---------------|--------------------------|----------------------|------------------|
| Silicon Graphics | SGI | 1999/2000 | BancBoston Robertson | Buy | 04/23/99 |
| | | | Merrill Lynch & Co. | Near-term accumulate | 04/23/99 |
| | | | Salomon Smith Barney | Neutral | 04/01/99 |
| | | | Bear, Stearns & Co. | Neutral | 04/01/99 |
| | | | Lehman Brothers | Neutral | 03/31/99 |
| J.P. Morgan Securities | Market perform | 03/01/99 | | | |
| Synetic Inc. | SNTC | 1999 | Merrill Lynch & Co. | Near-term accumulate | 01/01/99 |
| Telephone & Data Systems Inc. | TDS | 1999 | ING Baring Furman Selz | Hold | 04/30/99 |
| | | | Deutsche Bank Securities | Buy | 04/14/99 |
| Tenneco Inc. | TEN | 1999 | Lehman Brothers | Neutral | 05/10/99 |
| | | | ING Baring Furman Selz | Buy | 04/30/99 |
| | | | Bear, Stearns & Co. | Neutral | 04/29/99 |
| | | | Donaldson Lufkin & Jenr | Market perform | 04/27/99 |
| Toronto-Dominion Bank | TD | 1999 | CIBC World Markets | Strong buy | 05/21/99 |
| | | | Merrill Lynch & Co. | Near-term buy | 05/21/99 |
| | | | Scotia Capital Markets | Strong buy | 04/07/99 |
| Triad Hospitals Inc. | TRIH | 05/11/99 | Stephens Inc. | Buy | 05/21/99 |
| | | | Salomon Smith Barney | Buy | 05/12/99 |
| Varian Inc. | VARI | 04/05/99 | Warburg Dillon Read | Buy | 04/19/99 |
| | | | Prudential Securities | Accumulate | 04/13/99 |
| Varian Medical Systems Inc. | VAR | 05/05/99 | Warburg Dillon Read | Buy | 04/06/99 |
| | | | Prudential Securities | Hold | 03/31/99 |
| | | | Lehman Brothers | Neutral | 03/31/99 |
| | | | CIBC World Markets Inc. | Hold | 03/3/99 |
| Varian Semiconductor | VSEA | 04/05/99 | Warburg Dillon Read Inc. | Buy | 05/21/99 |
| | | | Lehman Brothers | Neutral | 03/30/99 |
| Voicestream Wireless Corporation | VSTR | 05/03/99 | Salomon Smith Barney | Buy | 05/19/99 |
| | | | Lehman Brothers | Neutral | 05/13/99 |
| | | | J.P. Morgan Securities | Buy | 05/12/99 |
| | | | PaineWebber Inc. | Buy | 05/05/99 |
| | | | Deutsche Bank Securities | Hold | 05/04/99 |
| | | | BT Alex Brown Inc. | Strong buy | 05/04/99 |
| Watts Industries | WTS | 1999 | ING Baring Furman Selz | Buy | 04/30/99 |
| | | | Salomon Smith Barney | Neutral | 04/19/99 |
| Western Wireless | WWCA | 05/03/99 | Bear, Stearns & Co. | Buy | 05/14/99 |
| | | | Lehman Brothers | Neutral | 05/13/99 |
| | | | J.P. Morgan Securities | Buy | 05/12/99 |
| | | | BT Alex Brown Inc. | Buy | 05/04/99 |
| | | | ING Baring Furman Selz | Hold | 04/30/99 |
| Williams Cos. Inc. | WMB | May/June | BT Alex Brown Inc. | Buy | 04/29/99 |
| | | | Merrill Lynch & Co. | Near-term accumulate | 04/27/99 |
| Viacom Inc. | VIA | 1999 | ING Baring Furman Selz | Strong buy | 04/30/99 |
| | | | J.P. Morgan Securities | Buy | 04/29/99 |
| | | | Merrill Lynch & Co. | Near-term accumulate | 04/29/99 |
| | | | Lehman Brothers | Outperform | 03/31/99 |
| | | | Bear, Stearns & Co. | Attractive | 03/22/99 |

Source: Bloomberg

Recent Holdings

| COMPANY | SYMBOL | HOLDING COMPANY | SHARES HELD | % HELD | LATEST CHANGE |
|--------------------|--------|-------------------------------|-------------|--------|---------------|
| ALLEGHENY TELEDYNE | ALT | SCUDDER KEMPER | 12,012,000 | 6.23 | 985,096 |
| | | CAPITAL RESEARCH & MANAGEMENT | 11,020,000 | 5.72 | 869,600 |
| | | SASCO CAPITAL INC | 3,650,000 | 1.89 | 736,390 |
| | | FRANKLIN MUTUAL ADVISORS | 3,139,000 | 1.63 | -2,900 |
| | | THE VANGUARD GROUP | 2,497,000 | 1.3 | 123,986 |
| | | STATE STREET CORPORATION | 2,462,000 | 1.28 | -511,000 |
| BILLING CONCEPTS | BILL | KR CAPITAL ADVISORS | 2,083,000 | 1.08 | -17,800 |
| | | EMERGING GROWTH | 2,518,000 | 6.77 | 963,300 |
| | | SCUDDER KEMPER | 1,485,000 | 3.99 | -41,000 |
| | | T ROWE PRICE ASSOCIATES | 1,322,000 | 3.56 | -3,700 |
| | | MERRILL LYNCH ASSET | 1,272,000 | 3.42 | 1,210,000 |
| | | INVESTMENT ADVISERS | 799,900 | 2.15 | 242,400 |
| CARRAMERICA REAL | CRE | ROCKEFELLER FINANCIAL | 657,060 | 1.77 | 146,000 |
| | | BECKER CAPITAL MANAGEMENT | 483,300 | 1.3 | 11,500 |
| | | CAPITAL RESEARCH & MANAGEMENT | 2,470,000 | 3.44 | 100,000 |
| | | RREEF REAL ESTATE | 2,423,000 | 3.38 | -19,100 |
| | | CRA REAL ESTATE | 2,118,000 | 2.95 | 111,962 |
| | | WELLINGTON MANAGEMENT | 1,911,000 | 2.66 | -27,800 |
| | | MERRILL LYNCH & CO | 1,829,000 | 2.55 | -4,374,000 |
| | | MERRIL LYNCH ASSET | 1,183,000 | 1.65 | -15,000 |
| | | MORGAN STANLEY DEAN | 1,131,000 | 1.58 | 243,300 |
| | | THE TORRAY CORPORATION | 1,064,000 | 1.48 | 1,064,000 |
| CENTURY BUSINESS | CBIZ | BARCLAYS BANK PLC | 1,008,000 | 1.4 | 85,598 |
| | | THE EQUITABLE COMPANY | 3,179,000 | 4.14 | -506,000 |
| | | PPM AMERICA INC | 3,179,000 | 2.32 | 1,786,000 |
| | | PILGRIM BAXTER | 1,596,000 | 2.08 | 122,000 |
| | | ROXBURY CAPITAL MANAGEMENT | 1,463,000 | 1.9 | 157,635 |
| | | THE PUTNAM MANAGEMENT | 1,111,000 | 1.44 | |
| CITIZENS UTILITIES | CTZ | CITIGROUP INC | 847,259 | 1.1 | 467,003 |
| | | SOUND SHORE MANAGEMENT | 11,003,000 | 4.23 | 3,636,000 |
| | | FRANKLIN MUTUAL ADVISORS | 10,681,000 | 4.11 | 1,654,000 |
| | | GAMCO INVESTORS INC | 5,333,000 | 2.05 | 425,497 |
| | | MERRILL LYNCH ASSET | 4,366,000 | 1.68 | 1,483 |
| | | SASCO CAPITAL INC | 4,085,000 | 1.57 | 4,085,000 |
| COMPUSA INC | CPU | CLOVER CAPITAL MANAGEMENT | 3,684,000 | 1.42 | 28,775 |
| | | FLEET FINACIAL GROUP | 3,364,000 | 3.67 | 478,750 |
| | | FIDELITY MANAGEMENT | 2,186,000 | 2.38 | -3,006,000 |
| | | THE BOSTON COMPANY | 1,859,000 | 2.03 | 1,356,000 |
| | | DEWEY SQUARE INVESTORS | 1,799,000 | 1.96 | 100,325 |
| | | TIAA-CREF INVESTMENT | 1,144,000 | 1.25 | -203,000 |
| DELIA*S INC | DLIA | T ROWE PRICE ASSOCIATES | 1,022,000 | 1.11 | 1,022,000 |
| | | GILDER GAGNON HOWE | 1,555,000 | 10.92 | -57,370 |
| | | PNC BANK CORP | 279,374 | 1.96 | 279,374 |
| | | LORD ABBETT & COMPANY | 250,000 | 1.76 | 250,000 |
| | | USAA INVESTMENT MANAGEMENT | 195,000 | 1.37 | -3,000 |
| GENCORP INC | GY | PILGRIM BAXTER | 172,400 | 1.21 | 172,400 |
| | | FIDELITY MANAGEMENT | 4,280,000 | 10.26 | 105,700 |
| | | FRANKLIN MUTUAL ADVISORS | 2,511,000 | 6.02 | 490,722 |
| | | GAMCO INVESTORS INC | 2,241,000 | 5.37 | 114,500 |
| | | MERRILL LYNCH ASSET | 2,075,000 | 4.98 | -802,000 |
| | | THE PRUDENTIAL INSURANCE | 1,402,000 | 3.36 | -706,000 |
| | | REICH & TANG ASSET | 1,220,000 | 2.92 | 961,500 |
| | | THE PUTNAM MANAGEMENT | 866,695 | 2.08 | 86,300 |
| | | TEMPLETON INVESTMENT | 641,000 | 1.54 | |
| | | TIAA-CREF INVESTMENT | 568,424 | 1.36 | -10,000 |
| HARCOURT GENERAL | H | DAVIS SELECTED ADVISORS | 3,837,000 | 7.51 | 10,954 |
| | | NEUBERGER & BERMAN | 1,580,000 | 3.09 | -107,000 |
| | | THE BOSTON COMPANY | 1,425,000 | 2.79 | -83,905 |
| | | THE PUTNAM MANAGEMENT | 1,271,000 | 2.49 | -430,000 |
| | | NEUBERGER & BERMAN | 1,270,000 | 2.49 | -202,000 |
| | | WEISS PECK & GREER | 1,206,000 | 2.36 | -20,140 |
| | | AMERICAN FAMILY MUTUAL | 1,117,000 | 2.19 | |
| | | CITIGROUP INC | 1,007,000 | 1.97 | 19,546 |
| | | THE VANGUARD GROUP | 891,901 | 1.75 | 46,499 |

