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Continuous Research on Corporate Spin-Offs SPIN-OFF RESEARCH

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HealthSouth Sets Aside Spin-off Plan

On September 9, HealthSouth, the No. 1 provider of out-patient surgical and rehabilitative services, said it was shelving a plan to spin off its inpatient operations. The company said it would instead embark on a restructuring and a \$1 billion capital expenditure program. The reorganization would bring \$250 million to \$300 million in charges against earnings by the end of 1999, it said. The announcement was followed by an onslaught of downgrades from analysts.

In June, HealthSouth said it would divide the company into two publicly traded companies -- in-patient and out-patient services -- in a tax-free deal. Out-patient facilities cater to patients who don't need to stay overnight in a hospital. In-patient facilities are for patients more serious conditions, such as major surgeries or stroke victims. The company also warned that its operating profits would suffer from tighter margins. The company said margins for the third and fourth quarters are expected to be in the range of 27 percent to 29 percent as opposed to the 30 percent reflected in analysts' current estimates.

It attributed the decline of its lower operating margins partly to slower-than-expected volume growth in its rehabilitation business, changes in the way the government reimburses Medicare patients and anticipated increases in costs. HealthSouth, which has grown rapidly through an aggressive acquisition strategy, released the news after the market closed. HealthSouth shares were down 1/16 on Thursday at 7-15/16 on the New York Stock Exchange. The stock opened the next session at 4 3/4, down 40% on the news. Explaining the decision to set aside the spin-off plan, the company said they would not be able to meet their time frame for splitting the company and would not be able to lower the cost of capital for the two businesses as stand-alones. We suspect there were tax-related issues.

Over the next three to five years, HealthSouth will also invest up to \$1 billion in capital expenditures, including additional acquisitions in out-patient services, forging alliances with health-care Internet companies and ramping up the rate of development of new surgery centers. HealthSouth will also resume a

\$1 billion stock buyback program announced earlier this year. For the 1998 fiscal year, HealthSouth earned \$1.09 per share compared with 94 cents per share in the previous fiscal year. The health-care industry has experienced turbulence from changes in Medicare payment system to take full effect next year. Under the plan, Medicare will reimburse hospitals on fixed fee for services they provide instead of a system based on costs.

The company currently expects its operating margins for the third and fourth quarters of 1999 to be in a range of 27% - 29% as opposed to the 33+% level it has historically experienced. In other words, the company is anticipating up to a 600 basis point reduction in operating margins in the coming quarters. The margin reductions are attributed to the following: 1. Changes in volume and payor mix in the inpatient segment; 2. Lower-than-expected same-store volume growth in the outpatient rehabilitation business; 3. Continuing issues with managed care reimbursement; 4. The effects of changes in government reimbursement policies; 5. Seasonal variations in surgery center operations; 6. Current and anticipated cost increases. The company indicated that it expects cash flow for 1999 to be approximately \$1.2 billion. (In the first half of 1999 the company reported EBITDA of \$688 million.).

Capital Structure

HealthSouth ended the second quarter with \$166.6 million in cash, up from \$116.3 million at March 31, 1999. Total debt outstanding was \$2.89 billion at the end of the second quarter. Debt to total capital stood at 45%. A/R days were up versus first quarter levels. At the close of Q2, A/R days advanced to 94.5 days versus 85.3 days at the end of 1998. The increase was due to delays by payors in processing and paying claims. Through June 30, HRC repurchased 7.55 million shares of its own stock as part of its 70.0 million share buyback program, up modestly from the 6.9 million repurchased by the end of March. There were 415 million shares of HRC outstanding at August 9th.

Tektronix to Sell Printer and Color Imaging Unit

On September 22nd, Tektronix announced that Xerox would buy its Color printing and Imaging unit for \$950 million in cash. The deal is expected to close by year-end. The unit employs 2,400 people and will be combined with Xerox's operation. Net proceeds are expected to be about \$600 million after taxes and some debt repayment. There are currently 47 million shares of Tektronix outstanding and given the cash influx we expect to see a stock repurchase or a special one-time dividend. The stock repurchase makes the most sense given a tax consequence to shareholders with a special dividend.

The printer and color imaging unit reported \$725 million in revenues for fiscal 1999, second only to Hewlett-Packard. According to International Data Corporation (IDC) Hewlett-Packard is the market leader with 40.7 percent. Tektronix is second with 23.3 percent. Lexmark is a distant third, with 12.7 percent.

Tektronix

Tektronix measurement business provides telecommunications test products, oscilloscopes, signal measurement and television test equipment. Sales for the test and measurement business in total were \$845 million in 1999. Sales growth is estimated to be 7% (\$904 million, excluding videotel.com). The company expects FY 2000 operating margins to increase by 200 basis points to 11%.

Xerox

Xerox' distribution capacity will nearly double too more than 16,000 resellers and dealers worldwide. The acquisition also gives Xerox access to Tektronix's solid ink printer technology and Phaser color laser printers.

Color printing represented only 0.9 percent of total printer sales in the first half of 1999, but contributed 9.2 percent of overall printer revenue.

Valuation

Tektronix expects sales to climb to \$904 million in FY2000, if we assume they reach their operating margin of 11% it will generate \$99 million less taxes of \$33.8 million (34%) we estimate FY2000 EPS of \$1.39. If we apply a 15x multiple to the measurement business we estimate it to be worth \$21 per share plus the cash value of the unit sale \$12.7 (\$600/47) for a total valuation of approximately \$33-\$34 per share. **We would like to point out that our EPS estimate is probably overly optimistic and that our valuation is probably at the high end of expectations.**



Telephone & Data Systems to sell Aerial Communications

VoiceStream Wireless (NASDAQ:VSTR) plans to acquire Aerial Communications, (NASDAQ:AERL) in stock and/or cash for \$2.1 billion plus debt (announced September 20). Currently, VoiceStream is in the process of completing a previously announced merger with Omnipoint Corporation (NASDAQ:OMPT). Chicago-based Aerial has been a candidate to be spun off or sold most of the year in an effort by its largest shareholder, telephone & Data Systems. Instead of spinning off Aerial, TDS opted to accept stock in a merged Aerial-VoiceStream company that seeks to become a national wireless operator that can effectively compete with AT&T Wireless and Sprint PCS, the two firms that now offer wireless service to consumers in most major markets of the country. It appears that the market agrees that the company is worth more as part of a national VoiceStream network than it has been as an independent.

Aerial's stock price shot up 33 percent, or \$6.62, to close at \$26.62, and VoiceStream's stock rose more than 10%, or \$6.87, to close at \$61.94 on the news. TDS stock was up \$4.25, or more than 5 percent, to close at \$79.75 on the AMEX. At the close of the deal, expected next spring, TDS will own a 14 percent stake in the merged company. As part of its play to acquire a national wireless footprint, VoiceStream had already moved to acquire another wireless company, Omnipoint Corp. Aerial will bring four major markets to VoiceStream's national strategy, including Houston, Tampa, Minneapolis and Pittsburgh. Aerial and VoiceStream both use a flavor of wireless phone technology called GSM (Global System for Mobile Communication) that is popular in Europe and parts of Asia, but not widely used in North America.

For the quarter ended June 30, 1999, VoiceStream, Omnipoint and Aerial reported combined annualized service revenues in excess of \$825 million and collectively served nearly 1.5 million customers. Upon completion of both transactions, VoiceStream will own licenses to provide service to nearly 200 million people. When the mergers with Aerial and Omnipoint are completed, together with Cook Inlet Region Inc. (CIRI), nearly three out of every four people in the United States will live within VoiceStream markets. VoiceStream will serve markets from New York to Hawaii and from Minneapolis to Houston, with licenses in 22 of the 25 largest markets. The combination will offer economies of scale and strengthen VoiceStream's competitive position. Aerial will be part of the largest GSM operator in the country, measured in terms of people in licensed areas, the largest GSM operator in the world. The combined company will be a strong national player. **The name VoiceStream may seem familiar, it was spun-off from Western Wireless on May 3rd of this year (May Issue). The stock has appreciated a modest 200 percent.**

Telephone and Data Systems Inc. (AMEX:TDS) is the majority shareholder of Aerial (controlling 82%). Subsequent to the mergers, TDS will own approximately 14% of VoiceStream. Under the terms of the agreement VoiceStream will exchange 0.455 shares of VoiceStream common stock for each Aerial share. Aerial's public shareholders will have a right to elect to receive \$18 in cash in lieu of shares of VoiceStream. Aerial will have 116 million shares outstanding immediately prior to the merger. The parties anticipate that the merger will be tax-free to Aerial shareholders who elect to receive VoiceStream stock. TDS and major shareholders of VoiceStream, including Hutchinson

Telecommunication PCS (USA), have agreed irrevocably to vote in favor of the merger. The merger is expected to close in the first quarter of 2000.

In a separate announcement, Sonera, Aerials second largest shareholder has agreed to invest \$500 million in VoiceStream at the closing of the Omnipoint merger (purchasing shares at \$57 per VoiceStream share). Upon the completion of both the Omnipoint and Aerial mergers into VoiceStream, Sonera Ltd. will have an 8% interest in VoiceStream. Sonera, TDS and Aerial also reached an agreement to settle all their disputes relating to Sonera's earlier investment in the Aerial subsidiary. Sonera Ltd., is a mobile communications provider in Finland, in the rapidly growing mobile, data and media communications sectors. Sonera has interests in service providers in 14 other countries.

TDS Description

Telephone and Data Systems is a diversified telecommunications company with cellular telephone, telephone, and personal communication services (PCS) operations. The company has over 3 million customer units in service in 35 states. TDS owns 80.9% of United States Cellular (USM), which provides cellular service to over 2 million cellular units across 26 million POP's in 183 markets. USM largely operates in secondary markets outside of urban areas. TDS serves 555 telephone access lines in 28 states through its wholly owned subsidiary, TDS Telecom. The company also offers CLEC service to an additional 43,500 access lines in certain markets in Wisconsin and Minnesota under the TDS Metrocom and US Link brand names. Finally, TDS conducts all of its PCS operations through its 82.3% ownership share of Aerial Communications. PCS is the term used to describe the wireless telecommunications services that are offered by those companies that acquired licenses for radio spectrum (frequency range of 1850-1990 MHz) in the FCC auctions and are the newest entrants in the

wireless telecommunications market. PCS competes directly with existing cellular telephone, paging and mobile radio services. Aerial provides service to over 330,000 units encompassing approximately 27.7 million POP's.

TDS Story Becoming Simpler to Understand

We believe TDS shares will continue to rally from current levels as the market increasingly appreciates the company's transition to an accelerating earnings story. We expect operating EPS to improve dramatically in the next several years. TDS Telecom and US Cellular will be a powerful core for TDS going forward. US Cellular is the 11th largest wireless company in the United States, based upon aggregate customers in its wireless markets. Both USM and TDS Telecom are profitable, growing businesses. In Q199, USM reported 33% YoY growth in both top-line revenue and EBITDA. We expect the cellular company to generate roughly \$450 million in cash flow in 1999. TDS Telecom (the wholly owned subsidiary) reported strong operating results in Q199, with revenues improving 13%, EBITDA up 18%, and operating income increasing 22% over the year-earlier period. We expect TDS Telecom could generate about \$225 million in EBITDA in 1999.

The sale of Aerial maybe the catalyst to unlock the value in TDS which we first highlighted in January of 1999. In short, TDS has an interest (81%) in U.S. Cellular (AMEX:USM) valued at \$76, an interest in Aerial worth \$26, and an interest in Vodafone of 2.6 million share between USM and TDS, worth about \$9.00. but currently trades at \$88 (an implied value of negative \$23 per TDS share). TDS owns 500K and USM owns 2.1 million shares, respectively.

Here is our reasoning for further value creation in TDS. Aerial will remove approximately \$864 million of debt from TDS's balance sheet leaving approximately \$951 million of debt (\$540 and \$411 between USM and TDS, respectively), and Aerial contributed a negative

EBITDA of \$2.46 per share TTM that will also be removed from TDS's financials. In addition, TDS's EPS will increase by approximately \$3.51 (based on First call estimates) as Aerial's losses are removed from TDS's future financials. Lastly, TDS will receive a 14% stake in the only national wireless company using GSM technology (which will be listed as an asset).

