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Continuous Research on Corporate Spin-Offs

SPIN-OFF RESEARCH

Joe Cornell, CFA
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Table of Contents

Page

Updates:

-Jefferies (JEF) / Investment Technology Group 2

◆ Spin-Off Calendar 4

◆ Calendar Highlights 5

◆ Fresh Spin-Off Situations:

-Columbia/HCA (COL) / LifePoint (LPNT) 11
Triad (TRIH)

-dELia*s (DLIA) / iTurf (TURF) 15

-General Motors (GM) / Delphi Automotive (DPH) 16

-Western Wireless (WWCA) / Voicestream (VSTR) 18

◆ Recently Announced Spin-Offs:

-Billing Concepts (BILL) / Software Division 20

-Century Business Services (CBIZ) / Insurance Units 22

-Harris Corp (HRS) / Lanier Office Equipment 23

-IDT Corp (IDTC) / Net2Phone 24

-Kushner-Locke (KLOC) / US Search Corp.Com (SRCH) 25

-Oak Industries (OAK) / Lasertron 26

-PCQuote (PQT) / PCQuote.com 27

-Perfumania (PRFM) / Perfumania.com 28

-Tenneco (TEN) / Specialty Packaging 29

-Toronto-Dominion / Waterhouse Securities 32

◆ Implied Values 33

◆ Spin-Off Calendar by Date 34

◆ Spin-Off Statistics 35

Spin-Off Advisors, L.L.C.
111 W. Jackson Blvd.
Suite 1146
Chicago, IL. 60604

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Company Updates

Jefferies and Investment Technology Group Complete Spin-Off and Merger

April 27, Jefferies Group (NYSE: JEF) and Investment Technology Group, Inc. (NYSE: ITG) announced that they completed the spin-off of Jefferies & Company ("JEFCO"), and the merger of ITG with the former Jefferies Group. The spin-off was a tax-free distribution of 100% of the shares of "New JEF," a holding company consisting of JEFCO and all direct subsidiaries of the former Jefferies Group other than ITG, to Jefferies Group shareholders. New JEF was renamed Jefferies Group, Inc. The spin-off was immediately followed by a tax-free merger of ITG and the former Jefferies Group, which was renamed Investment Technology Group, Inc. The new Jefferies Group started trading regular-way on April 28th, on the NYSE (ticker symbol: JEF). Investment Technology Group started trading regular-way on April 28th, on the NYSE (ticker symbol: ITG). **ITG is a leading provider of technology-based equity trading services and transaction research to institutional investors and brokers.** ITG services helps clients to access liquidity, execute trades more efficiently, and make better trading decisions. Shareholders of Jefferies Group received one share of New JEF and one share of New ITG for each share of Jefferies Group. Public shareholders of ITG will received a special cash dividend of \$4.00 per share and 1.5955 shares of New ITG for each share of ITG. New JEF has carried over a prior stock repurchase authorization by the Jefferies Group Board of Directors, which has the effect of authorizing repurchases of up to 575 thousand shares of New JEF common stock from time to time, depending on market conditions. The Board of Directors of ITG intends to carryover, following the merger, a prior stock repurchase authorization, which would have the effect of authorizing repurchases of up to 1.1 million shares of New ITG common stock from time to time, depending on market conditions. **New JEF is an institutional brokerage firm that focuses on trading in equity and taxable fixed-income securities, convertible bonds, and international securities, as well as an investment bank that focuses on capital raising, research, mergers and acquisitions, and restructuring services for middle market companies.**

Two months ago we profiled Jefferies (March issue) when the stock was trading at \$39 7/16, which represented a discount to its imputed book value (after subtracting the value of ITG). Old Jefferies closed at \$63 a share on April 27th, representing a 59.5 percent return in the two months prior to the distribution. This coincides with the 59.7 percent return enjoyed by ITG over that same period. New JEF has a book value of \$15 a share. On the first day of regular-way trading (April 28th), **Jefferies debuted at \$22 1/2, or 1.5X book. This still is on the low-end of the range for mid-size brokers. New JEF has roughly 24 million shares outstanding for a market capitalization of \$540 million.**

There could be some additional upside in Jefferies, despite the recent spike in the stock. Recently, Everen Securities (a spin-off from Kemper) received an offer from First Union Corp. to buy Everen for \$1.2 billion or \$30 1/2 a share. This is 2.6x Everen's book value. The deal boosted Everen stock, its shares gaining \$4.31, or 18 percent, to close at \$28.37 on the New York Stock Exchange. There has been flurry of consolidation in recent years as banks continue to pursue investment firms. In recent years, BankAmerica Corp. (then known as NationsBank Corp.) bought Montgomery Securities of San Francisco, KeyCorp in Cleveland bought McDonald & Co., and U.S. Bancorp snapped up Piper Jaffray Cos. First Union already has another brokerage under its umbrella, the old Wheat First Butcher Singer Inc. of Richmond, VA. There has been rumors that investment banking giant Merrill Lynch might eventually merge with commercial banking giant Chase Manhattan. Banks that want to increase that business have been helped by regulators' growing comfort with banks doing investment banking. The Federal Reserve, for example, has boosted the percentage of revenue that it will allow a commercial bank to derive from investment banking.

Investment Technology Group provides automated equity trading services to institutional investors and brokers using its POSIT electronic stock-crossing system. Approximately 460 domestic and foreign customers (including pension plans, bank trusts, and mutual funds) use POSIT to confidentially trade stocks and equity security portfolios among themselves. Additional products include QuantEX, a decision-support and routing system, Electronic Trading Desk services, the PC-based routing system ITG Platform, and ISIS, a set of analytical tools for lowering transaction costs. ITG commenced trading on the NYSE on April 28th. It will trade under the ticker symbol ITG. ITG is a leading financial technology firm. Its flagship product is the Posit® stock crossing system which allows institutional investors to buy and sell stocks efficiently and confidentially. First quarter 1999 volume in POSIT was 1.419 billion shares, a 25 percent increase over first quarter 1998. ITG has been a publicly traded company since 1994. Prior to April 28th, ITG was traded on NASDAQ under the ticker ITGI. Standard & Poor's announced that ITG was added to the S&P MidCap 400 Index as of the close of trading of April 27th. We estimate that ITG will have 34.5 million fully diluted shares outstanding. **ITG opened at \$40 5/16 (reflecting the new capital structure that it inherited from the Jefferies merger), on April 28th. This suggests a market capitalization of \$1.39 billion, which is 6.5x 1998 sales.**

1998 Results

Revenues for the year ending 1998 were \$212.2 million, a 55% increase over 1997 revenues of \$137.0 million. Revenues from clients utilizing the QuantEX or ITG Platform software to execute primarily via DOT and OTC market makers, were up 40%. Alternatively, clients utilizing the ITG Electronic Trading Desk as a financial intermediary resulted in strong revenue growth this year, increasing 45% versus last year. POSIT revenues increased by 55% versus last year and crossed approximately 5.8 billion shares in 1998, versus 3.7 billion shares last year. Revenues per trading day rose to an average of \$842,000 per day in 1998 from an average of \$542,000 per day in 1997, also a 55% increase. ITGI's net earnings for the year ended December 31, 1998 were \$43.4 million, an increase of 61% from \$26.9 million for the year ended December 31, 1997. Diluted earnings per share were \$2.25 or 58% greater than diluted earnings per share of \$1.42 for the year ended December 31, 1997.

Company	ITG Group	Knight/Timark	E*Trade	Schwab	Ameritrade
Ticker	ITG	NITE	EGRP	SCH	AMTD
Current Implied Price	\$ 36.69	\$ 138.06	\$ 107.66	\$ 111.63	\$ 118.25
Shares Out. (000,000)	31.9	53.01	113.43	411.51	58.15
Market Cap (000,000)	\$ 1,170	\$ 7,319	\$ 12,211	\$ 45,935	\$ 6,876
Enterprise Value (000,000)	\$ 1,172	\$ 7,438	\$ 13,126	\$ 48,033	\$ 6,925
EPS (Diluted)					
1998 Actual / Pro Forma	\$ 1.28	\$ 1.01	\$ (0.18)	\$ 0.85	\$ 0.26
1998 Trailing P/E	28.7	136.7		131.32	454.81
1999E	\$ 1.36	\$ 2.52	\$ (0.46)	\$ 1.28	\$ 0.36
Forward P/E	27.0	54.8		87.2	328.5
12 month Trailing					
Trailing Sales	\$ 210	\$ 356	\$ 289	\$ 3,388	\$ 191
Price to Sales	5.57	20.57	42.30	13.56	35.99
Book Value	\$ 2.02	\$ 3.78	\$ 6.41	\$ 3.47	\$ 2.00
Price to Book	18.12	36.57	16.78	32.15	58.99

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SPIN-OFF CALENDAR

Announced					
Company	Symbol	Date	Spin-Off	Symbol	Trading
ALLEGHANY TELEDYNE	ALT	4/22/98	CONSUMER DIVISION / ELECTRONICS		
BARNES AND NOBLE	BKS	3/18/99	BARNESANDNOBLE.COM	BNBN	
BILLING CONCEPTS	BILL	4/22/99	SYSTEMS AND SOFTWARE		
CBS	CBS	8/27/98	INFINITY BROADCASTING	INF	CO
CENTURY BUSINESS	CBIZ	4/6/99	INSURANCE UNIT		
CITIZENS UTILITIES	CZN	5/18/98	TELECOMMUNICATIONS		
COLUMBIA / HCA	COL	7/29/98	LIFEPOINT HOSPITALS	LPNT	RW
			TRIAD HOSPITALS	TRIH	RW
COMPAQ COMPUTER	CPQ	1/16/99	ALTAVISTA		CO
COMPUSA	CPU	2/4/99	DIRECT GROUP	DIR	
CREATIVE COMPUTERS	MALL	7/6/98	uBID	UBID	CO
DELIAS	DLIA	1/4/99	iTURF	TURF	CO
DELTA WOODSIDE	DLW	2/9/99	APPAREL DIVISION		
DUPONT	DD	5/11/98	CONOCO	COC	CO
DUPONT	DD	3/10/99	LIFE SCIENCES		TR
DLJ	DLJ	3/17/99	DLJDIRECT	DIR	TR
ENRON	ENE	3/16/99	AZURIX	AZX	CO
ESSEF	ESSF	5/8/98	ANTHONY & SYLVAN POOLS	SWIM	
GENCORP	GY	12/17/98	SPECIALTY POLYMERS		
GENERAL MOTORS	GM	8/3/98	DELPHI AUTOMOTIVE	DPH	CO
HARRIS CORP.	HRS	4/14/99	LANIER WORLDWIDE		
HEWLETT-PACKARD	HWP	3/2/99	MEASURING EQUIPMENT		
HRPT PROPERTIES	HRP	12/24/98	SENIOR HOUSING PROPERTY TRUST	SN	
IDT CORP.	IDT		NET2PHONE		
IMS HEALTH	RX	11/12/98	GARTNER GROUP	IT	CO
INVESTMENT TECHNOLOGIES GROUP	ITG	3/18/98	JEFFERIES GROUP	JEF	RW
KANSAS CITY SOUTHERN IND.	KSU	2/3/98	FINANCIAL SERVICES		
KUSHNER-LOCKE	KLOC	4/12/99	U.S.SEARCH.COM	SRCH	
LSB INDUSTRIES	LSB	8/5/98	AUTOMOTIVE BUSINESS		
MEDITRUST (PAIRED STOCK)	MT	11/12/98	HEALTHCARE FINANCING BUSINESS		
MEDPARTNERS	MDM	11/11/98	PHYSICIAN PRACTICE MANAGEMENT		
NAVARRÉ	NAVR	3/3/99	NET RADIO	NETR	
NEWS CORP	NWS	6/29/98	FOX NEWS ENTERTAINMENT	FOX	CO
OAK INDUSTRIES	OAK	4/21/99	LASERTRON		
ODETICS	ODETA	3/2/99	ODETICS ITS		
			ODETICS BROADCAST		
OGDEN	OG	3/11/99	ENERGY /ENTERTAINMENT & AVIATION		
QUANTUM	QNTM		DISK DRIVE		TR
			STORAGE		TR
PC QUOTE	PQT	4/26/99	PC QUOTE.COM		
PEPSICO	PEP	7/23/98	PEPSI BOTTLING GROUP	PBG	CO
POMEROY COMPUTERS	PMRY	1/15/99	POMEROY SELECT	PSIS	
RJR NABISCO	RN	3/9/99	TOBACCO		
SGI	SGI	2/26/99	MIPS TECHNOLOGY	MIPS	CO
SYNETIC	SNTC	3/26/99	CAREINSITE		
TELEPHONE & DATA SYSTEMS	TDS	12/21/98	AERIAL COMMUNICATIONS	AERL	CO
TENNECO	TEN	4/29/99	SPECIALTY PACKAGING		
TORONTO-DOMINION	TD	4/30/99	WATERHOUSE SECURITIES		
VIACOM	VIA.B		BLOCKBUSTER		
WATTS INDUSTRIES	WTS	12/15/98	OIL AND GAS BUSINESS		
WESTERN WIRELESS	WWCA	10/27/98	VOICESTREAM	VSTR	RW
WILLIAMS COMPANY	WMB	11/20/98	COMMUNICATIONS GROUP	WCG	