Recent Holdings

| COMPANY | SYMBOL | HOLDING COMPANY | SHARES HELD | % HELD | LATEST CHANGE |
|---------------------------|---------|-------------------------------|-------------|--------|---------------|
| LIMITED INC | LTD | FIDELITY MANAGEMENT | 19,840,000 | 8.7 | 6,504,000 |
| | | CAPITAL RESEARCH | 17,903,000 | 7.85 | 3,481,000 |
| | | THE EQUITABLE COMPANY | 10,750,000 | 4.71 | 1,769,000 |
| | | CHASE MANHATTAN CORP | 5,514,000 | 2.42 | -415,000 |
| | | THE PRUDENTIAL INSURANCE | 5,452,000 | 2.39 | -295,000 |
| | | TIAA-CREF INVESTMENT | 4,000,000 | 1.75 | 358,200 |
| | | CITIGROUP INC | 3,711,000 | 1.63 | -743,000 |
| | | INVESCO FUNDS GROUP | 2,988,000 | 1.31 | -327,000 |
| | | THE VANGUARD GROUP | 2,888,000 | 1.27 | 137,391 |
| | | STATE STREET CORPORA | 2,842,000 | 1.25 | -454,000 |
| MAGNA INTL - A | MGA | THE CC&L FINANCIAL | 5,855,000 | 7.4 | 322,100 |
| | | TIGER MANAGEMENT LLC | 3,436,000 | 4.34 | 515,410 |
| | | FIDELITY MANAGEMENT | 2,759,000 | 3.48 | 491,260 |
| | | TAL INVESTMENT | 2,560,000 | 3.23 | 929,610 |
| | | SOUND SHORE MANAGEMENT | 2,165,000 | 2.74 | -48,000 |
| | | EATON VANCE MANAGEMENT | 1,273,000 | 1.61 | 223,750 |
| | | MACKENZIE FINANCIAL | 1,205,000 | 1.52 | 173,499 |
| MEDITRUST CORP | MT | CAPITAL RESEARCH | 9,130,000 | 6.11 | 2,455,000 |
| | | MERRILL LYNCH & CO. | 6,779,000 | 4.54 | -1,642,000 |
| | | MERRILL LYNCH ASSET | 4,147,000 | 2.78 | -64,800 |
| | | TRINITY I FUND L. P. | 2,991,000 | 2 | 1,783,000 |
| | | CLOVER CAPITAL MANAGEMENT | 2,130,000 | 1.43 | -375,000 |
| | | FIRST MANHATTAN | 1,801,000 | 1.21 | 407,400 |
| | | TEMPLETON INVESTMENT | 1,607,000 | 1.08 | -38,933 |
| MEDPARTNERS INC | MDM | MANNING NAPIER ADVISORS | 14,740,000 | 7.4 | -2,273,000 |
| | | FIDELITY MANAGEMENT | 10,299,000 | 5.17 | -438,000 |
| | | LEGG MASON FUND ADVISORS | 8,000,000 | 4.01 | 8,000,000 |
| | | LEON G COOPERMAN | 6,315,000 | 3.17 | 599,300 |
| | | HIGHFIELDS CAPITAL MANAGEMENT | 5,084,000 | 2.55 | 3,922,000 |
| | | WELLINGTON MANAGEMENT | 4,612,000 | 2.31 | -4,584,000 |
| | | FRIESS ASSOCIATES | 3,941,000 | 1.98 | 3,941,000 |
| | | MERRILL LYNCH ASSET | 3,385,000 | 1.7 | 113,458 |
| | | GRUBER & MCBAIN CAPITAL | 3,254,000 | 1.63 | 704,000 |
| | | TIAA-CREF INVESTMENT | 3,167,000 | 1.59 | -243,000 |
| MILLER INDS/TENN | MLR | MATADOR CAPITAL MANAGEMENT | 2,871,000 | 1.44 | -745,000 |
| | | ACCOUNT MANAGEMENT | 4,204,000 | 9.05 | 98,000 |
| | | MERRILL LYNCH ASSET | 2,941,000 | 6.33 | 14,200 |
| | | STATE OF WISCONSIN | 1,752,000 | 3.77 | |
| | | COMPOSITE RESEARCH | 939,750 | 2.02 | -5,450 |
| | | DIMENSIONAL FUND ADVISORS | 807,600 | 1.74 | 144,000 |
| | | THE BOSTON COMPANY | 660,100 | 1.42 | -563,000 |
| NAVARRE CORP | NAVR | DIMENSIONAL FUND ADVISORS | 243,900 | 1.06 | -22,100 |
| OAK INDS INC | OAK | J & W SELIGMAN & CO | 2,600,000 | 14.27 | -82,864 |
| | | WELLINGTON MANAGEMENT | 2,123,000 | 11.65 | 156,100 |
| | | LAZARD FRERES & COMP | 1,171,000 | 6.43 | -69,819 |
| | | JOHN MCSTAY INVESTMENT | 950,600 | 5.22 | 67,500 |
| | | CITIGROUP INC | 851,405 | 4.67 | 110,349 |
| | | FIDELITY MANAGEMENT | 784,900 | 4.31 | 43,800 |
| | | FRONTIER CAPITAL MANAGEMENT | 445,900 | 2.45 | 101,600 |
| | | WAGNER ASSET MANAGEMENT | 440,000 | 2.42 | |
| | | ACCOUNT MANAGEMENT | 379,140 | 2.08 | 9,600 |
| | | FURMAN SELZ CAPITAL | 336,390 | 1.85 | 336,390 |
| | | WESTPEAK INVESTMENT | 310,000 | 1.7 | 9,300 |
| | | PRESIDENT AND FELLOW | 305,700 | 1.68 | -800 |
| | | HENDERSON INVESTORS | 281,400 | 1.55 | 52,400 |
| | | GENERAL ELECTRIC INV | 260,000 | 1.43 | 260,000 |
| | | 1838 INVESTMENT ADVISORS | 258,828 | 1.42 | -33,222 |
| | | PNC BANK CORP | 231,800 | 1.27 | 800 |
| | | J L KAPLAN ASSOCIATES | 203,800 | 1.12 | -101,000 |
| AIM MANAGEMENT GROUP | 203,700 | 1.12 | -101,000 | | |
| DIMENSIONAL FUND ADVISORS | 189,960 | 1.04 | 3,300 | | |