So what does this all mean? If we apply a 9x's EBITDA multiple per share ($225/62.3 = \$3.61$), we value TDS on a stand alone basis of \$32+ the sum of the parts of \$76 (USM) + \$26 (AERL)+ \$9 (VOD) = \$141. Also, we will apply a 15% discount because of their capital structure (next paragraph) to value TDS at \$119 fair value, plus the future upside potential of VoiceStream's contribution. Our description may be overly simplistic, but the point is the sale of Aerial may be the catalyst that shareholders have been waiting for. The largest shareholders in TDS are Franklin Resources, GAMCO, Goldman, Wanger, Newsouth, Strong and Tudor.

TDS Capital Structure

Common Stock. TDS has two classes of common stock. The holders of the common share and the outstanding preferred shares are entitled to one vote per share. The holders of Series A common shares are entitled to ten votes per share. Series A common shares convertible, on a share-for-share basis, into common shares. TDS has reserved

approximately 6.9 million shares for conversion. At year-end 1998, there were approximately 55 million common shares and 7 million Series A common shares outstanding.

Preferred Shares. At year-end 1998, the preferred shares had a book value of nearly \$26 million on the balance sheet. There are 259,847 shares outstanding and all preferred shares have a liquidation value of \$100 per share plus accrued and unpaid dividends. The average dividend rate is \$5.76 per share.

COMPRS. Over the past two years, TDS has issued \$300 million in debt through a subsidiary trust called Capital I and Capital II. The debt was issued in two separate tranches and pays 8.04% and 8.5% interest rates. This debt is subordinate and junior in right of payment to other debt held by the company.

Stock Ownership. Directors and executives officers as a group own 1.6% of the common stock. More importantly, they own 92.6% of the Series A common stock, which equates to 51.9% of the voting power.

Management owns about 10% of the economic interest. Super majority voting shares are not well received by Wall Street investors. However, we feel the company has made progress in communicating with the Street and realizing shareholder value.

Parent:	Carveout	Symbol	Shares Owned By Parent	Shares Outstanding	Price	Market Capitalization as % of Ownership	Parent Implied Value (Less-Carveout)	Carve-Out Value
Telephone & Data Systems	TDS			62,300,000	88 8/16 \$	5,513,550,000	\$ (23.06)	\$ 111.56
U.S. Cellular	USM		70,700,000	87,470,000	66 8/16 \$	4,701,550,000		
Aerial Communications	AERL		59,000,000	71,920,000	27 14/16 \$	1,644,625,000		
Vodafone	VOD		2,540,000		237 12/16 \$	603,885,000		

ANNOUNCEMENT CALENDAR

Announced					
Company	Symbol	Date	Spin-Off	Symbol	Type
3COM	COMS	09/13/99	PALM COMPUTING		CO/SP
ACTION PERFORMANCE	ACTN	07/06/99	GORACING.COM	GRCN	CO
ACX TECHNOLOGIES	ACX	06/15/99	COORS CERAMICS		SP
ALLEGHANY TELEDYNE	ALT	04/22/98	TELEDYNE TECHNOLOGIES WATER PIK	TDY PIK	SP SP
AUTONATION	AN	05/25/99 08/02/99	AUTONATION.COM CAR RENTAL UNITS		TR SP
BAXTER	BAX	07/12/99	CARDIOVASCULAR		SP
BROOKTROUT	BRKT	08/23/99	INTERSPEED	ISPD	CO
CABOT CORP.	CBT	07/29/99	MICROELECTRONICS LIQUIFIED NATUAL GAS		SP TR
CARRAMERICA REALTY	CRE	05/07/99	HQ GLOBAL WORKSPACES		
CENTURY BUSINESS	CBIZ	04/06/99	INSURANCE UNIT		
COMDISCO	CDO	06/17/99	HIGH-SPEED DIGITAL LINE		CO
COMPUSA	CPU	02/04/99	DIRECT GROUP		
CRANE	CR	06/21/99	HUTTIG		SP
DELTA WOODSIDE	DLW	02/09/99	APPAREL DIVISION		SP
DISNEY	DIS	07/12/99	GO.COM		TR
DUPONT	DD	05/11/98 03/10/99	CONOCO LIFE SCIENCES	COC	SPLIT TR
ENRON	ENE	03/16/99	AZURIX	AZX	CO
GENCORP	GY	12/17/98	OMNOVA SOLUTIONS	OMN	SP
GENZYME	GENZ	05/27/99	GENZYME SURGICAL	GZSP	TR
GREAT LAKES CHEMICAL	GLK	09/20/99	OSCA		CO
HARCOURT GENERAL	H	05/17/99	NEIMAN MARCUS	NMG	CO
HARRIS CORP.	HRS	04/14/99	LANIER WORLDWIDE		SP
HEWLETT-PACKARD	HWP	03/02/99	AGILENT TECHNOLOGIES		SP
HRPT PROPERTIES	HRP	12/24/98	SENIOR HOUSING PROPERTY TRUST	SN	SP
IDT CORP.	IDT	05/14/99	NET2PHONE	NTOP	CO
INTERPOOL	IPX	08/09/99	MICROTECH AND POOLSTAT		SP
IMS HEALTH	RX	11/12/98	GARTNER GROUP	IT	CO
JC PENNEY	JCP	05/18/99	ECKERD DRUG CHAIN		TR
KANSAS CITY SOUTHERN IND.	KSU	02/03/98	STILWELL FINANCIAL	SV	SP
LSB INDUSTRIES	LSB	08/05/98	AUTOMOTIVE BUSINESS		SP
LIMITED	LTD	05/03/99	LIMITED TOO	TOO	SP
LYNCH CORPORATION	LGL	04/09/99	LYNCH INTERACTIVE		SP
MASTER GRAPHICS	MAGR	09/09/99	EAGLEDIRECT.COM		CO
MEDITRUST (PAIRED STOCK)	MT	11/12/98	HEALTHCARE FINANCING BUSINESS		
MICROSOFT	MSFT	09/23/99	EXPEDIA		CO
MILLER	MLR	05/13/99	ROADONE		SP
NAVARRE	NAVR	03/03/99	NET RADIO	NETR	CO
NORDSTROM	JWN	08/26/99	NORDSTROM.COM		CO
OAK INDUSTRIES	OAK	04/21/99	LASERTRON		CO
ODETICS	ODETA	03/02/99	ODETICS ITS ODETICS BROADCAST		
OLSTEN	OLS	08/18/99	HEALTH SERVICES		SP

ANNOUNCEMENT CALENDAR

Announced					
Company	Symbol	Date	Spin-Off	Symbol	Type
OSICOM	FIBR	03/11/99	NETSILICON	NSIL	CO
PC QUOTE	PQT	04/26/99	PC QUOTE.COM	PCQT	CO
PERFUMANIA	PRFM	04/20/99	PERFUMANIA.COM	PF	CO
PLAYBOY ENTERPRISES	PLA	09/28/99	PLAYBOY.COM		CO
POMEROY COMPUTERS	PMRY	01/15/99	POMEROY SELECT	PSIS	CO
RALSTON PURINA	RAL	06/10/99	EVEREADY		SP
RSL COMMUNICATIONS	RSLC	05/03/99	DELTA THREE INC.		SP
SEAGATE TECHNOLOGY	SEG	06/07/99	INTERNET SOFTWARE		CO
SCHLUMBERGER	SLB	07/13/99	CONTRACT DRILLING/TRANSOCEAN	RIG	SP/MERGE
SGI	SGI	02/26/99	MIPS TECHNOLOGY	MIPS	CO
SHOPKO	SKO	02/04/99	PROVANTAGE HEALTH	PHS	CO
SNYDER COMMUNICATIONS	SNC	05/12/99	CIRCLE.COM		TR
		06/23/99	VENTIV HEALTH	VTIV	SP
STAPLES	SPLS	09/15/99	STAPLES.COM		TR
SYLVAN LEARNING SYSTEMS	SLVN	09/24/99	PROMETRIC TESTING		CO
SYMANTEC	SYMC	06/10/99	INTERNET TOOLS SOFTWARE		CO
TECHNOLOGY SOLUTIONS	TSCC	03/31/99	eLOYALTY		SP
TENNECO	TEN	04/29/99	SPECIALTY PACKAGING		SP
TORONTO-DOMINION	TD	04/30/99	TD WATERHOUSE SECURITIES	TWE	CO
US BANCORP	UBAN	07/12/99	THREE RIVERS BANK		SP
US INDUSTRIES	USI	05/18/99	STRATEGIC INDUSTRIES		SP
VIACOM	VIA.B	05/06/99	BLOCKBUSTER	BBI	CO
WATTS INDUSTRIES	WTS	12/15/98	OIL AND GAS BUSINESS		SP
WILLIAMS COMPANY	WMB	11/20/98	COMMUNICATIONS GROUP	WCG	CO
WEATHERFORD	WFT	07/21/99	GRANT PRIDECO DRILLING		SP

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

FOREIGN ANNOUNCEMENT CALENDAR

Announced					
Company	Symbol	Date	Spin-Off	Symbol	Type
BANCA POPOLARE DI BRESCIA	BPB.IM	06/18/99	FIN-ECO ONLINE		CO
COMMERZBANK	CBK.F	06/10/99	DIRECT-BANKING		CO
HOECHST	HOE.N	12/01/98	CELANESE AG	CZ	SP
	HFAG.F			CZZ.F	
MAGNA INTERNATIONAL	MGA	05/25/99	VENTURES		SP
	MG.T				
MANNESMANN AG	MNNSY	09/23/99	TELECOMMUNICATIONS		SP
RSL COMMUNICATIONS	RSLC	09/09/99	AUSTRALIAN UNIT		CO
SCOTTISH POWER	SPLN	09/17/99	TELECOMMUNICATIONS		CO
SHAW COMMUNICATIONS	SJR.A	06/10/99	CORUS ENTERTAINMENT	CJR.TO	SP
	SJR.TO				
SIEMENS	SIEG.F		INFINEON		CO
TECK CORP.	TEK	07/27/99	GOLD MINING UNIT		SP
TELEFONICA S.A.	TEF.N	08/25/99	Internet Division		CO
	TDESF.MA				

Calendar Highlights ...

Price (9/30/99):	\$21 1/16	Listed			Date	Spin-Off	Tax		
Shares Out.	16.9 m	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap	\$ 356 m	Action Perf.	ACTN	Y	GoRacing	GRCN	07/06/99		CO
602-337-3700		<p>Action Performance's (Nasdaq:ACTN-\$24 7/16) Goracing.com network filed a registration statement with the SEC for an initial public offering of its class A common stock. Goracing is an online provider of worldwide motorsports-related news and information, a meeting place and community for motorsports fans, and an e-commerce marketplace for motorsports merchandise. The initial public offering will be managed by Banc of America Securities L.L.C., William Blair & Company, U.S. Bancorp Piper Jaffray, and J.C. Bradford & Co. Action Performance will continue to own more than 80% of the shares of goracing.com after the offering. The class A shares are expected to trade on the NASDAQ under the symbol "GRCN". The company will use \$2,000,000 of IPO proceeds to repay intercompany payables to Action Performance.</p> <p>Action Performance firm designs and markets collector-quality die-cast miniature replicas of NASCAR and other racing vehicles, sells licensed motorsports apparel and souvenirs, and manages race car drivers' marketing endeavors. Action has a licensing agreement with toy maker Hasbro, which produces die-cast cars for the mass-merchandise market. Action sells its products directly to its collectors' club, at trackside, and to retailers. It is spinning off its online retail subsidiary, goracing.com, but will retain an 80% stake in it. Founder, chairman, president, and CEO Fred Wagenhals owns 13% of Action, which has grown through a series of acquisitions. The company ranked #76 in <i>BusinessWeek</i> 100 Hot Growth Companies. The firm generated \$24.6 million in income on \$236.1 million in sales in 1998 (FY Sept). Action Performance has about 17 million shares outstanding and a current market cap of \$416 million. The consensus earnings for fiscal 1999 (ending Sept.) are \$2.00 and \$2.62 for next year.</p>							
FY: Sept.									
Book Value:	\$9.39								
Price-to-Book	2.2x								
	<u>00E</u>								
EPS: (First Call)	\$2.62								
P/E	8x								
Report: September									