{RW} Regular Way

{CO} Carve-out

{TR} Tracking

Calendar Highlights

Price (4/30/99):	\$ 7	Listed				Date	Spin-Off	Tax		
Shares Out.	91.48 m	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio	
Market Cap	\$ 640 m	CompUSA	CPU		Direct Group			1999		
FY: June		<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>								
Sales:	Six months \$3.17 B									
Same Store	-3.3%	<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>								
EPS	<u>98A</u> \$0.33	<u>99E</u> \$0.06								
Multiple		116x								
		<p>Preliminary Q3 Results March 31, CompUSA reported sales for its third quarter ended March 27 increased 16 percent to \$1.69 billion, up from \$1.45 billion in the year-ago quarter. Comparable-store sales, however, fell 7.2 percent during the quarter. The company plans to report full third quarter earnings on May 5. Last month, CompUSA said it expected to report a loss of 5 cents per share for the third quarter and warned of lower comparable-store sales. The comparable-store sales decline reflects sales at CompUSA's 148 locations open one year or longer and does not include sales from 37 converted Computer City locations. For the nine months ended March 28, comparable-store sales declined 4.7 percent compared with a year earlier.</p>								
Price (4/30/99):	\$ 34 3/4	Listed				Date	Spin-Off	Tax		
Shares Out.	71.7 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio	
Market Cap	\$ 2.3 B	Barnes and Nobel	BKS	Y	BarnesandNobel.com	BNBN	3/18/99		IPO	
FY: Jan		<p>March 18, Barnes & Noble (NYSE: BKS), the world's largest bookseller, and Bertelsmann AG, announced the filing of a registration statement with the Securities and Exchange Commission (SEC) for an initial public offering of Class A Common stock in barnesandnoble.com. When publicly traded, the stock will be listed on the Nasdaq national market under the symbol "BNBN." The on-line company will offer approximately 15-20% of its shares to the public by a syndicate of investment banks led by Goldman Sachs and Merrill Lynch. The proceeds of the offering will be used to expand the company's growing e-commerce business, including new systems, distribution initiatives, acquisitions, and general corporate purposes. The carveout is being driven by the favorable access to the capital markets presently enjoyed by e-tailers. Highlighting the online division will likely enhance the valuation of Barnes and Noble common shares. Based on the proposed sale of 15 -20% interest, Barnes & Noble's losses would decrease from 50% to a 42.5%- 40% range, which would have a favorable impact on consolidated EPS.</p>								
Sales	<u>1998</u> \$3 B									
Net Income	\$92 M									
EPS (Diluted)	\$1.29									
		<p>Barnes & Noble continues to transform itself from a traditional brick and mortar book retailer to a multi-channel company that wishes to exploit the emerging Internet channel and seek to expand into the book wholesaling business through its planned purchase of Ingram Book Group. While barnesandnoble.com generated strong top line growth in FY 1998, it came at a price with the company's customer acquisition cost running well above that of giant Amazon.com. We expect barnesandnoble.com to aggressively promote the business since the company's coffers have been re-stocked with a \$200 million capital infusion stemming from Bertelsmann's 50% stake taken last fall.</p>								
<u>Barnes and Nobel</u>										
EPS	<u>98A</u> \$1.29	<u>99E</u> \$1.14								
Multiple		30.5X								
		<p>Barnesandnoble.com has grown since its Spring 1997 launch with revenue improving from \$14 million in FY 1997 to \$70 million in FY 1998, a five-fold increase. We believe that barnesandnoble.com's customer acquisition costs are substantially greater than that of Amazon. We expect barnesandnoble.com to continue to aggressively promote the business by drawing on \$200 million of capital infused by Bertelsmann's 50% ownership interest taken last fall. In addition, the pending IPO of barnesandnoble.com should add to the company's cash hoard.</p>								

Calendar Highlights

Price (4/30/99):	\$ 69 15/16	Listed			Date	Spin-Off	Tax			
Shares Out.	140	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$9.8 B	DLJ	DLJ	Y	DLJdirect	DIR	3/17/99		Y	T
FY: Dec	<u>1998</u>	<p>On March 17, DLJ announced intentions to introduce a new class of common stock that will track the performance of DLJdirect, its online unit. Donaldson, Lufkin & Jenrette (DLJ) is seeking to tap investors hungry for its booming Internet trading business by issuing a "tracking stock" for its DLJdirect online brokerage. Tracking stocks allow companies to retain 100% equity ownership in their high growth divisions while creating a separate, pure-play currency to make acquisitions. DLJdirect provides investors with the opportunity to trade securities (about 90% of sales) and offers market data and research, portfolio tracking and cash management, and the opportunity to get in on DLJ-sponsored IPOs. Traders can access DLJdirect over the Internet via such online service providers as America Online and by touch-tone telephone. Trades made through DLJdirect are cleared by DLJ's Pershing division. DLJ did not disclose how many shares it wants to issue or what percentage of the unit it will sell. <u>The firm hopes to raise \$138 million. It is expected that the new stock will trade on the NYSE under the symbol "DIR".</u> Anticipation of some financial re-engineering has made DLJ one of the best performing stocks in the first quarter appreciating 70%.</p>								
Sales	\$5.4 B	<p>Last year DLJdirect earned nearly \$1.5 million on revenue of \$117.9 million, compared to a loss of \$3.6 million in 1997 on revenues of \$67.2 million. They are currently the seventh largest U.S. online broker in terms of trades per day and ended 1998 with 529,000 accounts (thus, revenue per account of \$257 in 1998). In 1998, the number of DLJdirect accounts grew 36 percent and client assets nearly doubled to \$8.9 billion. The average number of trades per day rose to 11,400, almost twice that of 1997. In 1998, commission accounted for 67% of total revenues, compared to 85.7% in 1996. In January 1999, average trades per day reached nearly 23,000. An alliance with Thomson Investors Network now provides DLJdirect account holders with financial and investment information. In addition, DLJdirect offers qualified investors access to DLJ research and DLJ initial public offerings.</p>								
Net Income	\$370 M									
EPS (Diluted)	\$2.65									
<u>DLJ</u>										
EPS	<u>98A</u>	<u>99E</u>								
	\$2.65	\$3.28								
Multiple	21 X	21 X								

Price (4/30/99):	\$27 1/16	Listed			Date	Spin-Off	Tax			
Shares Out.	628 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$17 B	Dupont	DD	Y	Conoco	COC	5/11/98	3rd Qtr 99	Y	Split-off
(281) 293-1000		<p>On March 10th, DuPont announced plans that would allow DuPont's chemical and life-sciences businesses to effectively trade as separate entities. A further step to transitioning into a life-sciences firm. DuPont hopes that a tracking stock will create a higher-valued stock that could provide a stronger currency for future life-sciences acquisitions.</p>								
FY: Dec	<u>1998</u>	<p>DuPont is the #1 US chemical firm. It's organized into six business segments: chemicals (refrigerants, pigments, and polymer intermediaries), fibers (Lycra, Tyvek, textiles, nylons), polymers (elastomers, nylon resins, film, finishes, packaging materials), life sciences (agricultural products, biotechnology, and pharmaceuticals), diversified businesses (films, photopolymer and electronics, printing and publishing, and coal), and petroleum (70%-owned Conoco). The company plans to split off the remainder of Conoco in mid-1999 to focus on chemicals, fibers, and life sciences.</p>								
Sales	\$23.2 B	<p>DuPont is banking on Life-Sciences to drive growth and higher valuations. Although small, life sciences is the top-priority business for new R&D investment and acquisition growth. By 2002 management is planning to grow it from \$4.5 billion to \$7 billion in sales (or 25% of sales and 35% of DuPont's operating profits by 2002). This suggests a 12% average annual growth rate. DuPont clearly has made a decision to ease out of commodity-type businesses (oil, basic chemicals, fibers and polymers). The businesses that will be included in this tracking stock are pharmaceuticals, Protein Technologies International, crop protection chemicals, the alliance with Pioneer Hi-Bred, and the company's biotechnology research efforts found on food, agriculture and nutrition. After tax operating income was \$515 million (before nonrecurring charges of \$926 million).</p>								
Net Income	688 M									
EPS (Diluted)	\$1.10									
<u>Conoco</u>										
EPS	<u>98A</u>	<u>99E</u>								
	\$1.10	\$1.00								
Multiple	25X	25X								

Calendar Highlights ...

Price (4/30/99):	\$ 14 7/8	Listed			Date	Spin-Off	Tax			
Shares Out.	11.3 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$168 M	Navarre	NAVR	Y	NetRadio	NETR	3/3/99			IPO
FY: March	Nine Months	<p>On March 3, 1999 Navarre (NASDAQ: NAVR), seller of prerecorded music and software, filed with the SEC for a public offering of a portion of its NetRadio business, an Internet network with 150 audio channels and sites selling CDs and software. Customers include mass merchandisers, wholesale clubs, and specialty chains. Founder, chairman, president, and CEO Eric Paulson owns 18% of Navarre. Everen Securities is the underwriter. The proposed symbol of NetRadio is "NETR". The company hopes to raise a maximum of \$37 million in the offering.</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>								
Sales	\$157 M									
Net Income	(\$5.3 M)									
EPS (Diluted)	(\$3.55)									

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		
FY: Dec	1998	<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>								
Sales	\$1.69 B									
Net Income	\$86.9 M									
EPS (Diluted)	\$1.70									
<u>Ogden</u>										
EPS	<u>98A</u>	<u>99E</u>								
	\$1.70	\$1.87								
Multiple	13.8X									

Calendar Highlights ...