Recent Holdings

| COMPANY | SYMBOL | HOLDING COMPANY | SHARES HELD | % HELD | LATEST CHANGE |
|----------------------------------|------------|-------------------------------|-------------|--------|---------------|
| OGDEN CORP | OG | FIDELITY MANAGEMENT | 6,212,000 | 12.66 | -46,300 |
| | | THE PUTNAM MANAGEMENT | 3,278,000 | 6.68 | -18,300 |
| | | FRANKLIN MUTUAL ADVISORS | 2,065,000 | 4.21 | 2,065,000 |
| | | FRANKLIN PORTFOLIO ADVISORS | 1,071,000 | 2.18 | 283,000 |
| | | WELLINGTON MANAGEMENT | 1,000,000 | 2.04 | |
| | | CULLEN/FROST BANKERS | 968,877 | 1.97 | -220,000 |
| | | AMERICAN CENTURY | 579,200 | 1.18 | 58,600 |
| | | STATE STREET RESEARCH | 572,182 | 1.17 | 66,182 |
| QUANTUM CORP | QNTM | SANFORD C BERNSTEIN | 24,454,000 | 14.74 | 7,669,000 |
| | | FIDELITY MANAGEMENT | 9,578,000 | 5.77 | -4,935,000 |
| | | CAPITAL RESEARCH | 7,575,000 | 4.56 | 115,000 |
| | | CITIGROUP INC | 4,608,000 | 2.78 | -192,000 |
| | | THE PUTNAM MANAGEMENT | 3,757,000 | 2.26 | 3,757,000 |
| | | STATE STREET CORPORATION | 3,539,000 | 2.13 | -776,000 |
| | | JURIKA & VOYLES L P | 3,210,000 | 1.93 | 3,210,000 |
| | | NEUBERGER & BERMAN | 2,368,000 | 1.43 | -479,000 |
| PC QUOTE INC TELEPHONE & DATA | PQT TDS | NEUBERGER & BERMAN | 2,278,000 | 1.37 | -1,387,000 |
| | | DIMENSIONAL FUND ADVISORS | 231,500 | 1.56 | 12,500 |
| | | FRANKLIN MUTUAL ADVISORS | 7,113,000 | 13.22 | -287,000 |
| | | GAMCO INVESTORS INC | 4,581,000 | 8.51 | 238,300 |
| | | WALLACE R WEITZ & CO | 2,943,000 | 5.47 | 29,600 |
| | | THE EQUITABLE COMPANY | 2,574,000 | 4.78 | -2,842,000 |
| | | DAVID J GREENE & COM | 2,210,000 | 4.11 | -166,000 |
| | | GOLDMAN SACHS & CO | 1,604,000 | 2.98 | -644,000 |
| TENNECO INC | TEN | CITIGROUP INC | 963,733 | 1.79 | -122,000 |
| | | SOUND SHORE MANAGEMENT | 920,300 | 1.71 | 920,300 |
| | | WANGER ASSET MANAGEMENT | 688,000 | 1.28 | 1,000 |
| | | STRONG CAPITAL MANAGEMENT | 577,850 | 1.07 | -75,100 |
| | | BARROW HANLEY MEWHIN | 21,482,000 | 12.63 | 276,490 |
| | | DEAN WITTER | 8,666,000 | 5.1 | 560,340 |
| | | DELAWARE MANAGEMENT | 8,330,000 | 4.9 | -1,105,000 |
| | | HOTCHKIS AND WILEY | 4,864,000 | 2.86 | 35,082 |
| US INDUSTRIES | USI | PPM AMERICA INC | 4,505,000 | 2.65 | 749,615 |
| | | ABN AMRO ASSET MANAGEMENT | 4,100,000 | 2.41 | |
| | | ARK ASSET MANAGEMENT | 3,466,000 | 2.04 | -149 |
| | | HARRIS ASSOCIATES | 18,211,000 | 19.68 | 976,325 |
| | | FRANKLIN MUTUAL ADVISORS | 7,389,000 | 7.99 | -420,000 |
| | | THE EQUITABLE COMPANY | 6,390,000 | 6.91 | 622,225 |
| | | IRIDIAN ASSET MANAGEMENT | 4,994,000 | 5.4 | -45,300 |
| | | SASCO CAPITAL INC | 4,837,000 | 5.23 | -60,980 |
| WALL DATA INC | WALL | SOUTHEASTERN ASSET MANAGEMENT | 4,070,000 | 4.4 | |
| | | SNYDER CAPITAL MANAGEMENT | 1,631,000 | 1.76 | 448,700 |
| | | TIAA-CREF INVESTMENT | 1,300,000 | 1.4 | -21,800 |
| | | WEDGE CAPITAL MANAGEMENT | 1,225,000 | 1.32 | -29,675 |
| | | TRINITY I FUND L P | 1,220,000 | 1.32 | |
| | | FIRST MANHATTAN | 1,095,000 | 1.18 | -696,000 |
| | | STATE OF WISCONSIN | 1,201,000 | 11.83 | 320,700 |
| | | MUNDER CAPITAL MANAGEMENT | 677,914 | 6.68 | 677,914 |
| WATTS INDS- A | WTS | COMPOSITE RESEARCH | 553,495 | 5.45 | -36,265 |
| | | DIMENSIONAL FUND ADVISORS | 494,700 | 4.87 | -27,800 |
| | | C H DEAN & ASSOCIATE | 369,595 | 3.64 | 66,700 |
| | | CAPITAL TECHNOLOGY | 338,120 | 3.33 | 123,300 |
| | | HEARTLAND ADVISORS | 300,000 | 2.96 | 300,000 |
| | | AELTUS INVESTMENT | 166,600 | 1.64 | 166,600 |
| | | ATLANTIC CAPITAL MANAGEMENT | 156,200 | 1.54 | -5,875 |
| | | FRANKLIN RESOURCES | 1,487,000 | 9.2 | 105,550 |
| WATTS INDS- A | WTS | LAZARD FRERES & COMP | 1,117,000 | 6.91 | -38,100 |
| | | BERGER ASSOCIATES | 725,600 | 4.49 | 725,600 |
| | | DIMENSIONAL FUND ADVISORS | 663,200 | 4.1 | 21,600 |
| | | THE STATE TEACHERS | 650,900 | 4.03 | -42,200 |
| | | SCUDDER KEMPER INVESTMENT | 602,020 | 3.73 | -34,145 |
| | | HARRIS ASSOCIATES | 522,500 | 3.23 | -100,000 |
| | | INVISTA CAPITAL MANAGEMENT | 480,400 | 2.97 | 159,700 |
| | | THE TCW GROUP INC | 375,900 | 2.33 | -27,100 |
| ROSENBERG INSTITUTION | 345,800 | 2.14 | 123,900 | | |