Price (9/30/99):	\$12 1/2	Listed			Date	Spin-Off	Tax		
Shares Out.	428.6m	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap	\$ 5,357m	AutoNation	AN	Y	Auto Rental Units		08/02/99	Jan-00	Y 1:6 - 1:8
954-769-6000		<p>Sep 30, AutoNation, Inc. (NYSE:AN) announced that it would separate its automotive rental business from its automotive retail business in the form of a tax-free dividend of shares of the new automotive rental company to the shareholders of AutoNation. The company has received a favorable ruling from the Internal Revenue Service. AutoNation anticipates that the distribution of the stock will occur during the second half of January 2000. The Company also said that it expects to set a record date that will occur in late December, 1999, and that the distribution will be at a ratio of one share of the new automotive rental company for every six to eight shares of AutoNation owned. Following the separation, AutoNation, Inc. will be focused solely on the automotive retail business. AutoNation's automotive rental business, which includes Alamo, National and CarTemps USA, will be a free-standing public company, which in 1998 had revenue of about \$3.5 billion. Based in Fort Lauderdale, Florida, AutoNation, Inc. is America's largest automotive retailer, with 412 franchises and/or 42 AutoNation USA used vehicle megastores in 24 states. On August 2, 1999, the Company announced its plan to separate its automotive rental businesses from its automotive retail business and to focus its efforts on building the AutoNation automotive retail business. The Alamo/National/Car Temps company will be one of the largest car rental operations in the country with car rental revenue exceeding that of Avis, Dollar-Thrifty and Budget. We believe the car rental operations are worth \$3 - \$5 per AN share indicating a market cap of \$1.3 - \$2.2 billion. This suggests AutoNation's car retail operations are being valued at 9x 2000E EPS estimates.</p>							
FY: December									
Book Value:	\$13.12								
Price-to-Book	.95x								
	<u>00E</u>								
EPS: (First Call)	\$0.90								
P/E	13.9x								
Report: September									

Calendar Highlights

Price (9/30/99): \$13 9/16
 Shares Out. 100 m
 Market Cap \$1,356 m
 912-226-9110

Parent	Listed			Symbol	Date Announced	Spin-Off Date	Tax Exempt Ratio
	Symbol	Options	Spin-Off				
Flowers	FLO		Keebler	KBL			

The news for Flowers (FLO-\$13 9/16) continues to get worse, with significant downward guidance for the remainder of 1999. The Mrs. Smith's division continues to fall short in completing its capacity rationalization program. Analysts will likely be reducing earnings estimates for the Mrs. Smith division due to the delays in the realignment and installation of production lines. This ensures that there will be no earnings visibility prior to 2000. What is surprising is the magnitude of the loss expected for Q399 (around \$30 million, as opposed to more modest projected losses). This suggests the full year 1999 loss for Mrs. Smith will approach \$56 million. Management is showing an inability to forecast losses, much less resolve the equipment installation problems, which many had expected would stabilize in the fourth quarter. Just four weeks after guiding estimates down, Flowers confessed that Mrs. Smith has inadequate production and greater than expected expenses. The capacity rationalization involves the installation or modification of 25 production lines following last December's plant closing. We expect the company to provide a clearer picture of Mrs. Smith's operational performance when third quarter earnings are released on November 4th.

That said, it **difficult to see much downside from the stock's current price**, which implies a negative valuation for the core Flowers divisions, after accounting for 55% owned Keebler's current market value.

The stock price is assigning a negative \$0.30 valuation to the core Flowers operations (the Flowers Bakeries division and the Mrs. Smith's division) with all of the value coming from its stake in Keebler (\$13.85). Such severely depressed valuation suggest the possibility of some corporate or financial action, including divestiture, spin-off, or share repurchase.

Price (9/30/99): \$10 3/8
 Shares Out. 49.2
 Market Cap. \$510 m
 212-868-6100

Parent	Listed			Symbol	Date Announced	Spin-Off Date	Tax Exempt Ratio
	Symbol	Options	Spin-Off				
Ogden	OG	Y	Entertainment / Aviation				

September 17th, Ogden announced that it would sell its Aviation and Entertainment. In addition, Ogden announced that they have eliminated their dividend. Ogden stock traded down \$ 6 ¼ to \$13 per share. Ogden will become a pure play in the energy (waste to energy, independent power) as initially planned.

Cancelled

Initial negative reaction was based on the full elimination of the dividend and the apparent change in strategy. The action was taken to allow further investment within Ogden Energy, and it appears that there will be no future dividend going forward based on their new strategy. Shareholders interested or requiring dividends will be inclined to sell creating negative structural pressures.

The board's action to replace Richard Albon as Chairman can be viewed as positive. He was replaced as Chief Executive Officer by Scott Mackin the President and COO of Ogden Energy.

Debt Covenants have not been breached, but must be amended for the asset sales. The amendment is not anticipated to be a problem, given that Ogden is not in financial distress.

Operation performance of Ogden Energy has not been effected by these recent events, and the energy division is still is on target to reach their 2000 operating targets of \$179 million or \$3.63 per share.

Break-Up Fee

Ogden announced on September 30th, that Volume Services America acquisition has been cancelled. Volume Services America is entitled to a \$10 million break-up fee.

FY: Dec

Report: July-Update

Calendar Highlights

Price (9/30/99):	\$46 1/2	Listed		Date	Spin-Off	Tax				
Shares Out.	110.5 m	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt	Ratio
Market Cap	\$5,138 m	Kansas City Southern	KSU		Stilwell Financial	SV	02/03/98	Nov / Dec	Y	2:1
816-983-1303		<p>Kansas City Southern Industries Spin Expected in November or December</p> <p>The lack of resolution between Janus-Stilwell continues to weigh on KSU shares, which closed September at \$46 1/2. We fully expect the spin-off will occur despite Janus opposition. We believe a resolution is likely. The proposed Stilwell board has roughly \$200 million at stake in KSU. The value of this personal stake could be seriously impaired without a resolution. Essentially, Janus could do two things to upset the apple cart. The firm can either 1) substantially dilute earnings by issuing large amounts of "phantom stock" (as previously discussed); or 2) key Janus executives could leave the firm, sell their Janus stakes back to the holding company, via a put option they have at 15x trailing fiscal year earnings, and possibly take advisory contracts (assets under management) with them. Should Janus take either action, the value of the proposed Stilwell, and hence KSU, could be severely impacted.</p> <p>We expect that both parties will be able to find some common ground, with Janus getting significant autonomy, if for no other reason than the financial interests of KSU senior managers as major shareholders in KSU. However, the risks of the Janus "threats" will likely keep KSU shares down until a resolution is reached. Janus does appear to have significant leverage in negotiations. The incentives for key managers to leave indeed exist. Management has the above noted put-option, which would amount to nearly \$700 million, based on 18% of 15x 1999 estimated earnings of almost \$250 million. This is a liability that KSU probably does not wish to assume. Also, there are no ironclad non-compete agreements for the portfolio managers. They could essentially start a competing management organization provided they do not solicit employees or clients. Lastly, boards of the funds are independent and can move advisory contracts with the current portfolio managers. Institutional customers could also do the same. Again, we expect the most likely scenario is a peaceful resolution. The Janus group continues to attract prolific amounts of new money to their funds. Through August of this year, Janus has received \$22 billion in new investor assets (second only to Vanguard's \$38.6 billion) versus the \$5.8 billion pulled in during the same period in 1998. Janus flows are driven by the performance of the group. The Janus 20 fund has attracted over \$7 billion this year.</p>								
FY: December										
EPS: (First Call)	00E									
P/E	\$3.29									
	14x									
Price (9/30/99):	\$17 15/16	Listed		Spin-Off						
Shares Out.	30 m	Spin-Off	Symbol	Options	Date					
Market Cap	\$ 538 m	Too, Inc.	TOO	Y	08/24/99					
614-479-3500		<p>Limited (LTD) distributed 100% of the shares of Too (NYSE:TOO) on August 23, 1999 to shareholders of record as of August 11th. Limited shareholders received one share of "TOO" for every seven shares of Limited. Too is a specialty retailer which operates 332 stores in 43 states, geared toward fashion-aware young girls (age 7 - 14 is the target customer group). Too stores sell apparel, underwear, sleepwear, swimwear, lifestyle and personal care products. Approximately 30 million shares of common stock in TOO were distributed. Regular-way trading began on August 24th, 1999. Currently, Too trades at \$17 15/16, with 30 million shares out, TOO has a \$540 million market cap.</p> <p>"Girl Power"</p> <p>A major element of Too's recent success is the "Girl Power" store environment. The stores are designed to provide a "theme park" destination in the mall and to encourage customers to touch and sample products. Stores feature colorful window displays, photographic sticker booths, ear piercing stations, and gumball machines. Mike Rayden described the feel as a "sorority for 10 year old girls, who watch Dawson's Creek, wish to dress like their older sister and enjoy shopping with their friends". The sales and returns are substantially higher for stores under the "Girl Power" format. The problem is that less than 25% of the Too fleet is converted into the new format. Limited Too projects that 25% will be converted by the end of fiscal 99. By 2002, they expect 60% to all stores to be "Girl Power" type stores.</p>								
TOO, Inc										
FY: January										
Report: September										

Calendar Highlights ...

Price (9/30/99):	\$52 1/8	Listed				Date	Spin-Off	Tax	
Shares Out.	47.5 m	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap	\$2,475 m	IDT Corp.	IDTC		Net2Phone	NTOP			CO
201-907-5304		<p>Net2Phone (NASDAQ:NTOP-\$52 1/8), the leader in voice enabling on the Web, reported revenue results for its fiscal Q4 1999 of \$11.1 million, up from the Company's year ago revenue of \$4.1 million and \$9.0 million in fiscal Q3 1999. The firm produced an EBITDA loss of \$2.7 million. Net2Phone reported gross margin of 46.0% for the quarter and produced earnings per share loss of \$0.10. In the quarter total minutes of use were 77 million, a 20% sequential increase and a 250% increase over 22 million minutes in the year ago quarter. The company reported that total minutes of use for fiscal year 1999 were 229 million, a 445% increase from 42 million minutes in fiscal year 1998. To date, over 300 million minutes of use have been routed using Net2Phone's Internet telephony services by more than 1 million customers in over 200 countries. International Data Corporation (IDC) recently rated Net2Phone the top provider in the number of Internet telephony minutes with market share of 39.4%. Finally, as of July 31, 1999, Net2Phone had more than 325,000 active accounts who had used Net2Phone's services during that three-month period, a 30% sequential increase. The company indicated that pricing for the PC2Phone segment was \$0.161 per minute and \$0.102 per minute for the Phone2Phone segment.</p> <p>The company indicated that its ICQ and Netscape deals are on track to go live in the next two quarters. Net2Phone plans to roll out its Phone2Phone product with ICQ (with which it has a four-year distribution and marketing agreement-- a subsidiary of America Online) in 11 countries during the next 45 - 60 days with an additional 9 countries in January. Plans call for the PC2Phone product to be embedded in ICQ's 2000 version by no later than May of 2000. This could be significant, as the company estimates that ICQ receives about 80,000 registrations per day, with approximately 34 million registered users worldwide.</p>							
Net2Phone FY: July									
Report: August									

Price (09/30/99):	\$7	Listed				Date	Spin-Off	Tax	
Shares Out.	7.5 m	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap	\$52.5 m	Perfumania	PRFM		Perfumania.com	PF	04/20/99	09/29/99	CO
305-889-1600		<p>Perfumania completed its IPO of Perfumia.com (ASE:PF) at \$7 per share on September 29th, and the IPO price was at the low end of the expected range. The IPO raised \$24 million. Perfumania (NASDAQ:PRFM) has more than 280 stores in 36 states and Puerto Rico under the Perfumania, Perfumania Plus, Nature's Elements, and Class Perfumes banners. Its stores offer about 175 fragrances (including its own Nature's Elements label) at discount prices. Its wholesale division distributes fragrances in the US and overseas. The family of CEO Ilia Lekach (also chairman of supplier Parlux Fragrances) owns about 23% of Perfumania (and has options to buy another 17%). With only 7.4 million shares outstanding Perfumania is a microcap stock with a current market capitalization of \$24 million. Currently, Perfumania's implied valuation is close to zero based upon the 3.5 million shares it owns in Perfumania.com.</p> <p>Perfumania.com Launched in 1999, the online sales arm of discount fragrance retailer Perfumania, perfumania.com sells more than 1,700 items, including fragrances and related products (deodorants, moisturizers, powders) and bath and body goods (scented candles, body splashes). perfumania.com's merchandise ranges in price from \$5-\$100 and includes designer fragrances (Giorgio Armani, Tommy Hilfiger, Cartier) and private-label fragrances. The company also offers its products wholesale to small, specialty retailers.</p> <p>Second Quarter Results Aug 27, 1999 Perfumania announced results for its second quarter ended July 31, 1999. For the second quarter of 1999, the Company reported a profit of \$0.7 million or \$0.09 per diluted share, compared with a net loss of \$1.3 million or (\$0.20) per diluted share for the second quarter of 1998. Improvement was driven by increases in total revenues, comparable retail store sales, and gross profit. Results are before a non-cash interest charge on issuance of convertible debentures. Second quarter total revenues for 1999 increased 15.8% to \$46.0 million from \$39.7 million reported in 1998. Retail sales increased 18.9% to \$35.0 million from \$29.5 million in 1998. Comparable store sales increased 12.1%. Total gross profit increased 16.0% to \$19.2 million from \$16.5 million in 1998.</p>							

Calendar Highlights ...