Price (4/30/99):	\$ 17 7/8	Listed			Date	Spin-Off	Tax			
Shares Out.	186.4M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$3.3 B	Quantum	QNTM	Y	Hard Disk / Storage		3/1/99			Track
650-960-1980		<p>On March 1, Quantum made several announcements to improve the visibility of the company's Hard Disk Drive (HDD) and DLT tape drive systems (DLT) to emphasize effort to move into higher value devices and systems. The company announced plans to put into place a "tracking stock" program that would create two classes of stock-- one reflecting financial performance of the disk drive business (70% of Quantum's sales) and the other reflecting the performance of the higher-growth, highly profitable DLT tape and related systems businesses. The intention of the tracking stock plan is to replace the current QNTM common stock with 0.5 shares of Quantum Hard Disk (QHDD) stock and 1.0 shares of Quantum DLT Storage Systems (QDSS) stock. Each tracking stock will have their own income, balance and cash flow statements, which, in theory, will make it easier to understand and value. Quantum expects it to take 4 -6 months to complete the transition into tracking stock. The plan required approval from shareholders and regulators.</p> <p>Description The nation's #2 maker of disk drives (behind Seagate). The company makes high-end hard disk drives, solid-state disk drives, cartridge tape drives, and tape-drive-related products for such customers as Compaq, Hewlett-Packard, Apple, IBM, and Dell. Although its hard disk drives for the desktop computer market account for the majority of its sales, Quantum also competes in the market for high-end disk drives, which are used by network-serving computers. Quantum's tape-drive business has benefited from the increased use of the Internet, corporate Intranets, and database servers, which require frequent backup. Quantum partners with Matsushita-Kotobuki Industries of Japan for more than 80% of its manufacturing. Quantum acquired ATL Products in September 1998 for \$300 million in stock. ATL products is a manufacturer of mid-to high-end tape library storage systems and is run as a separate entity. Quantum's sales for the fiscal year ending March 1998 were \$5.8 billion.</p>								
FY: June	Six months									
Sales	\$1.3 B									
Net Income	(\$64M)									
EPS (Diluted)	(\$0.34)									

Price (4/30/99):	\$ 25 3/4	Listed			Date	Spin-Off	Tax			
Shares Out.	325 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$8.3 B	RJR Nabisco	RN	Y	Tobacco					
		<p>On March 9th, RJR Nabisco's (NYSE: \$25) announced a plan to sell the company's international tobacco business and spin off the domestic tobacco business to RJR shareholders as a separate company. This would enable the surviving company, to be called Nabisco Group Holdings, to focus on popular snacks, including Oreo cookies, Ritz crackers and Nilla Wafers. RJR Nabisco Holdings (NYSE:RN) said it would split its food and domestic tobacco operations after selling its international tobacco operations to Japan Tobacco in an \$8 billion deal.</p> <p>Tobacco Stub Valuation Appears Attractive Tobacco stocks have come under heavy selling on the news that Phillip Morris (NYSE:MO) lost an \$80 million dollar lawsuit. MO is selling at a two year low. We would be comfortable accumulating RJR at these levels. At current market values of RN and NA (with an 80.5% stake in NA, each RN share represents an interest in the company's tobacco operations and approximately 0.6535 shares in Nabisco), the "Tobacco Stub" is being valued at \$1.00 a share. The Tobacco Stub's value has traded as high as \$14.40 on October 16, 1995, and reached a low of negative \$4.90 on April 18, 1998. We believe the US tobacco business is worth at least \$10 per RN share, bringing a sum of the parts valuation to the \$37 area (\$10 + \$27 worth in Nabisco value). We would view an investment in RN as akin to buying a free call option on near-term initiatives to unlock shareholder value. Given RN's lackluster stock market (RN has underperformed the S&P 500 every year since 1993) and operating performance (EPS of \$2.62, \$2.95, and \$2.10 for 1996, 1997, and 1998, respectively), we expect material actions to enhance shareholder value will be embraced.</p>								

Calendar Highlights ...

Price (4/30/99):	\$ 12 3/4	Listed			Date	Spin-Off	Tax			
Shares Out.	186.4M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$ 2.4 B	Silicon Graphics	SGI	Y	Mips Technology	MIPS	2/26/99	1999		IPO
650-960-1980		<p>Silicon Graphics shares can expect some rough treatment from investors after the company said it anticipates a third-quarter net loss that's 20 cents to 25 cents larger than Wall Street had estimated. The current First Call consensus estimate for Silicon Graphics calls for a loss of 7 cents in the period, a significant improvement from its reported loss of 36 cents in the year-ago quarter. The computer hardware manufacturer also said it expects revenue for the third quarter to be in the low to mid-\$600 million range, lower than had been anticipated. Revenue for the year-earlier third quarter totaled \$708 million. Silicon Graphics' stock was halted on the New York Stock Exchange on Wednesday March 31. Shares were stopped at 2 5/16 to 16 9/16. The company's 320 Visual Workstation product saw delays in its initial production, which affected third-quarter revenue. In addition, Silicon Graphics' Origin server business faced changes as the R1200 microprocessor system was introduced, the company said. Silicon Graphics plans to report its third-quarter results April 22. Although it appears that Silicon Graphics will not regain profitability until well into FY2000, we believe the stock has limited downside. The company will have about \$600 million in cash and still owns 85% of MIPS (valued at \$2.4 billion at the end of March).</p>								
FY: June	Six months									
Sales	\$1.3 B									
Net Income	(\$64M)									
EPS (Diluted)	(\$0.34)									

Price (4/30/99):	\$ 15 3/8	Listed			Date	Spin-Off	Tax			
Shares Out.	27 M	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$415 M	Watts Industries	WTS	Y	Oil and Gas Business		12/15/98	1999	Pending	
978-688-1811		<p>On December 15, 1998 Watts Industries (NYSE:WTS) announced plans to separate its Industrial, Oil and Gas business from its Plumbing and Heating and Water Quality business. Watts will continue its existing Plumbing and Heating and Water Quality business and will transfer the Industrial, Oil and Gas business to a new subsidiary. Watts will then spin-off the new subsidiary to the Watts stockholders in the form of a pro rata stock dividend. Upon the spin-off, Timothy P. Horne will remain Chairman and Chief Executive Officer of Watts. David A. Bloss, Sr., currently President and Chief Operating Officer of Watts, will be appointed Chief Executive Officer of the new Industrial, Oil and Gas company. Completion of the spin-off will be subject to certain conditions, including receipt from the Internal Revenue Service of a private letter ruling as to the tax-free treatment of the spin-off, necessary governmental approvals and any required consents of third parties. The spin-off will be completed following receipt of the private letter ruling, which Watts currently expects to receive in the third quarter of 1999. Management likely feels that the spin should take away the energy valuation discount (due to low oil prices).</p>								
FY: June										
<u>Six Months Ending:</u>	<u>12/31/99</u>									
Net Sales Cont.	\$15 M									
Disc.	\$12 M									
Net Income	\$24 M									
EPS (Diluted):										
Continuing Operations:	\$0.56									
Discontinued	\$0.31									
<u>Watts Industries</u>										
EPS	98A	99E								
	\$1.95	\$1.65								
Multiple	6.9X	8.2X								
		<p>Watts makes valves designed to safely relieve gas, steam, and liquid pressure. Its valves are used in plumbing, heating, water quality, water flow control, industrial, and oil and gas applications. Products include ball valves, safety relief valves, pressure regulators, float valves, and drainage products. Watts' plumbing, heating, and water quality products generate 61% of sales (\$730 million in fiscal 98'). Customers include plumbing and heating wholesalers, do-it-yourself stores, and OEMs. The company has acquired around 40 companies since it began pursuing an acquisition strategy in fiscal 1985. Watts operates 26 manufacturing plants and four foundries worldwide.</p>								

Fresh Spin-Off Situations

Columbia/HCA to Spin-Off Lifepoint and Triad

Columbia/HCA will complete the tax-free spin-off of its America (now Lifepoint) and Pacific Group (Triad) assets. Shareholders of record on April 30th will receive a tax-free distribution on May 11th. Regular way trading will commence on May 12th. **The ratio is one Lifepoint and Triad share for every nineteen shares of Columbia/HCA held. We expect “When issued” trading to commence first week of May. We expect that there could be considerable selling pressure on both Lifepoint and Triad post-spin initially.** Columbia/HCA is included in the S&P 500 Index, Lifepoint and Triad will not be included post spin. Both spins will be small-cap companies, which could accentuate selling among institutional shareholders.

Company Description

The largest hospital company in the US (ahead of Tenet Healthcare by a wide margin), **Columbia/HCA (NYSE: COL)** operates (not including "Spinco's") 197 general, acute care hospitals, 10 psychiatric hospitals and 77 outpatient surgery centers (including 23 hospitals and 5 outpatient surgery centers which are operated through 50/50 joint ventures). Columbia/HCA has shed over \$3 billion in assets over the last year. There is a wide-ranging federal investigation into Columbia's Medicare and patient-referral procedures. In addition, Columbia/HCA has halted the aggressive expansion responsible for its growth. It has sold its prescription benefit management unit and plans to sell its home care operations, one-third of its hospitals, and some of its surgery centers.

Lifepoint (NASDAQ: LPNT) formerly America Group, is comprised of 22 non-urban hospitals and non-consolidated joint ventures. In 21 of Lifepoint's 23 markets, Lifepoint is the only hospital in the community. Lifepoint hospitals operate in Alabama, Florida, Georgia, Kansas, Kentucky, Louisiana, Tennessee, Utah and Wyoming. **Lifepoint will assume approximately \$260.6 million in debt obligations from Columbia/HCA.** Such obligations are expected to consist of \$135 million of term loans under a new credit agreement, \$125 million of Senior Subordinated Notes due 2009 and approximately \$0.6 million in other Columbia/HCA debt obligations. Lifepoint expects that the new credit agreement will also include an additional term loan commitment of \$35 million available for limited purposes and a revolving credit commitment of up to \$65 million.

Triad (NASDAQ: TRIH), formerly Pacific Group, operates 42 hospitals, one non-consolidating joint venture and 19 surgery centers. Triad hospitals are primarily located in the Southwestern United States, with about three-quarters in small cities. The rest are in larger urban areas. It appears that management is trying to divest poor performing centers and intends to sell four of its general, acute care hospitals, its one psychiatric hospital and a certain number of ambulatory surgery centers. 1998 revenues (on a same facility basis) declined by 1.3%, and hospital admissions (on a same facility basis) decreased by 1.9%, although equivalent admissions (a measure of combined inpatient and outpatient volume) increased by 0.6%. During the same period, revenues per equivalent admission (on a same facility basis) decreased by 1.9%. **Triad will assume approximately \$675 million in debt obligations from Columbia/HCA.** Such obligations are expected to consist of \$365 million of term loans under a new credit agreement, including a \$75 million, one-year asset sale bridge loan facility, \$300 million of Senior Subordinated Notes due 2009 and approximately \$10 million in other Columbia/HCA debt obligations.

First Quarter Better Than Estimates

Columbia has been shedding low margin assets over the past year. It appears their strategy is paying off. First quarter results beat street estimates (\$0.42 from continuing operation vs. street estimates of \$0.31). First quarter revenues from continuing operations totaled \$4.7 billion compared to \$4.9 billion, down 5% versus 1998. EPS increased 14% from \$0.37 a year ago. Salaries and benefits expenses were 40% of revenue versus 41.1% in 1998. Capital expenditures for the quarter totaled \$301 million.

Columbia/HCA Share Repurchase

In February, 1999, the Board authorized a second \$1 billion share repurchase program. As of April 30th, 1999, Columbia/HCA had repurchased 35.7 million shares of its common stock for approximately \$880 million.

Valuation

It is difficult to predict the stock price of spun shares due to the volatility often associated with spin-off situations. We will attempt to ballpark stock prices for the three separate pieces, with the caveat that we may be significantly off from actual trading. **We expect that Lifepoint and Triad, together, represent approximately \$1 1/4 to \$1 1/2 per Columbia share. Thus, we suspect that the Columbia stub will trade initially between \$23 and \$24 a share. We expect that Lifepoint will trade around \$10 and Triad around \$15 per share (ratio 1:19).** Currently Columbia is trading at \$25 per share.

We believe that Lifepoint and Triad may trade lower after the spin for the following reasons:

1. **High Distribution Ratio:**
 - Shareholders of Columbia/HCA will receive one share of Lifepoint and Triad for every nineteen shares of Columbia/HCA held. The ratio will create a large portion of odd lots.
2. **Index Selling:**
 - Columbia/HCA is in the S&P 500. Lifepoint and Triad will not be included in the S&P 500 index, so index funds will sell shares they receive.
3. **High Leverage:**
 - Lifepoint and Triad will start independent life with significant debt levels relative to comparable companies within the industry.