Insider Trading Transactions

| COMPANY | SYMBOL | DATE | NAME | TITLE / STATUS | BUY/ SELL | SHARES TRADED | SHARES HELD |
|------------------------|--------|----------|-------------------------|----------------|-----------|---------------|-------------|
| Abercrombie & Fitch | ANF | 03/04/99 | Johnson, Seth R. | CFO | Sell | 27,723 | 21,154 |
| Abercrombie & Fitch | ANF | 03/19/99 | Foos, George | Director | Sell | 500 | 557 |
| Abercrombie & Fitch | ANF | 03/29/99 | Donnan-Martin, Michele | Officer | Sell (I) | 398 | 10,998 |
| Abercrombie & Fitch | ANF | 03/29/99 | Donnan-Martin, Michele | Officer | Sell (I) | 650 | 27,398 |
| Abercrombie & Fitch | ANF | 03/29/99 | Martin, Charles | V.P. | Sell | 390 | 10,998 |
| Barnes and Noble | BKS | 03/08/99 | Tolworthy, Thomas A. | Officer | Sell | 59,200 | 0 |
| Barnes and Noble | BKS | 03/18/99 | Deason, David S. | Officer | Sell | 24,976 | 0 |
| Barnes and Noble | BKS | 03/19/99 | Klipper, Mitchell S. | EX V.P. | Sell | 100,000 | 0 |
| Bindley Western | BDY | 03/24/99 | Shinn, Michael L. | Treasurer | Sell | 3,154 | 12,406 |
| Bindley Western | BDY | 03/25/99 | Bindley, William E. | C.B. | Sell (I) | 3,000 | 119,232 |
| Bindley Western | BDY | 03/30/99 | Beyerl, Gregory S. | V.P. | Sell | 5,000 | 13,406 |
| Century Business | CBIZ | 03/01/99 | Degroote, Michael G. | C.B. | Buy (I) | 178,300 | 13,315,482 |
| Century Business | CBIZ | 03/01/99 | Westbury (Bermuda) LTD | B/O | Buy | 178,300 | 13,315,482 |
| ChoicePoint | CPS | 03/10/99 | Smith, Derek V. | PR | Buy (I) | 100 | 6,473 |
| Cincinatti Bell | CSN | 03/01/99 | Stonebraker, Barbara J. | Officer | Sell (I) | 7,960 | 7,275 |
| Citizens Utilities | CZN | 3/10/99 | Ross, Livingston E. | V.P. | Sell | 1,000 | 5,116 |
| Columbia/HCA | COL | 03/08/99 | Patton, Philip R. | SR V.P. | Buy (I) | 10,000 | 16,524 |
| Columbia/HCA | COL | 03/09/99 | Frist, Thomas F. | JR MD CB | Buy | 2,654,200 | 3,672,783 |
| Columbia/HCA | COL | 03/12/99 | Patton, Philip R. | SR V.P. | Buy | 12,800 | 17,400 |
| Corn Products Intl. | CPO | 03/09/99 | Ferguson, William C. | Director | Buy | 5,000 | 8,714 |
| Corn Products Intl. | CPO | 03/10/99 | Greiner, Guenther E. | Director | Buy | 4,000 | 4,000 |
| Corn Products Intl. | CPO | 03/17/99 | Decrane, Alfred C. | JR Dir. | Buy | 1,000 | 2,125 |
| Donaldson Lufkin & Jen | DLJ | 03/12/99 | James, Hamilton E. | Director | Buy (I) | 287,809 | 338,879 |
| Enron | ENE | 03/04/99 | Causey, Richard A. | SR V.P. | Sell | 36,813 | 27,965 |
| Enron | ENE | 03/18/99 | Fastow, Andrew S. | CFO | Sell | 22,022 | 30,173 |
| Enron | ENE | 03/18/99 | Foy, Joy H. | Director | Sell | 6,840 | 13,454 |
| Enron | ENE | 03/18/99 | Horton, Stanley C. | C.B. | Sell | 24,000 | 52,977 |
| Enron | ENE | 03/22/99 | Mark, Rebecca P. | V.C.B. | Sell | 304,510 | 82,778 |
| Genzyme | GENZ | 03/09/99 | Fleming, David D. | Officer | Sell | 20,000 | 349 |
| Genzyme | GENZ | 03/10/99 | Termeer, Henri A. | C.B. | Sell | 300,000 | 211,498 |
| Genzyme | GENZ | 03/15/99 | Smith, Alan E. | SR V.P. | Sell | 10,164 | 206 |
| Genzyme | GENZ | 03/22/99 | Cooney, Charles L. | Director | Sell | 2,000 | 15,440 |
| Genzyme | GENZ | 03/27/99 | McLachlan, David J. | EX V.P. | Sell | 83 | 13,158 |
| Hanover Direct | HNV | 03/11/99 | Regan, Basil P. | B/O | Buy | 140,000 | 612,400 |
| Hanover Direct | HNV | 03/17/99 | Regan Partners, L.P. | B/O | Buy | 175,000 | 22,615,500 |
| Hanover Direct | HNV | 03/17/99 | Regan, Basil P. | B/O | Buy (I) | 175,000 | 38,716,250 |
| Hanover Direct | HNV | 03/17/99 | Regan, Basil P. | B/O | Buy (I) | 20,000 | |
| Host Marriott | HMT | 03/18/99 | Vincent, Harry L. | JR Dir. | Buy | 1,000 | 27,406 |
| Host Marriott | HMT | 03/29/99 | Marriott, Richard E. | C.B. | Buy | 226,400 | 6,039,208 |
| Intimate Brands | IBI | 03/12/99 | Nichols, Grace A. | Officer | Sell | 10,340 | 356,444 |
| Intimate Brands | IBI | 03/19/99 | Pritchard, Beth M. | Director | Buy (I) | 18 | 1,500 |
| Intimate Brands | IBI | 03/29/99 | Pritchard, Beth M. | Director | Sell | 19,700 | 334,862 |
| Kushner-Locke | KLOC | 03/22/99 | Friedman, Irwin S. | Director | Sell | 2,500 | 0 |
| Limited | LTD | 03/05/99 | Kollat, David T. | Director | Sell | 30,000 | 171,220 |
| Limited | LTD | 03/12/99 | Gilman, Kenneth B. | VCB | Sell | 10,000 | 483,733 |
| Limited | LTD | 03/31/99 | Kanarick, Arnold F. | EX V.P. | Sell | 7,600 | 197,003 |
| Marriott International | MAR | 03/09/99 | Fuller, Edwin D. | Officer | Sell | 3,589 | 95,458 |