Price (9/30/99):	\$27 7/8	Listed				Date	Spin-Off	Tax	
Shares Out.	323.4 m	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap.	\$9,014 m	Ralston Purina	RAL	Y	Eveready		06/10/99		SP
314-982-1000		<p>Ralston Purina Divests Money-Losing Rechargeables Business Expected for some time, Ralston Purina (NYSE: RAL-\$27 7/8) announced the sale of its original equipment manufacturer rechargeable battery operations. The deal is expected to close by the end of October. The divestiture of the money losing rechargeable business is a positive, and proceeds can be used to buy back shares. For more than a year, Ralston's rechargeable operations have experienced declining sales and operating losses, amidst industry overcapacity and a lack of product standardization, and a competitive pricing disadvantage to Japanese competitors. In the first nine months of F1999, the business posted an operating loss of nearly \$15 million.</p> <p>Ralston will sell its Energizer rechargeable battery business to Arizona based privately-held Moltech Corporation. Ralston will, however, retain a small (as yet undisclosed) minority interest in the combined business. Moltech focuses on the development and marketing of a new class of rechargeable batteries.</p> <p>Over the past few years, the performance of the Pet Products and Batteries divisions diverged significantly. Pet Products experienced strong double-digit volume growth and low raw material costs. In contrast, Batteries has suffered profit declines owing primarily to the economic crisis in Asia, operating losses in rechargeables, and since late 1998, a sharp decline in U.S. market share.</p>							
FY: September									
EPS: (First Call)	<u>99E</u> <u>00E</u> \$1.32 \$1.49								
P/E	21x 18x								
Report: July									
Price (9/30/99):	\$17	Listed				Date	Spin-Off	Tax	
Shares Out.	170.4 m	Parent	Symbol	Options	Spin-Off	Symbol	Announced	Date	Exempt Ratio
Market Cap.	\$2,896 m	Tenneco	TEN	Y	Tenneco Packaging		07/21/98	Nov-99	Y 1:1
203-863-1000		<p>Tenneco Announces Bank Agreements to Facilitate Tax-Free Spin-Off of Tenneco Packaging and Separation Into Two Companies. Tenneco Inc. (NYSE: TEN-\$16 7/16) announced it has signed bank agreements for \$2.55 billion of financing related to the announced tax-free spin-off of Tenneco Packaging. The new bank financings include \$1.55 billion of Tenneco Automotive credit facilities and a \$1 billion Tenneco Packaging credit facility. The tax-free spin-off is expected to be completed in November and will result in the separation of Tenneco Packaging and Tenneco Automotive into two stand-alone public companies. The credit facilities will be drawn upon to retire existing Tenneco Inc. debt and preferred stock. In addition, the remainder available under these facilities will provide the newly separated companies capacity to finance future working capital and other corporate requirements. Tenneco announced in April 1999 the separation of its automotive and packaging businesses through a tax-free spin-off of its packaging business to Tenneco shareholders. In August, Tenneco received a private letter ruling from the Internal Revenue Service that the planned spin-off of Tenneco Packaging will be tax free to Tenneco and its shareowners. Tenneco's stock has been in a "death spiral" all year. Our sense is that this may be a good time to bottom fish. We will be working on the valuation this month.</p> <p>Tenneco is a \$6 billion manufacturing company. Tenneco Automotive is one of the world's largest producers and marketers of ride control and exhaust systems and products, which are sold under the Monroe(R) and Walker(R) global brand names. Among its products are Sensa-Trac(R) shocks and struts, Rancho(R) shock absorbers, Walker(R) Quiet-Flow(TM) mufflers and DynoMax(TM) performance exhaust products, and Monroe(R) Clevite(TM) vibration control components. Tenneco Packaging is among the world's leading and most diversified packaging companies. Among its products are Hefty(R) trash bags, Hefty OneZip(R) and Baggies(R) food storage bags, E-Z Foil(R) single-use aluminum cookware and Hexacomb(R) paper honeycomb products.</p>							
FY: December									

Fresh Spin-Off Situations

Brooktrout IPO's Interspeed at \$12 per Share

On September 24, 1999 Interspeed, Inc. (Nasdaq: ISPD) commenced trading of its common stock in its initial public offering (IPO). The Company raised approximately \$20.5 million in net proceeds in an initial sale of 2 million shares of common stock, priced at \$12 per share. The stock closed out September at \$17 5/8 (up 47% from the IPO price), for a market cap of roughly \$176 million.

Interspeed develops hardware and software based on digital subscriber line technology, which enables data communications service providers such as local-exchange carriers and ISPs to speed data via existing copper phone wires to small and midsize businesses. Interspeed's remote-access concentrators combine several functions into one system that works with the company's SpeedView management software. Interspeed relies on contractors to make its products and sells directly to OEMs (Cabletron, its largest customer), resellers, and systems integrators. Electronic messaging products maker Brooktrout owns about 62% of Interspeed. Interspeed, formerly a wholly owned subsidiary of Brooktrout, Inc. (Nasdaq: BRKT), filed a registration statement with the Securities and Exchange Commission for the initial public offering on June 18, 1999. In addition to the 2 million primary shares offered by Interspeed, Brooktrout, its principal stockholder, sold 1.5 million secondary shares. Interspeed offers the industry's only single platform system that integrates the principal components required to offer DSL service, including signal concentration, routing, switching and network management. Unlike traditional DSL products, Interspeed's DSL Access Router can offer customers a scalable and flexible solution at a lower total cost of ownership

Brooktrout (formerly Brooktrout Technology) makes hardware and software for electronic messaging applications, computer telephony, and high-speed voice and data access. Products include printed circuit boards for voice mail and fax systems; fax routers, which directs fax transmissions over public and private networks; remote access servers; and modems. The company makes a software development product, Show N Tel, that lets companies create their own messaging-related software applications. Lucent Technologies, for whom Brooktrout makes the Merlin Mail voice mail system, accounts for about 20% of the sales. For the six months-ended 6/30/99, revenues rose 31% to \$66 million. Net income fell 60% to \$1.5 million. Revenues reflect the acquisition of CTP. Net income suffered from a \$1.9 million non-cash compensation expense as a result of stock option grants at the Company's Interspeed subsidiary.

Brooktrout Board Approves 1 million Share Repurchase. On October 1, Brooktrout's board of directors approved a repurchase of up to one million common shares, or 9 percent of the company's outstanding shares, in the next year. As of August 2, the company had 11 million shares outstanding. The repurchased shares will be used for general corporate purposes including the company's stock option plans, employee stock purchase plans and other stock benefit plans. Shares are trading at around \$14 1/2, for a current market cap of \$160 million. **At the end of September Brooktrout's ownership of 6.5 million Interspeed shares represented \$10.45 in value to each share of Brooktrout (.593 ratio). This implies an imputed value for the core Brooktrout business of \$3.42 per share.**

Fresh Spin-Off Situations

Gencorp Completes Spin-off of Omnova Solutions

GenCorp (NYSE:GY) completed its spin-off of Omnova Solutions (NYSE:OMN) on October 1st. The distribution ratio was one share of Omnova for one share of GenCorp. The distribution created approximately 42 million shares of Omnova. In “When Issued” trading Omnova began trading at \$9 per share. The spin-off is a tax-free transaction.

GenCorp’s combined revenues last year were \$1.7 billion. Following the distribution, GenCorp will continue to operate its Aerojet-General subsidiary which makes liquid and solid rocket-propulsion systems, smart bombs, defense electronics, and custom chemicals plus its automotive segment which produces rubber and plastic sealing systems and components used to insulate vehicles from air, moisture, and noise. Omnova Solutions will operate two business segments, Performance Chemicals and Decorative & Building Products. These business segments make vinyl-coated fabrics, plastic films, latex coatings, vinyl laminates, softeners and lubricants. These businesses accounted for \$689 million or about 40% of GenCorp’s revenue.

Reasons for the spin-off:

Provide Focus for the Divergent Business Strategies: GenCorp’s polymer products and specialty chemicals segment has been driven by a strong growth strategy while the aerospace and automotive segments are positioned for less aggressive growth. The split will enable each of the businesses to focus on their individual strategies.

Improve Market Coverage of the Businesses: GenCorp’s valuation has remained at a significant discount in the market. This is partly because analysts who track chemical stocks generally do not follow defense or automotive companies and vice versa, a circumstance which has hindered the company’s performance on Wall Street.

About Omnova Solutions

Omnova Solutions has approximately 2,600 employees located at offices, plants and other facilities located principally throughout the United States and the United Kingdom. Since the early 1990’s, GenCorp has aggressively grown both of Omnova’s businesses since the early 1990s.

Recent acquisitions by the Performance Chemicals segment include: **Morton International's** Lytron plastic pigment latex product in 1996 broadened its offerings to the paper industry; **Goodyear's** Calhoun, Georgia latex facility in 1998 significantly increased its manufacturing capacity and expanded its customer base; **Sequa Chemical's** U.S. specialty chemicals business in 1998 expanded its existing emulsion polymer market positions and provided entry into new related specialty chemical markets; **PolymerLatex's** U.S. acrylics business (located in Fitchburg, Massachusetts) in 1999 provided a key northeast location while strengthening and diversifying served markets in acrylic emulsions and other specialty chemicals; Morton International's global latex floor care business in 1999 has provided a new and complementary product line and new customers based on existing technology.

Performance Chemicals holds a strong number two market position in the styrene butadiene latex industry. The number of Performance Chemicals facilities has grown from two to six in the past few years, with estimated available served markets growing from \$1 billion to \$3.5 billion.

Recent acquisitions by the Decorative & Building Products include; **Canadian General Towers'** commercial wallcovering business in 1991 expanded its commercial wallcovering capabilities; **Walker Greenbank's** U.K.-based Brymor and Muraspec commercial wallcovering businesses provided a European manufacturing base and a distribution business with sales offices throughout the U.K. and Europe and serving as a key European distribution

platform from which to market commercial wallcoverings and other decorative and building products; **Goodyear's** Rener Films Division in 1993 increased vinyl film and decorative laminate capability elevating its market position in vinyl woodgrain laminates to number one in North America; Printworld business of **Technographics, Inc.** in 1997 added paper laminates to its vinyl laminate portfolio providing entry into the transfer printing market for furnishings and apparel.

Omnova's Business Strategy

Omnova Solutions strategy is to develop long-term customer relationships and position itself as the preferred total solutions partner. The company plans to avoid commodity market segments and focus on products that are highly customized (higher margins) to meet specific customer requirements. Omnova plans to undertake the following initiatives as part of its overall strategy which include Strategic Acquisitions, Expanded Research and Design Capabilities and International Supply Chain Management.