Lifepoint is expected to generate a slight profit in 1999, while Triad is not expected to post profits until 2000. In addition, Lifepoint and Triad EBITDA margins are at a significant discount to the peer group. Given these structural, profitability, and margin issues, we anticipate that Lifepoint and Triad could trade at a discount to comparables. **Thus, Lifepoint and Triad have the earmarks of two spin-offs that could trade lower.**

Enterprise Valuation

First Quarter Results				
	Columbia	Triad	Lifepoint	Combined
Revenues	\$ 4,039	\$ 368	\$ 134	\$ 4,541
EBITDA	\$ 821	\$ 41	\$ 22	\$ 884
EBITDA Margin	20.3%	11.1%	16.3%	19.5%
Same Facility:				
Admissions Growth	3.3%	5.4%	6.9%	
Revenue Growth	3.1%	-0.8%	1.6%	
1998 Pro-Forma Results				
	Columbia	Triad	Lifepoint	Combined
Revenues	\$ 14,909	\$ 1,392	\$ 450	\$ 16,751
EBITDA	\$ 2,590	\$ 149	\$ 50	\$ 2,789
EBITDA Margin	17.4%	10.7%	11.1%	16.6%
Same Facility:				
Admissions Growth	1.0%	-1.9%	-0.8%	
Projected: Enterprise Value				
EBITDA Multiple	7 X	7.6 X	11.2 X	
Enterprise Value	\$ 18,130	\$ 1,132	\$ 560	\$ 19,822
Debt	\$ 5,817	\$ 675	\$ 260	\$ 6,752
Equity Value	\$ 12,313	\$ 457	\$ 300	\$ 13,070
Less				
Liability risk & Other				\$ 1,800
Buyback				\$ 120
Add:				
Assets Held for Sale				\$ 114
Plus Cash & Rec				\$ 2,362
Equity Value				\$ 13,626
Shares estimated after buyback				575
Estimated Value				\$ 23.70

Comparables

Company Ticker	Columbia/HCA Tenet Healthcare		Lifepoint Province Healthcare Health Mgmt. Ass.			Triad Universal Health Serv.	
	COL	THC	LPNT	PRHC	HMA	TRIH	UHS
Current Implied / Actual Price	23.70	\$ 23.63	\$ 10.00	\$ 22.25	\$ 16.00	15.00	\$ 52.50
Shares Out. (000,000)	575.0	309.8	30	13.67	251.65	30	32.51
Market Cap (000,000)	\$ 13,625	\$ 7,319	\$ 300	\$ 304	\$ 4,026	\$ 450	\$ 1,707
Enterprise Value (000,000)	\$ 19,443	\$ 13,638	\$ 560	\$ 351	\$ 4,172	\$ 1,329	\$ 2,129
EPS							
1998 Actual / Pro-Forma	\$ 1.06	\$ 0.85	\$ (0.08)	\$ 0.68	\$ 0.56	\$ (1.30)	\$ 2.39
1998 Trailing P/E	22.35	27.79	(125.0)	32.7	\$ 28.6	-11.5	21.97
1999E	\$ 1.28	\$ 2.00	\$ 0.15	\$ 0.97	\$ 0.65		\$ 2.90
Forward P/E	18.5	11.8	66.7	22.9	24.6		18.1
12 month Trailing							
EBITDA Per Share	4.50	6.04	1.67	2.85	1.13	4.97	8.14
EBITDA Multiple	5.3	3.9	6.0	7.8	14.2	3.0	6.4
Enterprise / EBITDA	7.51	7.29	11.21	9.00	14.72	8.92	8.04
EBITDA Margin	17.4%	18.3%	11.10%	16.55%	23.43%	10.70%	14.12%
12 month Trailing							
Trailing Sales	\$ 14,909	\$ 10,251	\$ 450	\$ 236	\$ 1,210	\$ 1,392	\$ 1,874
Price to Sales	0.91	0.71	0.67	1.29	3.33	0.32	0.91
Operating Margin	10.12%	13.35%	-0.51%	10.86%	19.92%	-3.62%	8.49%
Book							
Book Value	\$ 13.18	\$ 12.47	\$ 0.56	\$ 12.38	\$ 3.27	\$ 11.65	\$ 19.29
Price to Book	1.80	1.89	17.86	1.80	4.89	1.29	2.72
Turnover's							
Account Rec. Turnover	7.11	5.02	10.57	4.60	4.78	6.22	7.31
Current Asset Turnover	3.86	3.33	6.63	3.34	3.81	4.56	5.86
Working Capital Turnover	49.04	8.12	15.22	4.65	6.94	6.96	12.53
Returns							
Return on Average Equity	9.28%	7.35%		9.1%	20.2%		13.79%
Pre-tax Average ROA	7.28%	10.61%		10.0%	25.0%		12.57%
Return on Average Assets	3.32%	2.08%		3.9%	14.8%		6.28%
Current Ratio							
Quick Ratio	1.09	1.69	1.77	3.54	2.22	2.90	1.88
Cash Ratio	0.67	1.22	1.11	2.67	1.83	2.13	1.51
	0.08	0.09	0.00	0.106	0.060	0.00	0.01
Degree of Financing Leverage							
Interest Coverage (Earnings)	1.29	2.06	0.548	1.415	1.024	0.83	1.21
	4.09	2.13	0.84	2.70	42.43	0.08	5.54
Debt to Capital							
Debt to Book Equity	43%	62%	94%	22%	15%	66%	40%
Debt to Enterprise Value	77%	164%	1549%	28%	18%	193%	67%
Liabilities to Equity	30%	46%	46%	13%	3%	66%	29%
	146%	253%	1905%	99%	41%	251%	110%
NOTES: Analysis reflect 1998 Year end results							
Health Mgmt. FY: Sept - Forward EPS FTM Est., Lifepoint 99EPS management estimate.							
Tenet is based on twelve months ending November 98. Forward EPS FTM Est.							
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Fresh Spin-Off Cont...

dELiA*s Carves-Out Teen Web Site iTurf in IPO

On Friday April 9th, iTurf, which operates an online community for teens went public and began trading on the Nasdaq under the symbol TURF. dELiA*s is a direct marketer of casual apparel and related accessories to girls and young women, primarily between the ages of 10 and 24 (an age group known as "Generation Y") The Company believes that it is one of a limited number of direct marketers distributing an apparel-based catalog exclusively for Generation Y girls and young women and that its selection and presentation of merchandise have contributed to a growing recognition of DELIAS as a Generation Y fashion resource. CEO Stephen Kahn owns 44% of the company. iTurf Online company iTurf targets consumers between 10 and 24 with its network of community, content, and e-commerce Web sites. Its gURL.com sites offer an online magazine, an e-mail service, free home pages, and third-party content targeting teen girls and young women. Among iTurf's retail sites are dELiAs.cOm (young women's apparel), TSISoccer.com (athletic wear), contentsonline.com (furnishings), and droog.com (apparel for young men). The company generates most of its revenues from retail sales, advertising fees, and licensing fees. Catalog retailer dELiA*s owns nearly 75% of iTurf (and 95% of its voting shares).

iTurf (Nasdaq: TURF-\$39), is a new e-commerce carveout with about \$4 million in FY98 revenue, and a staggering \$650 million market capitalization. Spun off last week from Delia's (Nasdaq: DLIA- \$20 1/4) iTurf was initially priced at \$10 - \$12. The underwriters boosted the range to \$16 - \$18 and increased the size of the offering to 4.2 million shares from 3.7 million. . The stock finally priced at \$22 a share, raising \$92 million for the company on April 9th. iTurf soared to \$66 before closing down \$4 1/8 to \$58 1/2. Investors had pushed Delia's to an all-time high of \$40 prior to the carveout and the now predictable sell-off.

The story here is pretty simple. The teen market is huge and getting larger. According to Census Bureau, the number of 10-to-19 year olds reached a fifteen-year low of 35.2 million in 1992, but it's been expanding ever since. This segment of the population will reach 40 million by 2000 and will continue growing at twice the rate of the overall population through 2010. Also, what's often called "Generation Y" includes folks in the 10-to-24-year age bracket. This group will increase in number from 56.2 million in 1998 to 63.1 million in 2010. What's more this group is Internet savvy, and have money to spend. Delia's and iTurf target specifically this market. Delia's catalog serves females ages 10 to 24, selling Delia's own trendy clothes and other plus hot brands Working with a mailing list of over 5.4 million potential customers, more than 1.6 million of which had actually bought something recently, the company expected to mail out about 55 million catalogs last year, up from 13 million in 1996.

Delia's encountered some rough sledding last year . The stock plunged as low as \$4 1/8. Running out of financing, management got the idea to package its websites (including its e-commerce business) into a separate company since its sites had proven popular with free-spending teen girls. Thus, iTurf was conceived. iTurf did \$4.01 million in sales in FY98, generating net income of \$0.46 million, or about \$0.04 per share based on 12.5 million shares outstanding. Delia's offered the public 4.2 million class A shares of iTurf, maintaining control of the company through 12.5 million class B shares. So excluding other potential common share equivalents (a possible over-allotment of 630,000 shares, 1.42 million shares issuable based on options that exercise at \$9.36 per share, and 2.63 million shares for an employee incentive plan), **there are now 16.7 million shares of iTurf, giving the firm a market cap of \$651 million.** Its cash is roughly equal to book value at around \$75 million. Meanwhile, Delia's has about 14.35 million fully diluted shares now valued at \$290 million. In other words, with more than 40 times iTurf's revenue and ten times its total profits, Delia's is trading for 45% of what investors are paying for iTurf. In fact, **backing out the value of iTurf from Delia's suggests that the stub is trading at a negative \$13 3/4.** Three-quarters of \$650 million is \$487.5 million., or about \$34 per share Delia's share (\$20 1/4 - \$34 = -\$13.75).

Fresh Spin-Off Cont...

Remainder of Delphi Shares Expected to be Distributed May 28th

The dividend will complete the tax-free spin-off that started in February with an initial public offering of stock in Delphi. The world's largest maker of auto parts, Delphi will be completely spun off from the world's largest automaker, General Motors. With operations worldwide, Delphi and its Delco Electronics division make virtually everything mechanical or electrical that goes into a car, including the chassis, engine, thermal, electrical, and steering systems. Delphi operates some 170 manufacturing plants, 40 joint ventures, and 27 technical centers. Though it sells to virtually every major carmaker, nearly 80% of Delphi's business comes from GM.

With the IPO, GM shed 17.7 percent of Delphi, and with this month's move, GM will spin-off the remainder, giving 80.1 percent of the parts-maker to shareholders and putting the final 2.2 percent into a trust for benefits to hourly retirees. **GM will distribute 452.6 million shares of Delphi common stock to GM common shareholders as a special dividend on May 28th.** Shareholders will receive 0.7 of a share of Delphi stock for each GM share. Based on Delphi's current stock price (\$19 1/2), **the dividend is worth \$8.8 billion, or \$13.25 per share of GM common stock.** This represents 15% of GM's \$89 stock price.

Delphi Automotive Systems reported 1998 revenues of \$28.5 billion. DPH's sales are over 50% greater than Visteon's, the second largest player in the industry (also a spin candidate of Ford). The company became an industry leader by capitalizing on its long history as General Motors' in-house supplier of automotive parts. Delphi is trying to evolve from a captive supplier of individual components to GM into a global supplier of integrated systems, modules and components with a broad range of customers.

Delphi has 565.3 million shares outstanding for a current market capitalization of \$11 billion. Delphi expects to pay a quarterly dividend, initially set at 7 cents a share. GM also expects to maintain its quarterly dividend, 50 cents a share, after the Delphi separation, which will effectively boost GM's dividend yield and payout ratio. GM currently has a 2.2 percent dividend yield. Zacks consensus estimate for Delphi is \$1.82 for 1999, suggesting a P/E multiple of 10.7. DPH trades at roughly 5 times EV/EBITDA. While this may appear somewhat modest relative to the group, DPH will have significant on-going dependence on General Motors post-spin. DPH's high exposure to GM suggests some discount may be warranted. DPH will remain heavily exposed to the health of GM (roughly 80% of revenue). General Motors' North American market share is about 30%. Delphi has a component supply agreement with GM that will act as a "crutch", allowing Delphi to garner non-GM business with little risk that the existing business will be lost. As part of the deal, Delphi has the right of last refusal through January 1, 2002 to match the best offer price on the next generation of all platforms it currently supplies to GM. Delphi management hopes to achieve a 5% net margin by 2002, up from 3.2% in 1998. We expect Delphi's ability to grow its non-GM business will be enhanced as a stand-alone company. The connection to GM has, in the past, been an impediment to sales expansion to other vehicle manufacturers reluctant to source from a supplier owned by a competitor. As an independent company, Delphi will be better able to expand its revenue base to outside carmakers. Sales to customers other than GM have grown from 13.3% of total sales in 1993 to 18.3% in 1997.