Insider Trading Transactions

| COMPANY | SYMBOL | DATE | NAME | TITLE / STATUS | BUY/ SELL | SHARES TRADED | SHARES HELD |
|-----------------------|--------|----------|------------------------|----------------|-----------|---------------|-------------|
| MediTrust | MT | 03/04/99 | Magovern, Thomas J. | Director | Sell | 10,000 | 23,577 |
| MedPartners | MDM | 03/05/99 | Clark, Charles C. | EX V.P. | Buy | 50,000 | 59,117 |
| MedPartners | MDM | 03/09/99 | Novinski, Edward J. | EX V.P. | Buy | 25,000 | 37,351 |
| Meritor Automotive | MRA | 03/05/99 | Greenfield, David W. | Officer | Buy | 1,000 | 4,000 |
| Meritor Automotive | MRA | 03/05/99 | Harff, Charles H. | Director | Buy (I) | 4,000 | 7,610 |
| Meritor Automotive | MRA | 03/15/99 | Poling, Harold A. | Director | Buy | 20,000 | 22,500 |
| Metris | MTRS | 03/04/99 | Wesselink, David D. | EX V.P. | Buy | 2,000 | 3,000 |
| Metris | MTRS | 03/17/99 | Cleary, John A. | Director | Buy | 1,000 | 1,000 |
| Metris | MTRS | 03/30/99 | Trestman, Frank D. | Director | Buy | 5,000 | 11,910 |
| Midas | MDS | 03/23/99 | Dykes, Archie R. | Director | Buy | 500 | 1,441 |
| Millenium Chemical | MCH | 03/05/99 | Hanik, Peter P. | PR | Buy (I) | 158 | 14,268 |
| Millenium Chemical | MCH | 03/05/99 | Landuyt, William M. | C.B. | Buy (I) | 2,367 | 119,035 |
| Millenium Chemical | MCH | 03/09/99 | Carmean, C. William | V.P. | Buy (I) | 1,200 | 5,999 |
| Millenium Chemical | MCH | 03/09/99 | Carmean, C. William | V.P. | Buy (I) | 1,200 | 5,999 |
| Odetics | ODETA | 03/11/99 | Mickelson, Ralph R. | Director | Buy | 15,094 | 77,194 |
| Odetics | ODETA | 03/11/99 | Scheel, David J. | V.P. | Buy | 3,774 | 11,140 |
| Odetics | ODETA | 03/11/99 | Seaholtz, John | Director | Buy | 7,547 | 9,047 |
| Odetics | ODETA | 03/11/99 | Slutzky, Joel | C.B. | Buy | 232,303 | 454,933 |
| Odetics | ODETA | 03/11/99 | Smith, Gary | V.P. | Buy | 7,547 | 34,363 |
| Odetics | ODETA | 03/11/99 | Wexler, Leo | Director | Buy | 15,094 | 46,194 |
| Odetics | ODETA | 03/11/99 | Wright, Paul | Director | Buy | 15,094 | 46,994 |
| Ogden | OG | 03/19/99 | Marshall, Quintin G. | SR V.P. | Buy (I) | 120 | 1,477 |
| Ogden | OG | 03/19/99 | Marshall, Quintin G. | SR V.P. | Buy (I) | 1,477 | 120 |
| Olin Corp. | OLN | 03/26/99 | Jackson, Johnnie M. | V.P. | Buy (I) | 2,000 | 11,399 |
| Olin Corp. | OLN | 03/26/99 | Ruggiero, Anthony W. | EX V.P. | Buy | 20,000 | 35,483 |
| Pittway Corp. | PRY | 03/12/99 | Friend, William J. | B/O | Buy | 10,000 | 40,164 |
| Pittway Corp. | PRY | 04/01/99 | Harris, Benjamin H. | B/O | Buy (I) | 48,704 | 112,604 |
| Pittway Corp. | PRY | 04/01/99 | Harris, William W. | Director | Sell | 97,408 | 303,992 |
| Pomeroy Computer Res. | PMRY | 03/04/99 | Mills, Richard C. | Director | Sell | 120,866 | 0 |
| Pomeroy Computer Res. | PMRY | 03/04/99 | Pomeroy, David B. | CEO | Sell | 55,000 | 2,240,050 |
| Pomeroy Computer Res. | PMRY | 03/04/99 | Rosenthal, David W. | Director | Sell | 10,209 | 2,000 |
| Pomeroy Computer Res. | PMRY | 03/11/99 | Rohrkemper, Michael E. | Director | Sell | 6,187 | 5,063 |
| RCN Corp. | RCNC | 03/11/99 | O'Neill, Thomas P. III | Director | Buy | 2,000 | 4,798 |
| Rockwell | ROK | 03/01/99 | Jones, Clayton M. | SR V.P. | Sell | 2,735 | 5,798 |
| RSL Communications | RSLC | 03/01/99 | Hirschhorn, Mark | V.P. | Sell | 36,100 | 30,793 |
| Telephone Data | TDS | 03/08/99 | Warkentin, Don | Officer | Sell | 14,566 | 0 |
| Torchmark | TMK | 03/18/99 | Hudson, C. B. | C.B. | Buy (I) | 4,000 | 28,051 |
| Unova | UNA | 03/04/99 | Edwards, William C. | Director | Buy | 34,000 | 39,300 |
| Unova | UNA | 03/09/99 | Frank, Stephen E. | Director | Buy | 5,000 | 7,000 |
| Unova | UNA | 03/10/99 | Ohanian, Michael | Officer | Buy | 5,000 | 9,003 |
| Unova | UNA | 03/11/99 | Walsh, William D. | Director | Buy | 12,000 | 93,800 |
| Varian Inc. | VARI | 03/26/99 | Mundell, D. E. | Director | Buy (I) | 5,000 | 5,000 |
| Varian Medical | VAR | 03/25/99 | Lauer, Allen J. | EX V.P. | Sell | 30,000 | 6,300 |
| Vlasic | VL | 03/04/99 | Karlson, Lawrence C. | Director | Buy | 10,000 | 22,000 |
| Vlasic | VL | 03/05/99 | Keller, Donald J. | C.B. | Buy | 10,000 | 20,000 |
| Vlasic | VL | 03/08/99 | McCallum, Mark I. | V.P. | Buy | 2,000 | 2,000 |
| Western Wireless | WWCA | 03/05/99 | H & F Orchard Partners | B/O | Sell | 161,780 | 0 |
| Western Wireless | WWCA | 03/05/99 | Helman & Frdmn Cpiilp | B/O | Sell | 2,032,148 | 0 |
| WorkFlow Mgmt. | WORK | 03/11/99 | Pearson, Roger J. | Director | Buy | 2,000 | 3,000 |
| WorkFlow Mgmt. | WORK | 03/23/99 | Schlanger, Richard M. | Officer | Buy | 28,500 | 100,000 |