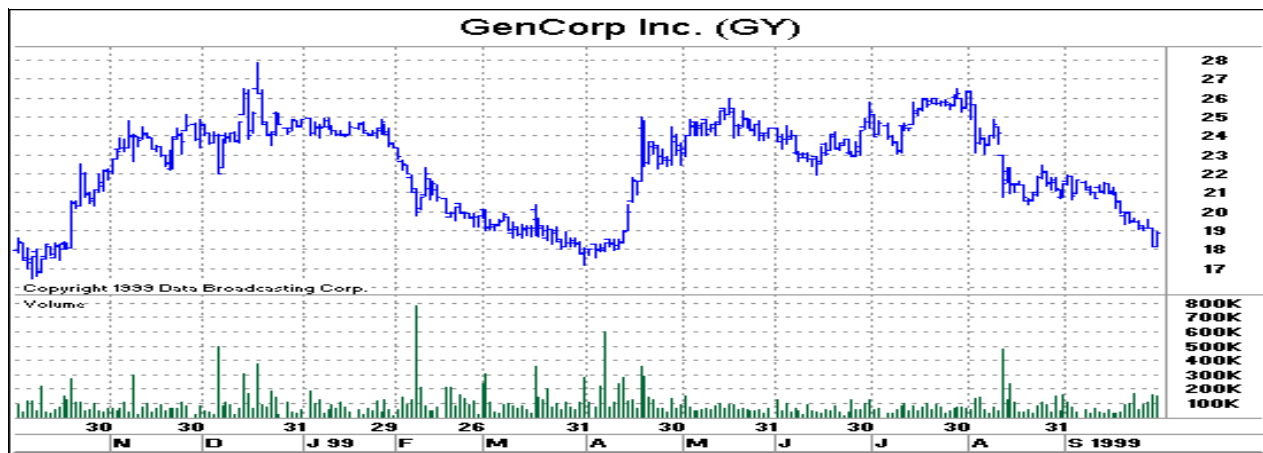
Valuation

Precisely comparable companies for either GenCorp or Omnova do not exist. **Cordant Technologies** and **Alliant Techsystems Inc.** are primary comparables for GenCorp since approximately 60% of its revenues are derived from its aerospace/defense segment. Since Decorative & Building Products account for 64% of Omnova's revenues, Carlisle was selected as

the primary comparable.

When comparing Omnova to its peers, the company's fair value appears to be about \$9.00 per share. At this price, Omnova's EBITDA multiple, price-to-sales ratio and price-to-book ratio fall within or close to the range of comparable companies.

After backing out the "When Issued" value of Omnova, the implied value of the remaining GenCorp business is about \$9.50 per share. GenCorp appears to trade at a slight discount to its group based on the Enterprise multiple, EBITDA multiple and price-to-sales. Since the spin-off will yield two separately focused companies, there is a strong possibility that these companies could become acquisition targets. GenCorp may become an attractive target for a large automotive or defense company such as **Dana** or **Cordant Technologies**. Similarly, Omnova may become an attractive target for a larger Chemical company. It should be noted that Omnova's employees savings plan control 13%, FMR 11%, GAMCO 7.7% and Franklin 6.5%.



Gencorp Comparables

Company	GenCorp	Standard Products	Corbiant Tech	Alliant Techsystems	Average Comp	Omnova Solutions	Lilly Industries	Ferro	Carlisle Companies	Average Comp
Ticker	GY	SPD	CDD	ATK	Average	OMN	LI	FOE	CSL	Average
Current Implied Price	\$ 10.06	\$ 35.69	\$ 29.56	\$ 68.13		\$ 8.19	\$ 14.25	\$ 21.38	\$ 38.63	
Shares Out. (000,000)	41.8	16.1	36.7	10.3		41.8	28.4	35.3	30.2	
Market Cap (000,000)	\$ 420.6	\$ 573.3	\$ 1,084.1	\$ 700.7		\$ 342.2	\$ 404.2	\$ 755.1	\$ 1,165.6	
Enterprise Value (000,000)	\$ 598.7	\$ 746.1	\$ 1,816.9	\$ 1,006.7		\$ 536.2	\$ 624.0	\$ 968.1	\$ 1,468.0	
EPS										
1999 Estimated / Pro Forma (diluted)										
1999 P/E										
2000E (Diluted)		\$ 2.46	\$ 4.28	\$ 6.36			\$ 1.56	\$ 3.56	\$ 3.56	
Forward P/E		14.51	6.91	10.71			9.13	6.00	10.85	
Enterprise										
Enterprise Value / EBITDA	8.24	24.93	11.19	18.35	18.16	10.94	25.61	14.25	16.77	18.88
Enterprise Value / EBIT	10.32	28.57	11.24	18.98	19.60	14.49	18.47	14.72	17.14	16.78
6 month trailing										
EBITDA Per Share	1.74	1.86	4.43	5.33		1.17	0.86	1.92	2.90	
EBITDA Multiple	5.79	19.15	6.68	12.77	12.87	6.98	16.59	11.12	13.31	13.67
EBITDA Margin	12.37%	5.48%	12.73%	9.54%		13.35%	7.67%	10.16%	10.73%	
12 month Trailing										
Unlevered FCF per Share	(3.60)	1.44	(14.78)	6.36		0.93	1.08	1.23	3.58	
FCF Multiple	(2.80)	24.82	(2.00)	10.71	11.41	8.82	13.14	17.40	10.80	12.05
6 month trailing										
Trailing Sales	\$ 587.5	\$ 546.2	\$ 1,276.0	\$ 575.1		\$ 367.0	\$ 317.5	\$ 668.5	\$ 815.8	
Price to Sales	0.72	1.05	0.85	1.22	1.04	0.93	1.27	1.13	1.43	1.28
Gross Margin	13.11%	17.05%	22.47%	18.51%		36.78%	38.79%	28.22%	22.40%	
Operating Margin	9.87%	4.78%	12.67%	9.22%		10.08%	10.64%	9.84%	10.50%	
Book Value	\$ 1.82	\$ 17.41	\$ 20.14	\$ 11.54		\$ 7.22	\$ 6.28	\$ 7.97	\$ 14.79	
Price to Book	5.53	2.05	1.47	5.90	3.14	1.13	2.27	2.68	2.61	2.52
Turnover's										
Account Rec. Turnover	3.81	3.68	4.34	2.46		3.25	3.44	2.58	3.07	
Current Asset Turnover	1.76	2.19	2.25	1.68		1.93	1.95	1.46	1.53	
Working Capital Turnover	(21.68)	21.22	#DIV/0!	5.12		3.90	5.12	5.08	5.12	
Current Ratio	0.92	1.11	1.00	1.20		1.98	1.62	1.40	1.92	
Quick Ratio	0.97	0.97	1.01	1.04		1.24	1.54	1.24	1.73	
Cash Ratio	0.54	0.30	0.49	0.23		0.06	0.63	0.45	0.77	
Cash per share	4.68	4.25	7.53	6.33		0.14	2.23	4.13	7.08	
Degree of Financing Leverage (EBIT/EBT)	1.11	1.40	1.20	1.35	1.32	1.16	1.31	1.14	1.06	1.17
Financing Leverage (Assets/Equity)	14.12	2.61	3.29	7.53	4.48	2.25	3.03	3.15	2.42	2.86
Debt to Capital	70.09%	38.20%	49.80%	72.05%		39.11%	55.22%	43.07%	40.38%	
Debt to Book Equity	234.34%	61.82%	99.21%	257.74%		64.24%	123.31%	75.64%	67.74%	
Debt to Enterprise Value	29.75%	23.17%	40.33%	30.40%		36.18%	35.22%	22.00%	20.60%	
Liabilities to Equity	1311.58%	161.25%	220.17%	653.28%		125.17%	202.56%	214.68%	141.82%	
Interest Coverage										
Interest Coverage (Earnings)	12.88	3.51	5.92	3.83	4.42	8.40	4.22	8.27	18.39	10.29

NOTES: Comparable analysis based on trailing six month.

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Fresh Spin-Off Situations

Osicom Technologies IPO's Minority Interest in NETsilicon

On September 15, 1999 Osicom Technologies, Inc. (NASDAQ: FIBR-\$9 3/8) spun-off a minority interest of its NETsilicon, Inc. subsidiary (NASDAQ: NSIL-\$12 3/4), a semiconductor unit specializing in putting electronic devices on the Internet and Ethernet networks. NETsilicon offers Original Equipment Manufacturers (OEMs) a single-chip, networking system-on-silicon solution called NET + ARM . In an initial sign of weakness, Waltham, Mass.-based NETsilicon set the price of its shares at \$7, below its revised \$8-to-\$10 range. But the stock opened at 15, above the original \$12 to \$14 set in March. The shares ended the day at 12 3/8 on volume of 11.2 million. NETsilicon is a unit of Santa Monica based Osicom Technologies, a maker of optical networking products. Osicom shares dropped 15/16 to 10. NETsilicon lost \$2.1 million on \$13.4 million in revenue last year. NETsilicon closed out September at \$12 3/4, up some 82% from the IPO price.

The company sold 5,250,000 shares of NSIL's common stock at a price of \$7 per share. CIBC World Markets and U.S. Bancorp piper Jaffray managed the underwriting. As a result, Osicom now owns 60.4 percent, or 8 million shares (55.4 percent or 7.5 million shares if the underwriter's over-allotment option is exercised in full). As part of the offering, Osicom sold 2 million of its shares, netting approximately \$13 million for Osicom. In addition, \$2.8 million of the proceeds from the 3 million shares NETsilicon offered are going to pay down indebtedness to Osicom.

Interestingly, the market value of Osicom's stake in NETsilicon (8 million shares x \$12 3/4 = \$102 million) is worth more than Osicom capitalization (9.125 million shares x \$9 3/8 =

\$85.5 million). This suggests that the parent, Osicom, is trading at a negative \$1.80 per share after subtracting their NETsilicon stake (.877 x \$12 3/4 = \$11.18).

NETsilicon develops and markets semiconductor devices and software solutions designed to meet the networking requirements of embedded systems. The Company's products are incorporated into the design of embedded systems to provide them with the ability to communicate over standards-based LANs and the Internet, enabling the development of new embedded systems applications. NETsilicon believes it offers the first comprehensive solution that, in conjunction with the physical interface and memory, encompasses all of the hardware and software necessary to network-able electronic devices incorporating embedded systems. Products are contained in a broad array of imaging products, including printers, scanners, fax machines, copiers and multi-function peripherals manufactured by 22 OEMs. NETsilicon's products are also in various stages of being incorporated into the design of products in additional embedded systems markets, such as data acquisition and test equipment, industrial automation equipment, communication devices and Internet devices and utility monitoring equipment.

Osicom Technologies, Inc. is a provider of integrated networking and bandwidth aggregation solutions enabling existing data and telecommunications networks to function on a higher level of efficiency and a lower cost of ownership, through its trademarked GigaMux™, EPC™, and DWDM™ products. The Company provides expertise across multiple disciplines offering fiber transport, remote access, virtual private networking, video switching and transport, and network systems-on-silicon to carrier and enterprise customers. Value is brought to the customer by offering end-to-end, single vendor, solutions as an integrated set. Osicom's offerings

feature open architectures, ultra-scalability and fully support industry standards. The Company's flagship products are the GigaMux family of Dense Wave Division Multiplexers (DWDM) for short-haul Metro applications, the NET + ARM™ system-on-silicon for network connectivity, and the IQX-200 family of scaleable Remote access.

Network Access- Osicom's IQX-200™ remote access server product enables fast-growing ISPs and enterprises to quickly and inexpensively add Internet access capacity to their network. Its open architecture and complete scalability allows customers to start with 8 ports and increase to 96 ports without adding a new box, thus maintaining the cost per port down as the user base grows. Other Network Access products include routers, network interface cards, network print servers and switches.

As a leader in the Optical Networking industry, the Company's GigaMux product line is positioned to address the increasing demand for bandwidth in metropolitan areas which has resulted from rapid growth of services including Internet, voice, facsimiles, and multimedia applications. The anticipated growth of the Internet, introduction of "Internet appliances" and increases in broadband services are expected to further drive the demand for bandwidth. Osicom has widened its first-to-market advantage with the subsequent introduction of its GigaMux Electronic Photonic Concentrator™ (EPC). EPC addresses the optical access market by providing sub-rate multiplexing and direct optical connections to customer premise equipment (CPE), such as Fast Ethernet switches and routers, to bypass costly Synchronous Optical Network (SONET) equipment and connect directly to the GigaMux DWDM system, thereby reducing latency and costs. Target markets include competitive local exchange carriers, local exchange carriers, competitive access providers, inter-exchange carriers, cable TV and Internet providers,

interoffice networks, enterprise environments, ISPs and college campuses.