Recent Results

Delphi reported Q199 earnings of \$0.50 per share, (14% above \$0.44 per share last year, proforma). Sales in the quarter were \$7.469 billion, down 2% from the \$7.623 billion last year. Sales to GM were \$5.9 billion in the quarter. DPH sales to GM were 78.4% of total in the first quarter, as compared to 80.1% in Q198. Gross profit was \$1.1 billion, 20% above \$896 million last year. Gross margin was 14.4%. SG&A were \$384 million or 5.1% of revenue in the quarter. Depreciation was \$237. Operating profit was \$457 million, 26% above \$362 million recorded last year. Net income rose 12%, to \$284 million. Delphi's balance sheet at the end of the quarter reflected a cash balance of \$1.1 billion, and a debt balance of \$1.9 billion, down from \$3.5 billion at the end of the year. Adjusted operating cash flow less capital expenditures was \$629 million in the quarter.

Investment Risks

Pension Underfunded

Delphi's separation from GM will initially result in a sizable, underfunded retiree benefit liability on its balance sheet. As of year-end 1998, Delphi's salaried and hourly other post-retirement employee benefit obligation was \$4.5 billion and the underfunded pension obligation was \$1.9 billion. The pension liability creates pension expense of roughly \$380 million in 1999. DPH plans to use excess cash to fund the pension over the next two years. Cash flow from operations should be about \$1.5 billion in 1999. **Labor.** Delphi is subject to the risk of work stoppages as a result of its highly unionized workforce. DPH experienced work stoppages at facilities in each of 1996, 1997, and 1998. Roughly 96% of Delphi's hourly workforce is represented by 53 unions. The UAW represents about 27.5% of Delphi's unionized employees. We expect that the spin-off will allow Delphi an opportunity to negotiate more flexible arrangements in the U.S. and Canada. Delphi will need to negotiate a separate labor contract this fall when the existing GM-UAW contract expires.

Terms of the Spin

The dividend will be paid as of the opening of business on May 28, 1999, to holders of record of GM \$1-2/3 stock as of the close of business on May 25, 1999. The ex-dividend date for GM \$1 2/3 common stock also will be May 28. Based on the number of shares of GM \$1-2/3 stock currently outstanding, this dividend would be approximately 0.7 of a share of Delphi stock for each share of GM \$1-2/3 stock.

We feel that the upside near-term in Delphi will be relatively modest. We suspect that it will take three to six months for the 452 million newly distributed Delphi shares to end up in hands of shareholders who wish to own the stock.

Fresh Spin-Off Cont...

Western Wireless completes Spin-Off of VoiceStream

Western Wireless (Nasdaq:WWCA), a provider of cellular and personal communications services ("PCS"), completed the spin-off of its 80.1 percent ownership of VoiceStream Wireless Corporation (NASDAQ: VSTR). The distribution ratio was one share of VoiceStream for every one share of Western Wireless. **The spin-off began trading on May 3rd and closed at \$20 ½ implying a market capitalization of \$1.6 billion and an enterprise value of \$2.1 billion.**

Company Description

Western Wireless provides wireless communications services in the Western U.S. under its Cellular One brand name. The company serves about 550,000 cellular telephone subscribers (mostly in rural and smaller metropolitan areas) in 17 western states. Related services include voice mail, paging, e-mail, faxing, and phone sales. Western Wireless has cellular and PCS licenses (both its own and through partnerships) covering about 60% of the US. It also has overseas operations in Georgia, Ghana, Haiti, Iceland, and Latvia.

VoiceStream provides PCS services under the VoiceStream brand name in 11 urban markets using the GSM digital standard -- Denver, Seattle/Tacoma, Phoenix/Tucson, Portland, Salt Lake City, Des Moines, Oklahoma City, Honolulu, El Paso, Albuquerque and Boise – and is currently constructing systems in San Antonio and Austin. VoiceStream holds 107 broadband PCS licenses covering approximately 62.6 million persons. GSM is the leading digital wireless standard in the world, with over 120 million customers in 130 countries.

VoiceStream reported 1998 EBITDA of negative \$120 million on \$167 million in revenues. The company loss \$254 million in 1998. VoiceStream has \$707 million of net operating losses ("NOLs") as of December 31, 1998, which will expire between 2010 and 2018. In 1999, VoiceStream anticipates capital expenditures of approximately \$150 million for the continued expansion of its operating markets and \$150 million for the development and expansion of new markets (including Cook-Inlet)

VoiceStream has a credit facility (consisting of \$500 million in revolving credit and \$500 million in term loans). As of December 31, 1998, \$540 million was outstanding. Debt under the credit facility matures on December 31, 2006, for the revolver and the delayed draw term loan, and June 30, 2007, for the other \$250 million term loan. Substantially all the assets of VoiceStream, other than certain PCS licenses acquired in the FCC's D and E Block auctions and certain other assets, are pledged as security for such debt. The terms of the credit facility restrict, the incurrence of indebtedness, the sale of assets, distribution of dividends or other distributions and loans. As of January 1, 1999, the amount available to borrow under the credit facility, was \$277 million.

Recent events

VoiceStream is coming to Chicago and Dallas. VoiceStream and Cook-Inlet bid \$192 million for 18.8 million gross POPs (\$10.20/POP), Chicago and Dallas accounted for the majority (\$14.41/POP). VoiceStream is a 49.9 % owner of Cook-Inlet, which holds PCS licenses covering over 30 million POPs of which 20 million are non-duplicative with VoiceStream. In addition, VoiceStream also picked up Missouri, Nebraska and Louisiana where there are no GSM operators. GSM will now be able to boast a nationwide network in the U.S.

Valuation

Sprint PCS plans to acquire Cox's interest in Joint Venture Cox PCS for approximately \$1.1 billion in stock. Cox PCS has approximately 19 million POPs (Cox ownership 40.8% or 7.75 million POPs). Sprint is valuing each POP at \$142 ($\$1100/7.75 = \142). Applying this rough valuation to VoiceStream we derive a valuation of \$2.2 billion or \$29 per share ($16.1 \text{ million POPs} \times \$142 = \$2,200 / 79 \text{ million} = \28.90). Further if we include the forty-nine percent ownership of Cook-Inlet in which twenty million POPs are non duplicative contributing ten million POPs to our valuation for an additional \$1.4 billion or \$18 per share for a combine total of \$47 per share.

On a more modest note, Voicestream currently trades at \$52 per POP ($\$1,619/30.8 = \52) vs Sprint PCS at \$70 per POP ($\$17,932 / 256.50 = \70)

Market Profile

Price (5/3)	\$20 1/2	Book Value Per Share	\$4.89
Share Out.	79 m	Price to Book	4.2 x
Market Cap	\$1,619 m	Dividend/Yield	none
Debt/Equity	1.4	Revenues	\$167 m

Recently Announced Spin-Offs

Split-Up in Offing at Billing Concepts

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. Billing Concepts itself was spun off in 1997 from San Antonio based U. S. Long Distance (a long distance carrier). U.S. Long Distance was later purchased by rival LCI International.

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.

BILL Reported 27 Percent Drop in Net Income

On April 22, Billing Concepts Corp. (NASDAQ: BILL) reported operating revenue for the second quarter ended March 31, 1999 of \$45.7 million, compared to revenue of \$44.2 million reported for the same period in 1998. Net income for the quarter was \$5.9 million, compared to 1998 reported net income of \$7.4 million. Diluted earnings per common share were \$0.16 compared to \$0.20 per common share for the same period in 1998. Operating revenue for the LEC Billing division was \$34.8 million for the second quarter ended March 31, 1999, a decline from the \$37.8 million reported for the same period a year ago. The Systems and Software division reported \$10.9 million in revenue, which is 72% greater than revenue of \$6.4 million reported for the same period in 1998. In 1998, Billing Concepts generated \$160.8 million in revenue. About \$148 million in revenue for fiscal 1998 ending last September was attributable to the billing division. For fiscal 1999, that division is expected to generate about \$150 million but will account for 75 percent of the company's operations, reflecting growth in the software business. The company's billing side lost some business after some of its customers came under scrutiny from regulators for telephone "slamming". These activities have forced Billing to refuse to accept billing from some of these long distance companies. Billing Concepts stock took a dive in November after management projected less robust growth for billing in 1999.

Billing Customer Base

In the LEC billing business, they are the industry leader with an estimated 65% share of the overall market. Billing Concepts has over 400 customers in this business including **AT&T's** division called Lucky Dog, Qwest Communications, MCI WorldCom, and Frontier. The company is attempting to leverage its relationships with these customers and its more than 1,300 LEC customers into new business in its B&CC Systems business.

Balance Sheet

The company enjoys a clean balance sheet, with \$149 in cash and equivalents (or almost \$4 per share). Bill has essentially no long-term debt (\$164,000). Days sales outstanding, or DSO, is only 69 days.

Valuation

Based on the sum of its parts, Billing Concepts could be an interesting speculation. Billing Concepts trades currently at 16.9x the First Call consensus estimate for fiscal 1999 (ending September) of \$0.77 a share, and 13x the 2000 estimate of \$1.00 per share. We like that Bill has \$4 a share in cash with no debt and that the company's base business (LEC) generates predictable cash flow. This, coupled with a \$50 million rapidly growing telecom software business, and a 23.6% investment in soon to be public Princeton eCom could attract meaningful interest by investors.

Left Handed Internet Play?

In September 1998, Billing Concepts invested \$10 million in cash to acquire a 22% interest in **Princeton eCom**. On April 1, Princeton eCom filed a Form S-1 registration statement relating to a \$46 million initial public offering of shares. **Billing Concepts currently owns 23.6% of Princeton eCom's issued and outstanding shares.** Princeton is a privately held company in Princeton, New Jersey that specializes in electronic bill publishing over the Internet. The firm offers bill presentment and payment services to financial institutions and others via Internet, intranet, or telephone. Princeton's revenues accrue on a per-transaction basis, and the company does not license or sell its technology. Clients can choose from such services as els Electronic Lock-box Service, which clears customer-initiated payments from a computer or telephone and 1-800-PayBill, which allows bill payment by phone. The Company's services eliminate the need for companies to generate and mail paper bills as well as the need for consumers to write and mail paper checks. Princeton eCom handles some 80 million bills monthly, but only about a dozen of its 250 clients (including financial services, utility, retail, and telecom firms) use its Internet billing services. Last November, Princeton announced an agreement with Intuit to allow Intuit users to process bills using Princeton's Internet payment systems and technology. This agreement provides Princeton with exposure to Intuit's large base of e-commerce users via Intuit's Quicken software products. Chairman and CEO Donald Licciardello owns nearly two-thirds of the company. The offering is being managed by BancBoston Robertson Stephens Inc. and Donaldson, Lufkin & Jenrette Securities Corporation. Princeton generated \$3.82 million in revenues and lost \$3.35 million in 1998.

Market Profile

Price (4/27)	\$12 7/8	Book Value Per Share	\$2.87
52-Week Range	\$29- \$8	Dividend/yield	None
Shares Outstanding	348 m	Revenue (LTM)	\$185 m
Market Capitalization	\$452 m	ROE (12/31/98)	27%
Debt/Cap	1%	Fiscal Year End	September

Recently Announced Spin-Offs...

Century Business Services To Divest Its Risk-Bearing Insurance Operations

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.**

On April 6, Century Business Services (NASDAQ:CBIZ), announced that it is exploring strategic alternatives for the divestiture of its specialty insurance segment. 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.