Implied Value of Stubs

| Parent Company | Symbol | Price | Spin-Off | Symbol | Price | Ratio | Embedded Value | Residual Stub Value | Residual P/E |
|-----------------------------|--------------------|----------|---|-----------------------------|---|----------------------------------|--|--|--------------|
| Adelphia Comm. | ADLAC | \$ 77.50 | Hyperion Telecom | HYPT | \$ 16.06 | 0.897 | \$ 14.40 | \$ 63.10 | (25.5) |
| Alpine Group | AGI | \$ 16.13 | Superior Telecom | SUT | \$ 30.13 | 0.634 | \$ 19.10 | \$ (2.98) | |
| AMR Corp. | AMR | \$ 67.25 | Sabre Group | TSG | \$ 62.25 | 0.699 | \$ 43.53 | \$ 23.72 | 5.7 |
| ARC International | ATV | \$ 1.44 | Ballantine of Omaha Cabletel Communications | BTN TTV | \$ 7.50 \$ 2.75 | 0.204 0.232 | \$ 1.53 \$ 0.64 | \$ (0.09) \$ 0.80 | 2.5 |
| Ascent Entertainment Group | GOAL | \$ 12.00 | On Command | ONCO | \$ 14.25 | 0.578 | \$ 8.23 | \$ 3.77 | (4.22) |
| Banco Santander Spain | STD | \$ 21.06 | Banco Santander Puerto Rico | SBP | \$ 18.25 | 0.032 | \$ 0.59 | \$ 20.47 | 22.04 |
| Barnes and Noble | BKS | \$ 27.38 | Barnesandnoble.com | BNBN | \$ 20.00 | 0.849 | \$ 16.98 | \$ 10.40 | |
| Boise Cascade | BCC | \$ 41.19 | Boise Office products | BOP | \$ 12.00 | 0.946 | \$ 11.35 | \$ 29.84 | 432.0 |
| Bowne | BNE | \$ 17.00 | Edgar Online | EDGR | \$ 8.13 | 0.040 | \$ 0.32 | \$ 16.68 | |
| Cadence Design Systems Inc. | CDN | \$ 12.88 | Integrated Measurement Systems | IMSC | \$ 10.75 | 0.012 | \$ 0.13 | \$ 12.75 | 10.78 |
| CBS | CBS | \$ 42.75 | Infinity Broadcasting MarketWatch.com | INF MKTW | \$ 25.38 \$ 52.88 | 0.968 0.007 | \$ 24.55 \$ 0.34 | \$ 18.20 \$ 42.41 | 393.7 |
| Citizens Utility | CZN | \$ 9.50 | Electric Lightwave | ELIX | \$ 11.06 | 0.159 | \$ 1.76 | \$ 7.74 | 12.1 |
| Cohesion Technology | CSO ⁿ * | \$ 6.38 | Boston Scientific Pharming N.V. Medarex Innovative Devices | BSX PHAR MEDX IDEA | \$ 35.81 \$ 3.80 \$ 4.00 \$ 3.19 | 0.190 0.100 0.033 0.100 | \$ 6.82 \$ 0.38 \$ 0.13 \$ 0.32 | \$ (0.45) \$ 6.00 \$ 6.24 \$ 6.05 | (6.36) |
| Delia's | DLIA | \$ 12.94 | iTurf | TURF | \$ 19.75 | 0.660 | \$ 13.04 | \$ (0.10) | (0.1) |
| Dupont | DD | \$ 68.19 | Conoco | COC | \$ 27.44 | 0.389 | \$ 10.68 | \$ 57.51 | 26.0 |
| DLJ | DLJ | \$ 61.75 | DLJ Direct | DIR | \$ 38.75 | 0.622 | \$ 24.11 | \$ 37.64 | |
| Flowers Ind. | FLO | \$ 22.44 | Keebler | KBL | \$ 33.63 | 0.464 | \$ 15.59 | \$ 6.85 | 26.0 |
| Ford | F | \$ 57.50 | Hertz | HRZ | \$ 54.44 | 0.077 | \$ 4.17 | \$ 53.33 | 10.0 |
| GM | GM | \$ 70.69 | Hughes | GMH | \$ 54.50 | 0.739 | \$ 40.27 | \$ 30.42 | 5.8 |
| Hartford Financial Services | HIG | \$ 63.13 | Hartford Life | HLI | \$ 48.50 | 0.406 | \$ 19.70 | \$ 43.42 | 16.66 |
| IMS Health | RX | \$ 26.25 | Cog Tech Solutions Gartner Group | CTSH IT | \$ 23.00 \$ 23.13 | 0.023 0.151 | \$ 0.53 \$ 3.50 | \$ 25.72 \$ 22.75 | 36.4 |
| Kansas City Southern | KSU | \$ 54.13 | DST Systems | DST | \$ 53.13 | 0.234 | \$ 12.44 | \$ 41.68 | 18.9 |
| Limited | LTD | \$ 48.94 | Intimate Brands | IBI | \$ 52.75 | 0.864 | \$ 45.59 | \$ 3.35 | 31.4 |
| Loews | LTR | \$ 80.75 | Diamond Offshore Drilling CNA Insurance | DO CNA | \$ 25.94 \$ 42.94 | 0.626 1.415 | \$ 16.22 \$ 60.74 | \$ 64.53 \$ 20.01 | 0.87 |
| Maxxam | MXM | \$ 62.25 | Kaiser Aluminum | KLU | \$ 8.94 | 7.143 | \$ 63.84 | \$ (1.59) | |
| National City | NCC | \$ 65.94 | National Processing | NAP | \$ 5.50 | 0.142 | \$ 0.78 | \$ 65.16 | 14.44 |
| News Corp | NWS | \$ 32.69 | Fox Corp | FOX | \$ 24.50 | 0.541 | \$ 13.26 | \$ 19.42 | 23.9 |
| Ocwen Financial | OCN | \$ 8.75 | Ocwen Asset Investment | OAC | \$ 5.50 | 0.031 | \$ 0.17 | \$ 8.58 | 6.86 |
| PepsiCo | PEP | \$ 36.38 | Pepsi Bottling Group | PBG | \$ 22.19 | 0.037 | \$ 0.81 | \$ 35.56 | 30.1 |
| Pittway clA,B | PRY | \$ 27.94 | Cylink | CYLK | \$ 3.69 | 0.205 | \$ 0.76 | \$ 27.18 | 15.5 |
| Silicon Graphics | SGI | \$ 12.56 | Mips Technology | MIPS | \$ 29.31 | 0.168 | \$ 4.92 | \$ 7.64 | (8.3) |
| Synovus | SNV | \$ 19.63 | Total Systems | TSS | \$ 19.19 | 0.580 | \$ 11.13 | \$ 8.49 | 14.1 |
| Telephone & Data Systems | TDS | \$ 66.00 | U.S. Cellular Aerial Communications | USM AERL | \$ 47.69 \$ 10.81 | 1.155 0.962 | \$ 55.10 \$ 10.40 | \$ 10.90 \$ 55.60 | 0.2 |
| Time Warner | TWX | \$ 68.06 | Time Warner Telecom | TWTC | \$ 23.75 | 0.042 | \$ 1.01 | \$ 67.05 | |
| USA Networks | USAI | \$ 38.75 | Ticketmaster-Online | TMCS | \$ 26.50 | 0.131 | \$ 3.48 | \$ 35.27 | (87.3) |
| Ziff-Davis | ZD | \$ 12.81 | ZD.net | ZDZ | \$ 19.75 | 0.600 | \$ 11.85 | \$ 0.96 | (2.1) |