Osicom's NET + ARM processor is a complete embedded solution of all hardware and networking software, easily implemented into any product design. It was developed specifically for products that need to be connected to Ethernet for Intra/Internet access, yet don't warrant expense of a PC-based solution. Osicom provided solutions to major printer manufacturers allowing them to directly connect their printers to the LAN. A culmination of these efforts resulted in the NET + ARM chip and the formation of NETsilicon. Osicom intends to leverage the intellectual rights and cost advantages of the NET + ARM architecture in the family of Network Access products.

Fiscal 2000 Second Quarter Results

Osicom reported total revenue from continuing operations of \$21.7 million, up from \$9.7 million for the same quarter ended in the last fiscal year. Revenues from NETsilicon reached record levels, with both NETsilicon and the company's Network Access business unit reporting profits from operations for the quarter. Revenues for the NETsilicon grew 134 percent to \$7.5 million, compared with second quarter revenues in the previous fiscal year of \$3.2 million.

As of July 31, 1999 Osicom's balance sheet showed cash and cash equivalents of \$1.4 million, working capital of \$3.2 million, shareholders equity of \$35.3 million (\$3.86 per share), total assets of \$71.6 million and long-term debt \$2.4 million. At the end of the second quarter, \$15.8 million of the company's \$22.5 million debt facilities for continuing operations were utilized.

Fresh Spin-Off Situations

Williams Companies completes IPO of its Communications Group

Williams Companies (NYSE: WMB) offered a minority stake of 29.6 million shares in Williams Communications Group (NYSE: WCG) in an IPO priced at \$23 per share. WCG opened trading on October 1st at \$27 per share. WMB will maintain a controlling interest in the company. After the offering, WMB will control 86% of the voting stock including almost 100% of outstanding Class B common stock, which has 10 votes per share. The common stock in the offering entitles the shareholder to one vote per share. SBC Communications will own the lesser of \$500 million worth of shares or 10% of outstanding shares. Intel and Telefonos de Mexico have also agreed to invest in the spin-off. Together SBC, Intel and Telefonos de Mexico will invest approximately \$725 million to own a combined 35 million shares of Williams Communications. Williams Communications Group will use the proceeds from the offering, which the company estimates to be \$600 million, to develop and light the Williams Network and to repay debt that was incurred to develop and light the network. Williams Communications listed on the NYSE as "WCG."

Williams Companies has subsidiaries in the gas pipeline, energy and communications businesses (Williams Communications Group). Williams Gas Pipeline is the US's largest interstate natural gas pipeline by volume and has over 27,000 miles of pipeline. Williams Energy Group includes Williams Energy Services, which markets natural gas, natural gas liquids, crude oil and electric power, and other subsidiaries that provide exploration, production, and field services. In 1998, the company acquired MAPCO which it operates through the Williams Energy Services. This acquisition brought propane sales outlets, two refineries and over 200 convenience stores.

Williams diversified into telecommunications in the 1985, by forming Williams Telecommunications (WilTel), as energy sales slumped in the 1980s. In 1995, Williams sold WilTel to LDDS (which eventually became MCI WorldCom) for \$2.5 billion. After the sale, Williams began building another new fiber-optic network. WMB competes against El Paso Energy (NYSE: EPG) and Enron (NYSE: ENE), among others.

Williams Communications Group operates three primary business units: Williams Network (Network), Williams Communications Solutions (Solutions), and Strategic Investments. Network offers voice, data, Internet, and video transmission services to communications service providers on its 20,000-mile nationwide fiber-optic network which it plans to expand to 32,000 miles and 125 cities by the end of 2000. The communications companies that Network services include are long distance carriers, local service providers, Internet service providers, international carriers and utilities. The network is built partially along its parent company's pipelines. Network competes primarily against AT&T (NYSE: T), MCI WorldCom (NASDAQ: WCOM) and Sprint (NYSE: FON). In 1997 WCG and Northern Telecom (now Nortel Networks) formed Solutions to distribute and integrate communications equipment from leading vendors for the voice and data networks of businesses, governmental, educational, and non-profit institutions. Solutions provides planning, design, implementation, management, maintenance, and optimization services for the full life cycle of these networks. Solutions also sells communications services of select Network customers and other carriers to Solutions' customers. WCG has strategic relationships with SBC Communications, Winstar Communications, Intermedia Communications and US West. Solutions' competitors are Norstan, Inc. (NASDAQ: NRRD),

Anixter Inc. (NYSE: AXE), Lucent (NYSE: LU), Siemens (SIEG.F), Cisco Systems (NASDAQ: CSCO) and the equipment divisions of GTE (NYSE: GTE), and Sprint (NYSE:FON). Strategic Investments makes investments in businesses that create demand for capacity on Williams' network and that increase the service WCG is able to offer. Strategic Investments owns Vyvx, a video transmission service for major broadcasters and advertisers, and has minority interests in several US companies as well as companies in Brazil, Australia and Chile.

Financial Information

For the year ended December 31, 1998, WMB's revenues increased by 74% to \$7.658 billion. Net income and EPS declined to \$127.5 million (53% decline from 1997) and \$0.28 (65% decline from 1997), respectively. For the second quarter (ended June 1999), revenues remained relatively flat (\$1,986.3 million) compared to the prior quarter. Net income and EPS for the quarter fell 66% and 67% to \$17 million and \$0.04, respectively. WCG's revenues for the year ended December 31, 1998, increased by 20% over the prior year to \$1.717 billion. The company continued to operate in the red as its net loss for the year increased by 416% to a loss of \$184.9 million. For the 6 months ended June 30, WMB had revenues of \$2.97 billion, when WCG's revenues of \$1 billion is backed out. WMB had a net income over the same period of \$266.7 million. This is reduced to \$67.3 million after backing out WCG's net loss of \$199.77 million.

Indebtedness

In conjunction with the stock offering, WCG is offering general unsecured senior notes up to \$1.3 billion. Terms of the notes offering are still pending. At any time before maturity, WCG may redeem all or a portion of the notes at a price specified in the indenture. The indenture contains restrictive covenants including, a limitation on WCG's incurring additional indebtedness and on WCG's ability to pay dividends, repay

subordinated debt or repurchase capital stock. Additionally, WCG has a Revolving Credit Facility where WMB guarantees that WCG may borrow up to \$400 million, of which Solutions may borrow up to \$300 million. Currently, WCG has no outstanding borrowings under this credit facility. Next, WCG has a \$1.4 billion interim loan facility that terminates September 30, 1999. The company has \$500 million outstanding under this credit facility. Borrowings from the company's Permanent Credit Facility will replace the borrowings from the Interim Loan Facility. Under the Permanent Credit Facility, WCG may borrow up to \$1 billion, under 2 separate agreements. The first agreement entitles WCG to borrow \$500 million for up to one year. The other agreement enables WCG to borrow \$500 million for up to 6 years. Lastly, to fund operations, WCG received capital contributions from WMB and from interest-bearing advances from WMB. At the time of the notes and stock offerings, the company estimates to have \$1 billion in borrowings from WMB. WCG will convert these borrowings to a note that resembles the terms and conditions of the Permanent Credit Facility. The WMB note will rank senior to the unsecured senior notes.

Valuation

Currently Williams is trading about \$38 per share. Williams Communications Group priced at \$23 per share on September 30th. If we back out the Williams ownership in Communications the stub appears to valued about \$15 per share. We believe fair value of Williams is about \$20-\$24 per share based on an enterprise-to-EBITDA multiple of 11x's.

Currently, WCG is not generating any earnings as it builds its fiber-optic network. Fiscal year 2000 revenues for WCG are estimated to be about \$2.3 billion. By applying the 1999 price-to-sales ratio of 5x to the estimated year 2000 revenues results in a price of about \$25 per share. We believe that the IPO will be a catalyst for valuing both Williams and Communications against comparable companies given their greater transparency.

Williams Comparables

Company	Williams Companies				Average Comp	Williams Com Group					Average Comp
	WMB	EPG	ENE	Average		WCG	QWST	LVLTL	FON	LU	
Current Implied Price	\$ 13.02	\$ 39.75	\$ 40.50		\$ 28.38	\$ 30.00	\$ 52.50	\$ 55.13	\$ 63.38		
Shares Out. (000,000)	437.8	127.8	379.0		460.0	737.2	316.3	880.8	2,744.6		
Market Cap (000,000)	\$ 5,701.9	\$ 5,080.1	\$ 15,349.5		\$ 13,052.5	\$ 22,116.0	\$ 16,605.2	\$ 48,554.1	\$ 173,939.0		
Enterprise Value (000,000)	\$ 12,822.9	\$ 8,668.1	\$ 24,328.5		\$ 14,526.2	\$ 24,452.2	\$ 19,278.2	\$ 62,040.1	\$ 180,731.0		
EPS											
1999 Estimated / Pro Forma (diluted)		\$ 2.11	\$ 1.19			\$ 0.12	\$ (1.88)	\$ 1.75	\$ 1.20		
1999 P/E		18.84	34.03			250.00		31.50	52.81		
2000E (Diluted)		\$ 2.38	\$ 1.38		\$ -	\$ 0.36	\$ (2.82)	\$ 1.98	\$ 1.51		
Forward P/E		16.70	29.35			83.33		27.84	41.97		
Enterprise											
Enterprise Value / EBITDA	16.41	26.67	22.76	24.71	(213.06)	71.46	(88.84)	36.97	32.71	13.07	
Enterprise Value / EBIT	26.04	47.89	39.37	43.63	(111.49)	159.40	(62.39)	(1,000.65)	43.27	(215.09)	
6 Month Trailing											
EBITDA Per Share	1.78	2.54	2.82		(0.15)	0.46	(0.69)	1.91	2.01		
EBITDA Multiple	7.30	15.63	14.36	14.99		64.63		28.94	31.48	31.26	
EBITDA Margin	26.32%	9.96%	6.18%			22.40%		17.40%	19.93%		
6 Month Trailing											
Trailing Sales	\$ 2,969.2	\$ 3,262.0	\$ 17,304.0		\$ 1,001.1	\$ 1,527.6	\$ 208.0	\$ 9,645.0	\$ 27,728.0		
Price to Sales	1.92	1.56	0.89	1.22	13.04	14.48	79.83	5.03	6.27	26.40	
Gross Margin	29.01%	26.00%	15.35%		23.51%	42.55%	31.25%	50.29%	49.83%		
Operating Margin	16.59%	5.55%	3.57%		-13.01%	10.04%	-148.56%	-0.64%	15.06%		
Book Value	\$ 7.97	\$ 16.15	\$ 21.31		\$ 2.07	\$ 8.77	\$ 11.41	\$ 15.60	\$ 4.52		
Price to Book	1.63	2.46	1.90	2.18	13.71	3.42	4.60	3.53	14.02	6.40	
Turnover's											
Account Rec. Turnover	2.23	2.88	4.91		1.95	2.30	1.87	3.08	2.92		
Current Asset Turnover	1.14	2.00	2.51		1.05	0.65	0.05	2.10	1.33		
Returns											
Return on Average Equity	7.25%	3.02%	4.59%			0.43%	-5.16%	-3.00%	37.97%		
Pre-Tax Average ROA	2.97%	1.72%	1.95%			1.70%	-4.80%	-0.18%	12.56%		
Return on Average Assets	1.49%	0.60%	1.08%			0.26%	-2.31%	-1.12%	11.48%		
Current Ratio	0.54	1.08	1.07		1.79	2.48	6.79	0.81	1.74		
Quick Ratio	0.30	0.80	0.59		1.10	2.23	6.54	0.57	0.92		
Cash Ratio	0.03	0.05	0.04		0.14	1.52	6.37	0.02	0.13		
Cash per share	0.29	0.55	0.75		0.16	1.95	13.21	0.12	0.54		
Degree of Financing Leverage (EBIT/EBT)	1.88	6.96	2.31	4.63	0.87	1.87	0.76	0.13	1.08	0.96	
Financing Leverage (Assets/Equity)	4.83	5.35	4.23	4.79	3.33	1.55	2.04	2.63	3.00	2.30	
Debt to Capital	67.12%	63.48%	52.65%		60.76%	26.55%	42.55%	49.53%	35.38%		
Debt to Book Equity	204.13%	173.84%	111.20%		154.82%	36.14%	74.06%	98.15%	54.76%		
Debt to Enterprise Value	55.53%	41.39%	36.91%		10.14%	9.55%	13.87%	21.74%	3.76%		
Liabilities to Equity	374.60%	392.73%	265.82%		220.42%	53.79%	103.66%	160.20%	199.57%		
Interest Coverage											
Interest Coverage (Earnings)	2.66	1.70	2.22	1.96		2.02		0.40	19.05	0.39	
EBIT/Interest Expense	2.13	1.17	1.77	1.47		2.15			14.30	(0.38)	

NOTES: The above financial information is based on 6 months of activity from the company's 10-Qs filed with the SEC.