Business Description

Century Business Services provides outsourced business services to small and medium-sized companies throughout the United States. The Company provides integrated services in the following areas: accounting, advisory, tax valuation, benefits administration and insurance, human resources and payroll, performance consulting and specialty insurance. These services are provided throughout a network of more than 200 Company offices in 36 states, as well as through its subsidiary, Century Small Business Solutions, a franchisor of accounting services with 650 franchisee offices in 47 states. The Company services approximately 100,000 business clients, of which approximately 54,000 are serviced through the Century Small Business Solutions franchisee network. Management estimates that its clients employ more than 1.4 million employees, including 400,000 employed by clients of the Century Small Business Solutions network

CBIZ was spun-off from Republic Industries (RII) in 1995 as a hazardous waste operation. In October of 1996, the company merged with Century Surety Company and Century Insurance Underwriters. In December 1996, CBIZ acquired SMR& Co., which provided a wide range of outsourced business services. Hazardous waste operations were divested in two separate transactions in July and September of 1997. In December of 1997, the company changed its name to Century Business Services from International Alliance Services. In 1997, CBIZ commenced a strategic redirection through an acquisition program, which rapidly expanded its operations in outsourced business services through acquisition of 107 companies. The stock, currently trading around \$12 a share has been weak for some time. We suspect some of its softness is due to concerns about FASB disallowing pooling accounting for acquisitions by the end of year 2000. This would mean all acquisitions would have to be treated as purchases, thereby lowering EPS through higher goodwill amortization expense. For companies engaged in "roll-ups", such as CBIZ, reported earnings will suffer.

Recently Announced Spin-Offs...

Harris Corp. to Spin-off Office Equipment Unit.

On April 14th, 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.

Description

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.

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: \$34) is trading 14Xs 99' and 13Xs 00' 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 \$2.6 billion and debt of \$1.1 billion.

Third Quarter Results

Lanier Worldwide's sales grew 12 percent to \$355 million due to strong performance in the international operations, especially Europe. Net Income for the quarter was lower than the same period last year, \$16.5 vs \$17.4 million. Operating margin for the quarter decreased to 8.7% vs 11.3% for the same period last year, primarily because of pricing pressures on analog products in the U.S. market.

FY:June	Operating Profit 3rd qtr	Sales 3rd qtr	Operating Margin 3rd qtr	Operating Margin 9 months
Lanier Worldwide				
1999	30.8	354.5	8.7%	10.09%
1998	35.6	315.8	11.3%	10.69%
Electronics				
1999	23.6	222.6	10.6%	10.61%
1998	19.8	231	8.6%	8.11%
Communications				
1999	10.9	219.3	5.0%	2.99%
1998	31.4	239	13.1%	9.11%
Semiconductors				
1999	12.3	153.2	8.0%	13.03%
1998	31.6	175.8	18.0%	14.40%

Electronic Systems sales were \$223 million for the quarter. The sector's classified business in the government communications area continued to show signs of strengthening. The sector's net income grew 70 percent which about half of the increase was related to final settlement of prior-years' overhead rates. Operating margins grew 200 basis points over the same quarter last year from 8.6% to 10.6%.

Semiconductor Sector's sales were lower for the quarter, but improved over the second quarter. Orders were higher than the same period last year and improved 21 percent compared to the second quarter - led by strong demand for the company's power semiconductor products. Net income for the quarter was lower than last year, including significantly reduced royalty income.

Sales in the Communications Sector were lower, caused by general weakness in international markets. Strong demand for the company's digital high-definition broadcast equipment and HF radio systems helped orders for the sector up 17 percent. Net income in the sector was significantly lower due to lower sales volume and pricing pressures attributed to weak conditions in the international markets. Operating margins decreased to 5% vs 13.1% a year ago.

Recently Announced Spin-Offs...

IPO Speculation Drives IDT Higher

Speculation that IDT (NASDAQ:IDTC) will carveout a part of its subsidiary Net2Phone in an initial public offering has helped boost the company's stock in recent weeks. The stock traded at 12 on February 24th, and closed April 29th at \$28 7/8. It is rumored that telecom services provider IDT has tentative deals for several strategic investments in its Internet telephony business, in anticipation of a likely public offering of a spin-off. **There is talk that Softbank is in negotiations with IDT to invest in Net2phone.** Softbank owns big stakes in some of the most heavily traded Internet companies, including Yahoo and E-Trade. IDT announced last month that it had preliminary agreements with strategic investors in Net2Phone. IDT previously arranged distribution partnerships with companies including Netscape Communications and Yahoo! IDT would retain majority ownership of Net2Phone after the private investments. We believe a Net2Phone public offering is possible by this summer. The Net2Phone company would consist of IDT's Internet fax, PC-to-phone, and phone-to-phone businesses, which are leaders in the business, and include the partnership deals, software and some of IDT's network facilities. 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. Net2Phone software connects live calls between PCs and telephones via the Internet, charging by the minute. More than 500,000 customers use its Net2Phone service. IDT also offers Net2Fax, which routes faxes over the Internet without a computer, and Click2Talk, connecting Web-shoppers with live sales representatives.

Net2Phone

Net2Phone has service deals with Yahoo and GeoCities (GCTY) two of the Internet companies in which Softbank holds stakes. The list of Net2Phone clients has grown as the company has signed recent deals with InfoSpace (INSP), IBM (IBM) and Netscape. Net2Phone enables any Internet user with a sound-equipped PC to initiate calls from a computer and transmit them over the Internet to Net2Phone's telephone switches. These switches automatically relay the call to its final destination -- any telephone. The result is real time, uninterrupted, full duplex voice communication between two parties. Net2Phone dramatically reduces telephone bills by up to 95% off of the cost of traditional long distance calls. Because the call is carried over the Internet until it reaches Net2Phone's phone switches, rates are not dependent upon the country of origin. This means that users pay as little as 10 cents a minute for calls to the United States -- from anywhere in the world. Calling with Net2Phone, any phone can be reached via a PC. Users are no longer limited to PC-to-PC technology which requires both users to have access to multimedia PCs. Therefore, both parties do not need to be online at the time of the call either by coincidence or pre-arrangement. Only the caller needs a PC with an Internet connection. The caller can use any ISP (including IDT) to reach any party. It works like this: Users call a local number to reach a computer "gateway" that converts their voice signal into digital packets. The packets are sent over IDT's Web backbone to another gateway, which translates them back into voice signals.

Recent Results

On March 4th, IDT reported Q299 results posting revenues of \$160.7 million. These revenues broke down into \$54.8 million from wholesale sales to other carriers, \$86.1 million from prepaid card operations, \$7.2 million from Net2Phone, and \$4.3 million from the company's Internet access operations. The balance of revenues came from domestic, resold long distance and international callback services. Gross margins were 21.2%. SG&A were \$23.7 million. EPS was \$0.06 a share. First Call consensus EPS estimates are \$0.36 for FY99 (ending July), and \$0.58 for 2000. IDT is trading at a healthy 52x next years earnings. IDT has 36 million shares outstanding for a current market capitalization of \$1.05 billion.

Recently Announced Spin-Offs...

US SEARCH Corp.com Files for Proposed Initial Public Offering

On April 12th, The Kushner-Locke Co. (Nasdaq:KLOC) announced that its majority owned subsidiary, US SEARCH Corp.com (US SEARCH), currently operated as 1-800 U.S. SEARCH, has filed a registration statement on Form S-1 for a proposed initial public offering of common stock of US SEARCH Corp.com. Kushner-Locke may be a selling shareholder in this offering. The proposed offering will be managed by Bear, Stearns & Co. Inc., BancBoston Robertson Stephens Inc. and Wit Capital Corp. (as e-manager). US SEARCH is expected to trade on the NASDAQ under the symbol "SRCH" The filing estimated the offering's maximum value of \$80 million, though it did not provide the exact number of shares being sold or the price being sought.

US SEARCH, through its 1800USEARCH.com Web site and its toll-free 1-800 US SEARCH telephone number, provides clients with a single, comprehensive access point for a broad range of public record information about individuals. US SEARCH's current services can be used for the purposes of locating people, conducting background checks, identity verification, national court records searches and adoption reunion services and are available 24 hours a day, 7 days a week. US SEARCH also provides value added search services, including assisted searches both online and over the telephone. The company claims 1800USSEARCH.com's public records portal attracts approximately 60,000 unique visitors per day.

Kushner-Locke is an independent producer and distributor of feature films, direct to video films, television series, made for television movies, mini-series, and animated programming for theaters, network, and cable television. The company also owns 50% of TVFirst, which purchases airtime for evangelical Christian-music infomercials. It owns about 83% of joint venture KLC/New City, which distributes films via pay cable, video-on-demand, and satellite, and 80% of US SEARCH Corp.com, a people locating service. Other operations include satellite channel, Gran Canal Latino.

First Quarter Results

February 17th, Kushner-Locke reported operating revenues of \$13,986,000 for its 1999 fiscal first quarter ended December 31, 1998, a 31% decrease from the \$20,160,000 in revenues for last fiscal year's first quarter. However, fiscal 1999 gross profits declined only 19% to \$2,323,000 from \$2,873,000 in the year earlier period. The net loss for the quarter ended December 31, 1998 was (\$5,975,000), or (\$0.64) per share, compared to net earnings of \$178,000, or \$0.02 per share, for the year-earlier quarter. Kushner-Locke has approximately 10.7 million shares outstanding for a market capitalization of \$127 million.

The company's 1999 fiscal quarter results were adversely affected by the inclusion of over \$3,100,000 of net losses from its 80% owned Internet-related subsidiary, 1-800-U.S.SEARCH ("SEARCH"). SEARCH management is increasing advertising and related marketing costs in order to increase its share of the marketplace for its branded Public Records Portal, 1800ussearch.com, a direct-to-consumer provider of public record information. Since the SEARCH acquisition in November of 1997, the Company has consolidated \$10,113,000 of revenues and over \$5,914,000 of net losses attributable to SEARCH. SEARCH's monthly revenues have increased from \$213,000 in November 1997 to \$716,000 in December 1998. SEARCH revenues represented 16% of the Company's fiscal 1999 first quarter revenues. The SEARCH unit lost \$6.8 million on \$9.2 million last year.

Recently Announced Spin-Offs...

Oak Industries to IPO Lasertron

On April 21st, Oak Industries (NYSE: OAK) announced that it would IPO its Lasertron subsidiary followed by a spin-off pending an IRS a ruling for tax-free status of the transaction. 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. Oak has approximately 20.5 million shares outstanding (diluted) with a current market capitalization of \$855 million, and trades at 22X 1999 estimated earnings (First Call 1999E, \$1.88).

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. Net income for the quarter was adversely affected by reduced profitability at OFCG's North American operations due to lower volume and costs incurred in consolidating facilities, starting up new products and discontinuing several programs.

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.

Market Profile

Price (4/30)	\$41 3/4	Revenues	\$347 m
Share Out.	20.5 m	EBITDA Margin	22.2%
Market Cap.	\$855 m	Debt	\$221 m
1998 EPS (Diluted)	\$1.58	Book Value Per Share	\$9.75
1999 First Call (Est.)	\$1.88	Price to Book	5.3 x

Recently Announced Spin-Offs...

PC Quote Plans To Carveout PCQuote.com in an IPO

On April 26th, 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 within the next 30 days 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.

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.

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.

Market Profile

Price (4/30)	\$11 5/8	Book Value Per Share	\$0.29
52-Week Range	\$15 3/4 – \$7/8	Dividend / yield	None
Shares Outstanding	13.36 m	Revenue (1998)	\$23 m
Market Capitalization	\$175 m	ROA (TTM)	63.6%
Float	4.3 m	Fiscal Year End	September

Recently Announced Spin-Offs...

Perfumania Plans IPO of Web Unit Perfumania.com

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.

Fiscal 1998 Results

April 30, Perfumania reported its results for the fiscal year ended January 31, 1999. The Company reported a loss for the year of \$19 million, or \$2.85 per diluted share. The fiscal 1999 loss includes an operating loss of \$6.0 million, as well as charges relating to the restructuring including a non-cash charge of \$6.8 million; non-recurring operating expenses of \$3.5 million and severance expenses of \$2 million. The Company also reported expenses of \$650,000, in connection with the start-up of Perfumania.com. This compares with a loss of \$11.4 million, or \$1.63 per diluted share reported for the fiscal year ended January 31, 1998. There were 6,659,237 and 7,025,236 weighted average shares for the fiscal years ended January 31, 1999 and 1998, respectively. Perfumania has a market capitalization of \$26 million.