Spin-Off Calendar by Date

| Parent | Symbol | Listed | | Symbol | Listed | | Date Announced | Spin-Off Date | Tax | |
|---|-------------|----------|---------------------------------|-------------|----------|-----------------|-----------------|---------------|---------------|-------|
| | | Options | Spin-Off | | Options | Date | | | Exempt | Ratio |
| dElia*s | DLIA | N | iTurf | TURF | N | | 4/9/99 | | | IPO |
| Columbia/HCA | COL | Y | LifePoint Hospitals | LPNT | N | 07/29/98 | 5/11/99 | Y | 1:19 | |
| | | | Triad Hospitals | TRIH | N | 07/29/98 | 5/11/99 | Y | 1:19 | |
| Western Wireless | WWCA | Y | Voicestream Wireless Corp. | VSTR | N | 10/27/98 | 5/3/99 | Y | 1:1 | |
| General Motors | GM | Y | Delphi Unit | DPH | Y | 08/3/98 | 5/28/99 | Y | .7:1 | |
| TimeWarner | TWX | Y | TimeWarner Telecom | TWTC | N | 04/06/98 | 5/12/99 | | IPO | |
| Barnes and Noble | BKS | Y | BarnesandNoble.com | BNBN | N | 03/18/99 | 5/25/99 | | IPO | |
| Donaldson, Lufkin & Jenrette | DLJ | Y | DLJ Direct | DIR | Y | 05/17/99 | 5/26/99 | | IPO-TR | |
| Creative Computers | MALL | N | uBid | UBID | N | 07/06/98 | 6/8/99 | Y | .7:1 | |
| Wyndham International | PAH | | Interstate Hotels | IHCO | N | | 6/11/99 | N | 1:30 | |
| Enron | ENE | Y | Azurix | AZX | N | 03/16/99 | Mid-June | | IPO | |
| Nabisco Group Holdings | NGH | Y | RJ Reynolds | RJR | | 03/09/99 | 6/15/99 | Y | 1:3 | |
| IMS Health | RX | Y | Gartner Group | IT | Y | 11/12/98 | June / July | Y | 1:8 | |
| Williams Co. | WMB | Y | Communications Group | WCG | | 11/20/98 | June / July | | IPO | |
| Navarre | NAVR | Y | Net Radio | NETR | N | 03/03/99 | 1999 | | IPO | |
| Citizens Utilities | CZN | N | Telecommunications | | | 05/18/98 | 4th qtr | P | | |
| Kansas City Southern Industries | KSU | Y | Financial Services | | | 02/03/98 | 4th qtr | P | | |
| LSB Industries | LSB | N | Automotive Business | | | 08/05/98 | 1999 | P | | |
| Odetics | ODETA | N | Intelligent Transportation Unit | | | 05/04/98 | 1999 | | IPO | |
| Allegheny Teledyne | ALT | Y | Consumer Division / Electronics | | | 01/19/99 | 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 | | |
| 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 | | 01/15/99 | 1999 | | | |
| HRPT Properties | HRP | Y | Senior Living | SN | | 12/24/98 | 1999 | | IPO, .1:10 | |
| Compaq Computer | CPQ | Y | AltaVista | | | 01/26/99 | 1999 | | IPO | |
| Tenneco | TEN | Y | Specialty Packaging | | | 07/21/98 | 1999 | | | |
| Viacom | VIA.B | Y | Blockbuster Entertainment | | | 05/06/99 | 1999 | | IPO | |
| Delta Woodside | DLW | Y | Apparel Division | | | 02/09/99 | 1999 | N | | |
| Silicon Graphics | SGI | Y | Mips Technology | MIPS | N | 02/26/99 | 1999/2000 | | IPO / CO | |
| Essef Corp. | ESSF | N | Anthony & Sylvan Pools | SWIM | | 05/08/98 | 7/31/99 | | 1:4 | |
| DuPont | DD | Y | Conoco | COC | Y | 05/11/98 | 3rd qtr | Y | Split-Off | |
| Ogden Corp. | OG | Y | Energy / Entertainment | | | 03/11/99 | 1999 | | IPO | |
| Synetic | SNTC | Y | CareInsite | | | 03/26/99 | 1999 | | IPO | |
| Century Business | CBIZ | Y | Insurance | | | 04/06/99 | 1999 | | | |
| Kushner-Locke | KLOC | Y | IPOSearch.com | | | 04/12/99 | 1999 | | IPO | |
| Harris Corp. | HRS | Y | Lanier Worldwide | | | 04/14/99 | Sept | | | |
| Billing Concepts | BILL | Y | Software and Systems | | | 04/22/99 | Sept | | 1:1 | |
| Oak Industries | OAK | Y | Lasertron | | | 04/21/99 | 1999 | | IPO | |
| IDT | IDTC | Y | Net2Phone | | | 05/14/99 | 1999 | | IPO | |
| Perfumania | PRFM | N | Perfumania.com | | | 04/20/99 | 1999 | | IPO | |
| PC Quote | PQT | Y - 5/28 | PCQuote.com | | | 04/26/99 | 1999 | | IPO | |
| Toronto-Dominion | TD | Y | Waterhouse Securities | | | 04/30/99 | 1999 | | IPO | |
| JC Penney | JCP | Y | Eckerd Drug Chain | | | 05/18/99 | 1999 | | IPO-TR | |
| Wall Data | WALL | Y | Rumba & Cyberprise | | | 05/03/99 | 1999 | | | |
| CarrAmerica Realty | CRE | | HQ Global Workplaces | | | 05/07/99 | 1999 | | IPO | |
| Miller Industries | MLR | Y | RoadOne | | | 05/13/99 | 12/31/99 | | | |
| Harcourt General | H | Y | Neiman Marcus | NMG | | 05/17/99 | 3rd qtr | | 3:10 | |
| Us Industries | USI | Y | US Diversified | | | 05/18/99 | 1999 | | | |
| Limited | LTD | Y | Limited Too | | | 05/03/99 | July/August | | | |
| Magna International | MGA | | Non-Automotive | | | 05/25/99 | 1999 | | | |