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Recently Announced Spin-Off Situations

3Com to IPO “Palm Computing” Subsidiary and Spin Balance to Shareholders

On Tuesday, September 14, 3Com (Nasdaq: COMS) announced plans to IPO its “Palm Computing” unit. In early 2000, 3Com will sell up to 20% of the top-selling hand held computing device subsidiary. In the summer the company plans to spin-off the balance to current 3Com shareholders. The Palm or (personal digital assistant) P.D.A. has become the star player, therefore management desires to free up the successful subsidiary to become the first independent, publicly traded handheld computing company. Under the plan, 3Com shareholders will own both the newly formed company and the former. This is a positive move for the company as it attempts to drive value from its three business groups. That said, the company's remaining business will lack any significant growth drivers for the foreseeable future. Wall Street, which has long been urging 3Com to restructure along these lines, welcomed the news and marked the shares up \$1 5/8 to \$28 7/8.

The company hopes the move will mark the start of a turnaround for 3Com, which has seen its shares drop from about \$80 two and a half years ago to a low of \$20 earlier this year. 3Com's networking business has no significant synergies with the Palm unit. Palm alone may be appreciated more as a standalone pure-play. **3Com expects to file the Palm Computing S-1 with the SEC in October or November.**

Santa Clara, CA based **3Com**, is the #2 maker of hardware which enables computers to communicate with each other across networks. Far behind leading Cisco Systems, the company manufactures products which play a key role in the convergence of computer data, telephone calls, and video. Industry competitors for 3Com include: Cisco Systems, Compaq, Lucent, Hewlett-Packard, Intel, IBM, Microsoft and Motorola. 3Com has also bulked up its technology roster through acquisitions—more than a dozen in the

Market Data:	9/27/99		FY: May
3Com	COMS		
Price:	\$28 13/16	Shares Out:	357.6
52 Week Range	\$48.50 \$20.00	Market Cap:	\$10,300 m
Annual Dividend	\$0.00	Revenues 99A:	\$5,770 m
Dividend Yield	0%	Price-to-Revenues	16X
EPS 00E	\$1.18		
EPS 01E	\$1.46	Book Value	\$8.94
00E P/E:	24.4X	Price-to-Book	3.2X
01E P/E:	19.7X	Net Debt to Cap	1%

past five years—and through alliances with market leaders such as Alcatel, IBM, and Microsoft. Business outside of the U.S. accounts for almost half of the company's sales. 3Com is organized into three disparate units. Personal connectivity focuses on the cards and modems, which link PCs to corporate networks and the Internet. Network Systems make hubs (network control devices), switches, routers (network linking devices), and network management software. It also designs communications technologies for public carriers and Internet service providers. Handheld Computing is the star of 3Com's team.

3Com is the early leader in the emerging Personal Digital Assistant (PDA) market, which represents, according to the company, a multi-billion dollar opportunity. The Palm business itself really has several components. First, 3Com sells the actual handheld device the market has now become familiar with. Second, it licenses its Operating System to other PDA vendors, such as Qualcomm. Palm competes with Microsoft's Windows CE and Sun's Java in this regard. Management expects that licensing revenue will make up a majority of the company's revenue over time. Third, Palm offers web content for wireless

PDA access, and also offers its own Palm.net wireless service. Currently, Palm's revenue is almost entirely generated by sales of the physical Palm Pilot units.

In the 3Com's latest 10-K filing, it broke out revenue and income information by segment for the first time. 3Com's Personal Connectivity business (i.e., modems and adapter cards) was its highest margin business (14% operating margin), accounting for roughly 66% of total operating income. Unfortunately, this portion of 3Com's business is on a steep decline as their commoditized technology faces competition. With Palm computing removed, the Personal Connectivity commodity business will account for an even larger percentage of 3Com's profit. The other remaining piece of 3Com, Network Systems, appears to be the only growth driver remaining. However, this business had only 5% operating margin in FY 1999.

Fiscal sales in 1999 were roughly \$570 million for the Palm unit (approximately 10 percent of 3Com's total) with net divisional income of \$48 million in 3Com's fiscal May 1999. Revenues have more than doubled annually and the business has been expanded to include new markets for software licensing and Internet services. With more than five million palm handheld computers in the market, Palm is the worldwide market leader with products that include the best-selling Palm III, Palm V and Palm VII series of handheld computers. The division had 68% worldwide and 73% US market share according to IDC. The Palm VII, which was launched in late May, is seeing high demand.

Palm Valuation

There are a variety of views of what Palm Computing is worth. If it is growing 50% annually and investors assign a P/E-to-growth ratio of 1.0, **it could trade in excess of \$2-3 billion (\$5 1/2 to \$8 1/2 per COMS share)**. On the other hand, without data on margins

and the status of non-hardware businesses at Palm, it could be significantly higher or somewhat lower. Until we review the S-1 filing it will be difficult to value 3Com on a sum of the parts basis.

3Com Fiscal First Quarter Details

Revenues were \$1.387 billion down 2.0% sequentially and down 1.3% from the year ago quarter. Network Systems (hubs, switches, routers and remote access) products represented 48% of revenues, while Personal Connectivity products (modems and adapters) represented 39% of revenues, and Handheld was 13%. Domestic sales were \$764.8 million, or 55% of revenues, down 5% Y/Y, while international sales were \$622.6 million, representing 45% of revenues, up 4% Y/Y. Gross margins was 46.7%, up from 42.9% in the restated (accounting restatement where technical support expenses have been moved from operating costs to cost of goods sold) period a year ago. DSO was down 10 days to 49 days, the lowest level in three years. Network Systems had total revenues of \$674.2 million, up 9% year-over-year. The personal connectivity business was down 19% year over year to \$539 million.

Gross margin was 46.7%, up from 42.9%, year over year. The 42.9% from the year ago period reflect the accounting change for technical support costs. Operating income was 10.9%, up 2.9% sequentially, and up 8.4% from the year ago period. Cash and investments increased \$43.9 million to \$1.71 billion. Even with \$392 million being spent on the share repurchase program (the company bought back 15.4 million shares at an average of \$25.48 per share), the company's strong cash flow for the quarter led to an increase in cash and cash equivalents on the balance sheet. The company has bought back 30.2 million shares since June 1998. Accounts receivable decreased to \$757 million from \$926 million in the prior quarter, raising inventory turns to 8.4 times from 7.9 times in the prior quarter.

Recently Announced Spin-Off Situations

Great Lakes Chemical to IPO Up To 50% of Energy Services and Products Unit- OSCA

On September 20, Great Lakes Chemical (NYSE: GLK) announced plans for an IPO of at least 50% of its beleaguered oil services subsidiary, OSCA. Management suggested that an IPO will provide them with the greatest flexibility financially. Great Lakes should benefit from both the cash from the IPO and the residual ownership interest in OSCA. Great Lakes wishes to focus on polymer additives, performance chemicals and water treatment bromides. OSCA has been struggling over the past year. However, it may begin to show signs of recovery with the rebound in oil and natural gas prices. **The IPO is expected to happen during the first quarter of 2000.** We suspect that the announced IPO, may be an attempt to identify serious would-be strategic buyers of OSCA, which would preempt an IPO. If no buyers materialize, then the IPO will be pursued.

OSCA , is a major provider of completion products and services to key oil and gas markets. The company specializes in sand control, production-enhancing completion fluids, marine well service and stimulation. OSCA serves both the deep and shallow water markets of the Gulf of Mexico and has a presence in certain growing international markets. **OSCA generated revenues of \$116 million in 1998.** OSCA has been a drag on earnings as oil and gas rig counts contracted sharply from historic highs reached in early 1998. Capital spending across OSCA's customer base has been down over the past two years. OSCA was originally established to provide bromine-based chemicals for the oil and gas exploration and development industry. The primary emphasis is on drilling fluids and services with an approximate 60/40 split, respectively. Services include high-pressure fracture packing, well stimulation and gravel packing. OSCA operates three marine vessels servicing the Gulf of Mexico (80% of revenues) although one of these is currently on sub-lease to another company. The drilling fluids sold by OSCA help increase the density of drilling fluids used in completion and workover

operations. Drilling fluids help prevent contaminants from entering the production zone and inhibit corrosion buildup on drilling equipment. The marine vessels are capable of delivering fluids and performing workover and completion services and are used by drillers based on the efficiency and ease of hook-up versus offloading rig-based pumps, tanks and other equipment that take up deck space. The increased activity in deep-water drilling further extends these advantages given the greater volume of liquids and high-pressure services required.

With estimated sales (excluding businesses held for sale) of \$1.5 billion, **Great Lakes Chemical** is a diversified global specialty chemical manufacturer, with a core competency in bromine-based chemistry. The company participates in four categories: 1) polymer additives (flame retardants and polymer stabilizers); 2) performance chemicals (fine chemicals, fluorine, WIL labs, bromine intermediates, and AgChem); 3) OSCA oil field chemicals & services and 4) recreational (pools and spas) water treatment chemicals as well as specialty biocides for applications such as cooling tower water. 1998 geographic sales were comprised as follows: U. S. -58%, Europe -30%, Asia -10%, and the rest of the world - 2%. Great Lakes has undergone some restructuring in the past 18 months. GLK spun off its \$490 million Octel (NYSE:OTL) petroleum additives business to shareholders. In addition Great Lakes has changed senior management, including a new CEO, CFO, VP of Strategic Planning, and two operating unit Presidents. Further, GLK has identified \$250 million of divestiture, planned the closure of a bromine-based biocides plant and a pharmaceutical intermediates operation, and completed two strategic acquisitions. In September, GLK announced it has been repurchasing stock, including one million shares (about 2% of the outstanding shares) since July 1st. Approximately 4.6 million additional shares (or 8% of total outstanding shares) remain available for repurchase under GLK's prior share repurchase authorization. GLK's stock has declined 25% since peaking at \$50 per share during the spring.

Recently Announced Spin-Off Situations

Master Graphics to IPO EagleDirect.com

Sept. 9, Master Graphics, Inc. (Nasdaq:MAGR \$3.50) announced the intention to take its subsidiary, EagleDirect.com, public in an IPO. The amount of the offering is expected to be in the \$50 million range, with the anticipated timing of the IPO being in the fourth quarter of 1999. With roughly 8 million shares outstanding, Master Graphics is a microcap with a capitalization of just \$28 million. **We are somewhat suspect that a \$28 million (market cap) company will be able to carveout a portion of its business in an IPO worth \$50 million.**

Through its 20 printing companies, **Master Graphics** provides commercial pre-press, printing, and post-press services. With printing plants located in 14 states across the Midwestern, southern, and western US, the company produces annual reports, direct mail pieces, catalogs, and other commercial printing products. Master Graphics routes its jobs to its divisions through Master Central, a kind of printing depot. Some of the company's larger customers include Federal Express, IBM, Provident Life, and Turner Broadcasting. Chairman, president, and CEO John Miller owns 52% of the company.