Recently Announced Spin-Offs...

Tenneco to Spin Off Specialty-Packaging Business

On April 29th, Tenneco announced that it plans to separate its automotive and packaging businesses into two independent companies. 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. Last month, Tenneco sold its current headquarters in Greenwich, Conn. The much-anticipated spin is the final move in the Tenneco's transformation from a seven-headed conglomerate a decade ago. Thus far the market appears unimpressed with the spin, as Tenneco's stock is languishing near a 52 week low, off 43% from the 1998 peak of \$47 1/2.

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 worlds' 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.

First Quarter

Tenneco announced first quarter operating EPS of \$0.27 (reported a loss of \$1.74) versus \$0.44 last year, and consensus expectations of \$0.25. The reported first quarter loss of \$1.74 per share included one-time items. Results reflected solid performance in the specialty packaging segment and OE automotive business, which was offset by weakness in the aftermarket and paperboard business.

Market Profile

Date:	4/30/99	Shares Outstanding:	167.5 M
Price:	\$27	Market Cap:	\$4.5 B
52-Wk Range:	\$44 - \$25 1/2	Debt to Cap:	51%
Dividend:	\$1.20	First Call EPS (consensus 99)	\$2.06 E/share
Yield:	4.44%	Price/EPS	13.1X

SPECIALTY PACKAGING

Tenneco makes everything from sandwich trays with the plastic bottom and clamshell top, to McDonald's breakfast trays and Kentucky Fried Chicken buckets. Tenneco's OneZip, a zipper-like top to close things like freezer bags or diaper-wipes containers has been a winner for the company. Tenneco got OneZip when it bought Mobil plastics in 1995 for \$1.3 billion. OneZip enjoys approximately 20% of the market. Specialty packaging sales increased 5.7% in the quarter to \$666 million. Operating profit increased 12.2% to \$83 million, while margins improved 80 basis points to 12.5%. Improved results were due to double-digit volume increases in some businesses: Foodservice packaging volume increased roughly 11%, and Hefty products were up 12% and Protective packaging increased 15% in the quarter. Offsetting these unit volume gains was a softer pricing. As a result, margins improved to 12.2% due to cost reductions, sales mix and lower cost raw materials.

AUTOMOTIVE OPERATIONS

Revenues declined 1% to \$789 million and operating profits fell 34% to \$59 million. Results were affected by weaker automotive aftermarket operations, expenses associated with the expensing of R&D and negative foreign currency translation impact in South America. OE automotive revenues increased 8% globally with a 16% decline in the global aftermarket business. OE automotive profits decreased 24% and continues to be a problem for Tenneco. The company delivered a modest profit in the quarter versus a loss in the fourth quarter.

PAPERBOARD PACKAGING

This was the last quarter of consolidated sales on the packaging side. During the first quarter Tenneco announced that paperboard packaging would be sold to Madison Dearborn Partners (\$900 million in cash plus a retained minority interest worth about \$200 million), forcing the company to register a loss of \$293 million pretax (\$178 million after-tax) or \$1.07 per share. Sales in the segment increased 3.0% to \$414 million. Operating profit decreased by 47.1%, with operating margins down 420 basis points to 4.3%. Tenneco intends to liquidate its remaining interest within the next 16 months.



Breakup Valuation

Management gave no guidance as to the proforma look of the balance sheet and capital structure of the two businesses. About \$2.8 billion in net debt will be split among both businesses. In February the CEO of Tenneco, Dana Mead told Barron's he projected 1999 EBIT margins for specialty and automotive of 15% and 12% respectively. In the past Tenneco has been overly optimistic in guiding analysts to earnings numbers. As such, we would assume 13% and 11% might be more realistic.

Specialty Packaging

	1998	1999E
Revenues	\$2,785	\$3,000
EBIT	\$ 346	390
EBITDA		560
EV/EBITDA Multiple		<u>7.5x</u>
Value of Specialty Packaging		\$4,200

Automotive

	1998	1999E
Revenues	\$3,237	\$3,400
EBIT	\$ 301	374
EBITDA		<u>560</u>
EV/EBITDA Multiple		<u>6.5x</u>
Value of Automotive		\$3,640

Value \$4.2 B + 3.64B =	\$7.84 B
Less: Debt:	2.80 B
Interest in Paperboard	<u>.2 B</u>
Total Value	\$5.24 B
Shares Outstanding	167.5 M

Estimated Value Per Share \$31.28

The key to our estimated value are the multiples ascribed to Tenneco's cash flows and the level of EBITDA in both the packaging and automotive units. It is important to note that we are using lower numbers than those quoted in the Barron's article. We admit we are applying historically low group multiples to Tenneco's cash flow in accessing the per share value. We would view our estimate as conservative. Should Tenneco reach the higher margins and packaging group multiples climb over the next year, Tenneco's shares could prove to be a good opportunity. With Tenneco's current stock price of \$27 and a dividend yield of 4.4%, we do not see much downside from these levels.

Recently Announced Spin-Offs...

Toronto-Dominion Bank Files Registration for IPO of Waterhouse Securities

On April 30th, TD Bank Financial Group (TSE/NYSE: TD) announced that it has filed with the U.S. Securities and Exchange Commission a registration statement and preliminary prospectus for an initial public offering of the common stock of its global discount brokerage business, **TD Waterhouse Securities**. Credit Suisse First Boston and TD Securities will act as joint global coordinators for the offering. TD Bank said in January it was exploring taking the businesses public to use the stock as currency to finance acquisitions. The carveout decision follows similar moves by U.S. rivals amid enthusiasm by investors and consumer demand for online trading. Donaldson, Lufkin & Jenrette plans to sell equity in **DLJDirect**, its online brokerage unit, by midyear. Fleet Financial Group, the eighth-largest U.S. bank, is considering spinning off its **Suretrade** online brokerage.

TD's global discount brokerage -- comprised of Waterhouse Investor Services, Inc. in the U.S.; and Green Line Investor Services in Canada, Australia, the U.K. and Hong Kong -- represents the world's second largest discount brokerage. The global business includes more than 2.6 million client accounts and over \$100 billion in assets under administration. TD Waterhouse Securities ranks as the third largest online discount broker globally by trading volume, and also serves its customers through a network of 200 branches in five countries. **TD Waterhouse Securities hopes to raise \$1 billion in the carveout.** The company did not disclose the amount to be offered nor the estimated initial selling price. The company said it applied to trade on the New York Stock Exchange and Toronto Stock Exchange. No stock symbols were disclosed in the filing. The offering will be made through Credit Suisse First Boston, TD Securities, Goldman Sachs & Co., Salomon Smith Barney and Morgan Stanley Dean Witter.

Canada's #5 banking company, TD has more than 1,000 branches offering consumer and business services, including deposit accounts, credit cards, mortgage loans, trust services, and investment management services. Toronto-Dominion acquired Waterhouse Securities in 1996 by at which time it had begun building its own discount brokerage operations under the Green Line name as early as 1984, after the deregulation of brokerage commissions in Canada. TD Waterhouse, the third-largest online discount brokerage operations globally by trading volume and customer assets, said it would use net proceeds from the share offering for working capital and other general corporate purposes. Those include investments in technology and systems upgrades investments and increases in advertising and marketing budgets. The company may also use some of the proceeds to finance acquisitions of other companies, although it does not have any pending or proposed significant acquisitions. It also plans to repay certain debt to Toronto-Dominion Bank.



Implied Value of Stubs

Parent: Subsidiary:	Symbol	Shares Held by Parent	# of Average Shares	Price Close 4/30/99	Market Capitalization	Stub Implied Value	Carve-Out Value
AMR Corp.	AMR		182,396,000	69 13/16	12,733,520,750	39.11	30.70
Sabre Group	TSG	107,420,000	129,900,000	52 2/16	5,599,267,500		
Boise Cascade	BCC		56,370,000	40 7/16	2,279,461,875	28.71	11.73
Boise Office products	BOP	53,438,490	65,730,000	12 6/16	661,301,314		
CBS	CBS		707,420,000	45 8/16	32,187,610,000	17.66	27.84
Infinity Broadcasting	INF	700,000,000	840,000,000	27 11/16	19,381,250,000		
MarketWatch.com	MKTW	4,382,750	11,750,000	71 12/16	314,462,313		
Citizens Utility	CZN		259,800,000	10 1/16	2,614,237,500	7.84	2.22
Electric Lightwave	ELIX	41,151,600	49,800,000	14	576,122,400		
Creative Computers	MALL		10,250,000	34 10/16	354,906,250	(4.36)	38.99
Ubid	ubid	7,136,000	8,909,000	56	399,616,000		
Delia's	DLIA		14,350,000	20 4/16	290,587,500	(13.72)	33.97
iTurf	TURF	12,500,000	16,700,000	39	487,500,000		
Dupont	DD		1,126,940,000	70 11/16	79,660,571,250	59.76	10.93
Conoco	COC	455,000,000	627,380,000	27 1/16	12,313,437,500		
Flowers Ind.	FLO		99,820,000	21 4/16	2,121,175,000	5.71	15.54
Keebler	KBL	49,445,000	84,300,000	31 6/16	1,551,336,875		
Ford	F		1,140,800,000	63 15/16	72,939,900,000	59.39	4.55
Hertz	HRZ	86,904,000	107,920,000	59 11/16	5,187,082,500		
GM	GM		653,570,000	89 1/16	58,208,578,125	75.53	13.53
Delphi Automotive	DPH	455,000,000	555,000,000	19 7/16	8,844,062,500		
IMS Health	RX		318,020,000	30	9,540,600,000	26.51	3.49
Cog Tech Solutions	CTSH	7,290,400	9,113,000	22 7/16	163,578,350		
Gartner Group	IT	49,578,420	105,486,000	19 1/16	945,088,631		
Kansas City South.	KSU		109,690,000	59 9/16	6,533,410,625	48.78	10.78
DST Systems	DST	20,300,000	49,010,000	58 4/16	1,182,475,000		
Limited	LTD		231,700,000	43 12/16	10,136,875,000	(1.91)	45.66
Intimate Brands	IBI	211,600,000	252,400,000	50	10,580,000,000		
News Corp	NWS		1,058,800,000	32 10/16	34,543,350,000	19.39	13.24
Fox Corp	FOX	547,000,000	632,000,000	25 10/16	14,016,875,000		
PepsiCO	PEP		1,500,000,000	36 15/16	55,406,250,000	36.17	0.77
Pepsi Bottling Group	PBG	55,000,000	155,000,000	21 1/16	1,158,437,500		
Pittway cI,A,B	PRY		21,250,000	25 8/16	541,875,000	20.71	4.79
US Satelite Broadcasting Co.	USSB	3,772,440	89,820,000	17 14/16	67,432,365		
Cylink	CYLK	8,610,000	28,700,000	4	34,440,000		
RJR Nabisco	RN		325,020,000	25 12/16	8,369,265,000	0.97	24.78
Nabisco	NA	213,019,100	264,409,100	37 13/16	8,054,784,719		
Silicon Graphics	SGI		187,600,000	12 12/16	2,391,900,000	6.01	6.74
Mips Technology	MIPS	31,800,000	37,290,000	39 12/16	1,264,050,000		
Telephone & Data Systems	TDS		61,160,000	59 14/16	3,661,955,000	(2.56)	62.44
U.S. Cellular	USM	70,700,000	87,380,000	47 7/16	3,353,831,250		
Aerial Communications	AERL	58,100,000	71,790,000	8	464,800,000		
USA Networks	USAI		159,320,000	37 6/16	5,954,585,000	26.44	10.94
Ticketmaster-Online	TMCS	55,111,000	69,490,000	31 10/16	1,742,885,375		
Ziff-Davis	ZD		100,000,000	15 13/16	1,581,250,000	(5.34)	21.15
ZD.net	ZDZ	60,000,000	71,500,000	35 4/16	2,115,000,000		
Cohesion Technology	CSON		7,920,000	4 11/16	37,125,000	(4.80)	9.49
Boston Scientific	BSX	1,600,000	392,920,000	42 9/16	68,100,000		
Pharming N.V.	PHAR	838,000		3 13/16	3,188,043		
Medarex	MEDX	280,000	31,580,000	3	840,000		
Innovative Devices	IDEA	844,000	9,190,000	3 9/16	3,006,750		