Spin-off Statistics

| Spin-Off Name | Symbol | Business | Parent | Symbol | Spin-Off Date | Spin-Off Price | CLOSING | Spin-Off | S + P 500 |
|---------------------------------|--------|---|------------------------------|--------|------------------|-------------------|------------------|-------------|-------------|
| | | | | | | | PRICE 5/28/99 | % Change | % Change |
| Agribands | AGX | Animal feeds and agricultural products | Ralston Purina | RAL | 4/1/98 | 35 14/16 | 34 15/16 | -3% | 17% |
| Allegiance | AEH | Health Care Products / Cost Mgmt. | Baxter International | BAX | 9/24/96 | 8 2/16 | 0 | -100% | 89% |
| Amsurg | AMSGA | Managing Ambulatory surgery centers | American Healthcorp | AMHC | 12/4/97 | 9 | 6 10/16 | -26% | 34% |
| Arch Chemical | ARJ | Chemicals | Olin | OLN | 2/9/99 | 18 7/8 | 23.0625 | 23% | 7% |
| Bally Fitness Corp. | BFT | Healthclubs | Bally Entertainment (Merged) | BLY | 1/10/96 | 4 14/16 | 25 9/16 | 424% | 111% |
| Billing Concepts | BILL | Billing clearinghouse to Tele-Comm. | U.S. Long Distance | HSLD | 8/2/96 | 10 8/16 | 12 8/16 | 19% | 96% |
| Chicago Title Corp. | CTZ | Title Insurance | Alleghany | Y | 6/18/98 | 46 12/16 | 36 13/16 | -21% | 18% |
| ChoicePoint | CPS | Risk Management | Equifax, Inc. | EFX | 8/7/97 | 35 12/16 | 60 2/16 | 68% | 37% |
| Cognizant Technology Solutions | CTSH | Software Solutions | IMH Health | RX | 6/19/98 | 10 | 25 2/16 | 151% | 18% |
| Cohesion Technologies | CSO | Medical Devises, Sealant | Collagen Asthetics | CGEN | 8/19/98 | 5 | 5 7/16 | 9% | 19% |
| Commscope | CTV | Coaxial Cable | General Instrument | GIC | 7/28/97 | 15 12/16 | 26 4/16 | 67% | 39% |
| Conexant | CNXT | Semiconductors | Rockwell International | ROK | 1/4/99 | 18 7/8 | 38.75 | 106% | 6% |
| Conoco | COC | Energy Exploration | DuPont | DD | 10/22/98 | 24 14/16 | 27 2/16 | 9% | 21% |
| Convergys | CVG | Billing processing to Tele-Comm. | Cincinatti Bell | CSN | 8/12/98 | 16 10/16 | 17 10/16 | 6% | 21% |
| Corn Products International | CPO | Canned and preserved fruit & vegetables | Best Foods (CPC Intl.) | BFO | 1/2/98 | 30 | 29 8/16 | -2% | 34% |
| Delphi Automotive | DPH | Automotive Parts | General Motors | GM | 2/5/99 | 18 8/16 | 19 10/16 | 6% | 5% |
| Dial Corporation | DL | Personal Care Products | Viad Corporation | VVI | 8/16/96 | 13 2/16 | 31 4/16 | 138% | 96% |
| Earthgrains | EGR | Prod. and Dist. Bakery Products | Anheuser-Busch | BUD | 3/26/96 | 7 10/16 | 23 7/16 | 207% | 101% |
| Echelon International | EIN | Real Estate and Aircraft Leasing | Florida Progress Cor.p | FPC | 12/9/96 | 12 8/16 | 23 | 84% | 78% |
| Fox Entertainment | FOX | Entertainment | News Corp | NWS | 11/11/98 | 24 4/8 | 25 8/16 | 4% | 16% |
| General Cigar Holdings | MPP | Tobacco | Culbro | CBO | 2/28/97 | 18 | 8 | -56% | 65% |
| General Instrument (Next Level) | GIC | Communication | General Instrument | GIC | 7/28/97 | 20 3/16 | 38 11/16 | 92% | 39% |
| Hi/fn | HIFN | Data Compression & Encryption | Stac | STAC | 12/17/98 | 20 8/16 | 58 8/16 | 185% | 10% |
| Hussman Corp. | HSM | Refrigeration sytems | Whitman Corp. | WH | 2/2/98 | 13 10/16 | 16 | 17% | 33% |
| Imation | IMN | Data storage and Imaging | Minnesota Mining | MMM | 7/16/96 | 23 14/16 | 23 8/16 | -2% | 105% |
| IMS Health | RX | Healthcare Information Systems | Nielsen Media research | NMR | 7/1/98 | 31 8/16 | 24 10/16 | -22% | 13% |
| Infinity Broadcasting | INF | Broadcasting | CBS | CBS | 12/10/98 | 23 2/16 | 25 9/16 | 11% | 12% |
| Keebler Foods | KBL | Produces and distributes food products | Flowers | FLO | 1/29/98 | 26 13/16 | 33 8/16 | 25% | 32% |
| Land Air Corporation | LAND | Trucking | Forward Air | FWRD | 9/24/98 | 6 | 4 12/16 | -21% | 25% |
| Leap Wireless | LWIN | Wireless Telecommunications | Qualcomm | QCOM | 9/24/98 | 8 | 17 8/16 | 119% | 25% |
| Lucent Technologies | LU | Telecommunication systems | AT&T | T | 4/3/96 | 7 10/16 | 56 14/16 | 649% | 89% |
| Media One | UMG | Cable operations | US West | USW | 6/12/98 | 36 8/16 | 54 1/16 | 48% | 20% |
| Meritor Automotive | MRA | Automotive accessories | Rockwell International | ROK | 10/1/97 | 23 14/16 | 24 6/16 | 2% | 45% |
| Midas | MDS | Automotive Repair | Whitman Corp. | WH | 2/2/98 | 16 1/16 | 31 5/16 | 95% | 33% |
| Midway Games | MWY | Interactive Entertainment | WMS Industries | WMS | 10/30/96 | 20 | 10 10/16 | -47% | 86% |
| Millennium Chemical | MCH | Chemicals | Hanson PLC. | HAN | 10/2/96 | 23 | 24 15/16 | 8% | 88% |
| NCR | NCR | Data, Transaction Processing | AT&T | T | 1/2/97 | 33 12/16 | 39 1/16 | 16% | 77% |
| Newport News Shipbuilding | NNS | Ship Building | Tenneco | TEN | 12/12/96 | 17 | 27 8/16 | 62% | 78% |
| Octel | OTL | Specialty Chemical | Great Lakes Chemical | GLK | 5/26/98 | 22 12/16 | 13 12/16 | -40% | 19% |
| Park Place Entertainment | PPE | Gaming | Hilton Hotels | HLT | 1/4/99 | 7 8/16 | 10 8/16 | 40% | 6% |
| Pennzoil-Quaker State | PZL | Car Care & Oil Products | PennzEnergy | PZE | 12/31/98 | 15 2/16 | 13 14/16 | -8% | 6% |
| Primex Technologies | PRMX | Defense and Aerospace | Olin | OLN | 1/7/97 | 16 12/16 | 19 | 13% | 76% |
| Quest Diagnostics | DGX | Diagnostic Testing | Corning Inc. | GLW | 1/14/97 | 17 12/16 | 25 9/16 | 44% | 76% |
| RCN Corp. | RCNC | Voice, Video and interactive processing | C-Tec Corporation | CTEX | 10/1/97 | 15 14/16 | 41 9/16 | 162% | 37% |
| School Specialty | SCHS | Educational Supplies | U.S. Office Products | OFIS | 6/10/98 | 15 14/16 | 14 14/16 | -6% | 17% |
| Solutia | SOI | Chemicals | Monsanto | MTC | 9/3/97 | 19 3/16 | 22 7/16 | 17% | 45% |
| Sonosight | SONO | Handheld Ultrasound devices | ATL Ultrasound | ATLI | 4/7/98 | 13 6/16 | 17 4/16 | 29% | 17% |
| Tricon Global Restaurants | YUM | Restraunts | Pepsi Corp. | PEP | 10/7/97 | 31 2/16 | 58 4/16 | 87% | 35% |
| uBid | UBID | Internet Auction House | Creative Computers | MALL | 12/4/98 | 48 | 33 9/16 | -30% | 11% |
| Unisource Worldwide | UWW | Dist. Paper/Plastic Sanitary Maint. | Alco Standard Corp. | ASN | 1/2/97 | 20 2/16 | 11 12/16 | -42% | 76% |
| Unova | UNA | Information and ManufacturingTechnology | Western Atlas | WAI | 11/3/97 | 18 6/16 | 14 8/16 | -21% | 44% |
| US West | USW | Communications | US West | USW | 6/12/98 | 50 8/16 | 54 1/16 | 7% | 20% |
| Vlasic | VL | Food products | Campbell Soup | CPB | 3/30/98 | 25 12/16 | 7 9/16 | -71% | 19% |
| Waddell & Reed | WRD | Asset Management | Torchmark | TMK | 3/5/98 | 26 7/16 | 24 6/16 | -8% | 26% |
| Workflow Management | WORK | Print Management | US Office | OFIS | 6/10/98 | 9 | 12 14/16 | 43% | 17% |