Spin-Off Calendar by Date

Parent	Symbol	Listed		Symbol	Listed		Date Announced	Spin-Off Date	Tax	
		Options	Spin-Off		Options	Spin-Off			Exempt	Ratio
CBS / Data Broadcasting	DBCC	Y	Marketwatch.com	MKTW	N	10/13/98	1/19/99	Y	IPO	
Olin	OLN	Y	Arch Chemicals	ARJ	N	7/30/98	2/9/99	Y	1:2	
Pulitzer Publishing	PTZ	N	Pulitzer Inc.	PTZ	N	5/26/98	3/22/99	Y	1:1	
PepsiCO	PEP	Y	Pepsi Bottling Group	PBG	Y	7/28/98	3/31/99		IPO	
Varian Associates	VAR	Y	Varian Inc.	VARI	Y	8/21/98	4/5/99	Y	1:1	
			Varian Semiconductor	VSEA	Y	8/21/98	4/5/99	Y	1:1	
Investment Technologies Group	ITGI	N	Jefferies Group	JEF	Y	3/18/98	4/28/99	Y	1:1	
dElia*s	DLIA	N	iTurf	TURF	N		4/9/99		IPO	
Columbia/HCA	COL	Y	LifePoint Hospitals	LPNT		7/29/98	5/11/99	Y	1:19	
			Triad Hospitals	TRIH		7/29/98	5/11/99	Y	1:19	
Western Wireless	WWCA	Y	Voicestream Wireless Corp.	VSTR		10/27/98	5/3/99	Y	1:1	
General Motors	GM	Y	Delphi Unit	DPH	Y	8/3/98	5/28/99	Y	.7:1	
IMS Health	RX	Y	Gartner Group	IT		11/12/98	2nd qtr	Y	1:8	
Barnes and Noble	BKS	Y	BarnesandNoble.com	BNBN		3/18/99	2nd qtr		IPO	
Enron	ENE	Y	Azurix	AZX	N	3/16/99	1999		IPO	
Navarre	NAVR	Y	Net Radio	NETR	N	3/3/99	1999		IPO	
Citizens Utilities	CZN	N	Telecommunications			5/18/98	4th qtr	P		
Kansas City Southern Industries	KSU	Y	Financial Services			2/3/98	4th qtr	P		
LSB Industries	LSB	N	Automotive Business			8/5/98	1999	P		
Odetics	ODETA	N	Intelligent Transportation Unit			5/4/98	1999		IPO	
Allegheny Teledyne	ALT	Y	Consumer Division / Electronics			1/19/99	1999	P		
Meditrust	MT	Y	Health Care Financing Business			11/12/98	1999	P		
MedPartners	MDM	Y	Physician Practice Management			11/12/98	1999	P		
Williams Co.	WMB	Y	Communications Group	WCG		11/20/98	May / June		IPO	
Watts Industries	WTS	Y	Oil and Gas Business			12/15/98	1999	P		
Gencorp	GY	Y	Specialty Polymers			12/17/98	1999	P		
Telephone & Data Systems	TDS	Y	Aerial Communications	AERL		12/21/98	1999	P		
Pomeroy Computers	PMRY	Y	Pomeroy Select	PSIS		1/15/99	1999	P		
HRPT Properties	HRP	Y	Senior Living	SN		12/24/98	1999		IPO, .1:10	
Compaq Computer	CPQ	Y	AltaVista			1/26/99	1999		IPO	
Tenneco	TEN	Y	Specialty Packaging			7/21/98	1999			
Viacom	VIA.B	Y	Blockbuster Entertainment				1999			
Delta Woodside	DLW	Y	Apparel Division			2/9/99	1999	N		
Silicon Graphics	SGI	Y	Mips Technology	MIPS	N	2/26/99	1999/2000		IPO / CO	
Essef Corp.	ESSF	N	Anthony & Sylvan Pools	SWIM		5/8/98	Filed		IPO	
DuPont	DD	Y	Conoco	COC	Y	5/11/98	3rd qtr	Y	Split-Off	
Ogden Corp.	OG	Y	Energy / Entertainment			3/11/99	1999		IPO	
RJR Nabisco	RN	Y	Tobacco			3/9/99	1999			
Synetic	SNTC	Y	CareInsite			3/26/99	1999		IPO	
Equitex	EQTX	N	Non-Financial			4/12/99	1999			
Century Business	CBIZ	Y	Insurance			4/6/99	1999			
Kushner-Locke	KLOC	Y	IPOSearch.com			4/12/99	1999		IPO	
Harris Corp.	HRS	Y	Lanier Worldwide			4/14/99	Sept			
Billing Concepts	BILL	Y	Software and Systems			4/22/99	Sept		1:1	
Oak Industries	OAK	Y	Lasertron			4/21/99	1999		IPO	
IDT	IDTC	Y	Net2Phone				1999		IPO	
Perfumania	PRFM	N	Perfumania.com			4/20/99	1999		IPO	
PC Quote	PQT	N	PCQuote.com			4/26/99	1999		IPO	
Toronto-Dominion	TD	Y	Waterhouse Securities			4/30/99	1999		IPO	

Spin-off Statistics

Spin-Off Name	Symbol	Business	Parent	Symbol	Spin-Off Date	Spin-Off Price	CLOSING	Spin-Off	S+P 500
							PRICE 04/30/99	% Change	% Change
Arch Chemical	ARJ	Chemicals	Olin	OLN	2/9/99	18 7/8	22	17%	10%
Chicago Title Corp.	CTZ	Title Insurance	Alleghany	Y	6/18/98	46 12/16	39 1/16	-16%	21%
Choice Hotel International	CHH	Hospitality	Manor Care, Inc.	MNR	11/4/96	15 2/16	15 10/16	3%	89%
ChoicePoint	CPS	Risk Management	Equifax, Inc.	EFX	8/7/97	35 12/16	59 6/16	66%	40%
Cognizant Technology Solutions	CTSH	Software Solutions	IMH Health	RX	6/19/98	10	22 7/16	124%	21%
Cohesion Technologies	CSON	Medical Devices, Sealant	Collagen Aesthetics	CGEN	8/19/98	5	4 11/16	-6%	22%
Commscope	CTV	Coaxial Cable	General Instrument	GIC	7/28/97	15 12/16	24 6/16	55%	43%
Conexant	CNXT	Semiconductors	Rockwell International	ROK	1/4/99	18 7/8	40.75	117%	9%
Conoco	COC	Energy Exploration	DuPont	DD	10/22/98	24 14/16	27 1/16	9%	24%
Convergys	CVG	Billing processing to Tele-Comm.	Cincinnati Bell	CSN	8/12/98	16 10/16	18 9/16	12%	24%
Delphi Automotive	DPH	Automotive Parts	General Motors	GM	2/5/99	18 8/16	19 7/16	5%	8%
Fox Entertainment	FOX	Entertainment	News Corp	NWS	11/11/98	24 4/8	25 10/16	5%	19%
General Instrument (Next Level)	GIC	Communication	General Instrument	GIC	7/28/97	20 3/16	36 8/16	81%	43%
General Semiconductor	SEM	Discrete Semiconductors	General Instrument	GIC	7/28/97	14 12/16	7 8/16	-49%	43%
Hi/fn	HIFN	Data Compression & Encryption	Stac	STAC	12/17/98	20 8/16	54	163%	13%
Highland Insurance Services	HIC	Insurance	Halliburton Co.	HAL	1/24/96	21 2/16	11	-48%	73%
Hussman Corp.	HSM	Refrigeration systems	Whitman Corp.	WH	2/2/98	13 10/16	15 14/16	17%	36%
Imation	IMN	Data storage and Imaging	Minnesota Mining	MMM	7/16/96	23 14/16	17 12/16	-26%	111%
IMS Health	RX	Healthcare Information Systems	Nielsen Media research	NMR	7/1/98	31 8/16	30	-5%	16%
Infinity Broadcasting	INF	Broadcasting	CBS	CBS	12/10/98	23 2/16	27 11/16	20%	15%
Leap Wireless	LWIN	Wireless Telecommunications	Qualcomm	QCOM	9/24/98	8	18 4/16	128%	28%
LNR Properties	LNR	Real Estate investment and Mgmt.	Lennar Corp.	LEN	11/3/97	25 3/16	19 10/16	-22%	47%
Lucent Technologies	LU	Telecommunication systems	AT&T	T	4/3/96	7 10/16	60	690%	94%
Media One	UMG	Cable operations	US West	USW	6/12/98	36 8/16	52 5/16	43%	23%
Meritor Automotive	MRA	Automotive accessories	Rockwell International	ROK	10/1/97	23 14/16	21 3/16	-11%	48%
Midas	MDS	Automotive Repair	Whitman Corp.	WH	2/2/98	16 1/16	35	118%	36%
Midway Games	MWY	Interactive Entertainment	WMS Industries	WMS	10/30/96	20	8 9/16	-57%	90%
Millennium Chemical	MCH	Chemicals	Hanson PLC.	HAN	10/2/96	23	27	17%	92%
NCR	NCR	Data, Transaction Processing	AT&T	T	1/2/97	33 12/16	41 2/16	22%	81%
Newport News Shipbuilding	NNS	Ship Building	Tenneco	TEN	12/12/96	17	26 3/16	54%	83%
Octel	OTL	Specialty Chemical	Great Lakes Chemical	GLK	5/26/98	22 12/16	14	-38%	22%
Park Place Entertainment	PPE	Gaming	Hilton Hotels	HLT	1/4/99	7 8/16	10 13/16	44%	9%
Payless ShoeSource	PSS	Footware Retailer	May Department Stores	MAY	5/9/96	28 12/16	48 7/16	68%	108%
Pennzoil-Quaker State	PZL	Car Care & Oil Products	PennzEnergy	PZE	12/31/98	15 2/16	12 15/16	-14%	8%
Penton Media	PME	Publishing	Pittway	PRY	8/10/98	16 12/16	23 12/16	42%	23%
Penwest Pharmaceuticals	PPCO	Pharmaceuticals	Penford Corp.	PENX	8/10/98	16 12/16	9 2/16	-46%	34%
Primex Technologies	PRMX	Defense and Aerospace	Olin	OLN	1/7/97	16 12/16	20 14/16	25%	80%
Quest Diagnostics	DGX	Diagnostic Testing	Corning Inc.	GLW	1/14/97	17 12/16	22 14/16	29%	80%
RCN Corp.	RCNC	Voice, Video and interactive	C-Tec Corporation	CTEX	10/1/97	15 14/16	48 10/16	206%	40%
Solutia	SOI	Chemicals	Monsanto	MTC	9/3/97	19 3/16	24 6/16	27%	48%
Sonosight	SONO	Handheld Ultrasound devices	ATL Ultrasound	ATLI	4/7/98	13 6/16	14 14/16	11%	20%
Tricon Global Restaurants	YUM	Restraunts	Pepsi Corp.	PEP	10/7/97	31 2/16	64 6/16	107%	38%
uBid	UBID	Internet Auction House	Creative Computers	MALL	12/4/98	48	56	17%	13%
United Wisconsin	UWZ	Health, HMO	American Medical Group	AMZ	9/28/98	7 3/16	5 14/16	-18%	27%
Unova	UNA	Information and Manufacturing	Western Atlas	WAI	11/3/97	18 6/16	13 9/16	-26%	48%
US West	USW	Communications	US West	USW	6/12/98	50 8/16	52 5/16	4%	23%
Vencor	VC	Healthcare	Vencor	VC	5/2/98	12 8/16	15/16	-93%	19%
Vlassic	VL	Food products	Campbell Soup	CPB	3/30/98	25 12/16	8 3/16	-50%	22%
Waddell & Reed	WRD	Asset Management	Torchmark	TMK	3/5/98	26 7/16	22 9/16	-26%	29%