Headquartered in Memphis, TN, Master Graphics provides general commercial printing services to customers throughout the United States. Since June 1997, the founding date of the company, Master Graphics has grown to 20 , general commercial printing companies. The acquired companies operate as separate divisions of Master Graphics, each maintaining its original name and providing a full range of general commercial printing services. The divisions have an average operating history of over 50 years. Master Graphics provides service in all areas of general commercial printing, including pre-press, printing and post-press services. Master Graphics completed its initial public offering on the Nasdaq National Market on June 10, 1998.

EagleDirect.com is a "full-service database marketing organization which provides strategic and implementation services, integrated under one roof". The aim is to help companies increase revenues, build customer loyalty, enhance marketing program performance, and reduce costs. EagleDirect attempts to facilitate in uncovering what, when, how and why a customers or prospects buy. Several calls to Master Graphics to learn more about EagleDirect.com were not returned.

Financial Results

Master Graphics, Inc. (Nasdaq: MAGR) recently announced results of operations (unaudited) for the second quarter of its 1999 fiscal year. Revenue improved to a record \$65.3 million, up from \$38.5 million for the same period last year. Gross profit was \$14.9 million, or 22.8% of revenue. Operating income was \$1.8 million with a margin of 2.8%. Net loss for the period was (\$2.1) million, or (\$0.28) per share diluted, compared to the (\$1.4) million loss, which included an extraordinary charge of (\$2.1) million, net of taxes, for the same period last year. The year-ago per share loss equaled (\$0.27) diluted, and included an extraordinary charge of (\$0.40), net of taxes.

For the six months ended June 30, revenues advanced to a record \$121.7 million, up from \$66.5 million for the same period last year. Gross profit was \$30.5 million, or 25.1% of revenue. Operating income was \$7.5 million with a margin of 6.2%. Net loss for the period was (\$1.4) million, or (\$0.19) per share diluted, compared to the (\$0.9) million loss, including an extraordinary charge of (\$2.1) million, net of taxes, in the same period last year. The year-ago per share loss equaled (\$0.20) diluted, and included an extraordinary charge of (\$0.44), net of taxes. The Company has closed on 5 acquisitions over the first half of the year, which added \$75 million in annual run rate revenue.

Recently Announced Spin-Off Situations

Microsoft Plans to Carveout Expedia

Microsoft is spinning off Internet travel site Expedia, but will remain a majority owner. The announcement came September 23, as the company outlined its Internet strategy and plans for the future of Microsoft's Internet service and portal, MSN. Moving to cash in on the mania for Internet stocks, Microsoft plans to IPO Expedia. The deal is expected to raise at least \$75 million. Expedia has a \$20 million loss in fiscal 1999. Microsoft did not estimate how many shares the new company will have, how many Microsoft will retain or a proposed offering price. We would expect Microsoft to retain 80% or so of Expedia. It is unlikely that the spin-off will represent a meaningful part of Microsoft, which enjoys a market cap in excess of \$500 billion. **The company has filed an S-1 with the SEC.**

Microsoft is the world's #1 software company, generating \$19.7 billion in fiscal 1999. Windows (47% of revenue), is installed on more than 275 million Intel-based PCs. Its products include the Windows operating systems, Excel spreadsheets, word processing programs (MS Word), presentation tools (PowerPoint), reference works (Encarta), and Web browsers (Internet Explorer). The Microsoft Network (MSN) provides online content (including travel service Expedia, which is planning to go public) and ranks as the #2 US ISP (behind AOL, based on subscribership). With NBC, the company operates cable news channel MSNBC. Microsoft's stock enjoyed a 115% increase in 1998. More recently, Microsoft's stock has been choppy as investors weigh the company's Internet strategy and pending product cycles against the threat of a year-end Y2K slowdown.

Expedia is Microsoft's window to the online travel reservations world. Formed by Microsoft in 1994 and on the Web since 1996, Expedia wants to be the online destination of choice for individuals who opt to book travel reservations online. In addition to making airplane, hotel, and rental car reservations, users of the Expedia Web site can take advantage of travel-related features including chat rooms, frequent flyer tracking tools, and maps. The company also sponsors a radio travel show (*Expedia Radio*) and offers versions of its Web site in Canada, Germany, and the UK. Since opening for business in 1996, the venture has accumulated \$86.8 million in losses, including a loss of \$19.6 million on revenue of \$38.7 million in the fiscal year ended June 30. The unit has 128 employees. Richard Barton will be the CEO of the new

company. Travel has become the largest online retail category with estimated online transactions of \$7.8 billion in 1999, growing to \$32 billion in 2004, according to Forrester Research. The stock is expected to trade on the NASDAQ under the symbol "EXPE". The underwriters are Goldman Sachs and Morgan Stanley.

Since launching the online travel service in October 1996, Expedia has experienced significant growth in visitors and gross bookings on their websites. As of August 31, 1999, seven million users had registered on their websites and over \$700 million in gross bookings of airline tickets and hotel and car rental reservations had been purchased through our websites by over 860,000 consumers. According to Media Metrix, Expedia.com was the #1 most visited website for travel services for each of the five months ended August 31, 1999. In August Expedia attracted approximately 4.4 million unique visitors.

Expedia Expects Losses and Negative Cash Flows to Continue. For the fiscal year ended June 30, 1999, Expedia had a net loss of \$19.6 million and negative cash flow from operating and investing activities of \$18 million. As of June 30, 1999, they had an accumulated deficit of \$86.8 million. Expedia expects to incur a non-cash charge in the range of \$100 million to \$150 million related to the issuance of stock options to our employees to replace their unvested Microsoft options. This charge will be amortized over the vesting period of the new options. We expect to continue to incur net losses and negative cash flows for the foreseeable future. The company will be growing operating expenses significantly, especially in the areas of sales and marketing and operations. These increased expenses will result primarily from our launch of a significant advertising campaign in fiscal 2000.

Capital Shares

The total number of shares of stock, which the Corporation shall have authority to issue, is 250,000,000 shares, which shall consist of 120,000,000 shares of Class A common stock, 120,000,000 shares of Class B Common stock, and 10,000,000 shares of preferred stock. The Class A Common Shares being entitled to one vote per share. The Class B Common Shares will be entitled to ten (10) votes per share.

Fresh Foreign Spin-Off Situations

Playboy to Carve-out Online Division to the Public

On September 28, Playboy Enterprises, (NYSE: PLA-Class B) announced that its Board of Directors has approved of selling a minority interest of its online division to the public in early 2000. The carved-out piece will be floated to create currency for future acquisitions to grow the online venture. Playboy online is branching out towards women (tossing around ideas of dating pages and chat sites). Moreover, the online division is looking to take part in many arenas. Since inception of the Playboy Web page in 1994, alliances formed with Hecklers/Antagonist, Cigar Aficionado, Telescan, Wine Spectator, Dark Horse Comics and Internet Sports Network. Acquisitions are in the pipeline to boost the online operations beginning in early 2000. Playboy is expanding its in TV, film and video presence.

Playboy Enterprises is a multimedia adult entertainment company with books, magazines, TV programming, Web sites, CD-ROMS and more. The Company's businesses are classified into six reportable segments: Publishing, Entertainment, Product Marketing, Catalog, Casino Gaming and Playboy Online. The **Online Group** is reported as a separate operating group. The online group's results include advertising revenues from Playboy.com, the Company's free site on the Internet, subscription revenues to Playboy Cyber Club, the Company's pay site on the Internet and e-commerce revenues, currently from online versions of the Critics' Choice Video, Collectors' Choice Music and Playboy catalogs.

Playboy magazine is a general interest magazine offering a balanced variety of features, including candid interviews with well-known, thought-provoking personalities and informative articles on current issues and trends. The magazine has a loyal customer base and a reputation for excellence by providing quality entertainment. Worldwide monthly circulation including international editions, are approximately 4.5 million copies. U.S. subscribers

Market Data:	9/30/99		FY: DEC
Playboy	PLA		
Price:	\$26 1/8	Shares Out:	23 m
52 Week Range	\$36 \$12	Market Cap:	\$600 m
Annual Dividend	\$0.00	Book Value	\$5.70
Dividend Yield	0%	Price-to-Book	4.58X
Insider Holdings	72%	Debt to Capital	45.5%

account for 3.2 million. The U.S. edition of Playboy and 17 licensed international editions extend the magazine's reach to approximately 50 countries worldwide. According to fall 1998 data published by Mediamark Research, Inc (MRI), the U.S. edition of Playboy Magazine is read by approximately one in every eight men in the United States aged 18-34.

The **Casino-Gaming Group** is an arena that has been reentered to further leverage Playboy's brand image. The Company will obtain licensing fees, brand royalties and/or management fees for operating the gaming establishments, and will consider making minority investments. Annual licensing payments will be received from the Playboy Casino at Hotel des Roses (the Rhodes Casino) on the Greek Island of Rhodes, which is scheduled to open in fiscal year 1999. The Company is exploring opportunities to develop additional venues in a range of locations with a strategy to form joint ventures with strong partners.

The **Entertainment Group** operations include the production and marketing of programming through domestic Playboy TV, other domestic pay television, international television and worldwide home video businesses as well as the worldwide distribution of feature films.

The Company's **Catalog Group** operations include the direct marketing of products through the Critics' Choice Video catalog, the Playboy catalog, and the Spice catalog. Playboy catalog products include Playboy branded fashions, cigars and gifts, Playboy Home Video titles, Playboy collectibles, such as calendars, back issues of Playboy magazine and newsstand specials, and CD-ROM products. The Playboy catalog is published three times annually. Beginning in fiscal 1999, the Playboy catalog will focus on offering more Playboy branded and licensed product offerings which appeal to 18-34 year old customers.

The **Product Marketing Group** licenses the Playboy name, Rabbit Head Design and other trademarks and artwork owned by the Company for the worldwide manufacture, sale and distribution of a variety of consumer products.

The **Publishing Group** publishes Playboy magazine and licenses the right to publish 17 international editions worldwide. Other publications included owning a 20 percent interest and an option to buy the remaining 80 percent interest in duPont Publishing. The flagship product *Playboy* is the world-leading men's magazine with approximately 3 million subscribers in the U.S. alone. In 1999 Playboy acquired Spice Entertainment for \$105 million.

June Quarter Review

Playboy reported Q299 EPS of (\$0.13) compared to \$0.10 in the same period last year. Revenues increased slightly at 0.4% YoY to \$78.1 million. Declines in the publishing, Catalog, and Product Marketing segments were mostly offset by an increase in the Entertainment and Playboy Online segments. EBITDA for the quarter declined nearly 31% YoY to \$8.1 million, primarily due to lower contributions from the Publishing, Catalog, Product Marketing and Corporate Marketing segments. Results were also impacted by an increase in programming amortization, up 14% to \$7.6 million, and higher interest expense due to the Spice Entertainment acquisition.

Business Segment Review

Publishing: Revenues for the segment declined 7% YoY to \$30.8 million while EBITDA fell 64% YoY to \$1.2 million. Weakness in Brazil and Russia resulted in weaker international publishing royalties. In addition to lower revenues from Playboy magazine, lower revenues from newsstand specials and higher administrative costs further impacted results.

Entertainment: Revenues improved 6% YoY to \$26.2 million and EBITDA rose 5% YoY to \$15.2 million. Results were impacted by the delay in the closing of the international joint venture with the Cisneros Television Group. The company decided to curtail foreign sales prior to the venture, leading to a significant decrease in international revenues (\$3.2 million versus \$5.7 million last year).

Product Marketing: Revenues for the segment declined to \$1.5 million or 7% YoY, while EBITDA declined 60% to \$0.2 million, versus \$0.5 million in the comparable period last year.

Catalog: Sales dropped 5% YoY to \$14.3 million, while EBITDA for the quarter was negative at \$0.3 million compared to positive EBITDA of \$0.6 million last year. The softness was attributable to weak response rates for Critics' Choice Video.

Playboy Online: Online revenues grew \$3.1 million or 96.5% YoY based on continuing investment in the segment. EBITDA was negative for the quarter at \$1.7 million compared to negative \$1.5 million in last year's period. The division did see YoY gains in all three revenue sources (advertising, e-commerce and subscriptions). Contributing to the growth was the addition of 18 newsadvertisers, MSNBC, The Sharper Image, and Xoom.com to name a few.

Staples to Create Tracking Stock for e-Commerce Division

On September 15, Staples, Inc. (NASDAQ: SPLS- \$21 13/16) announced plans to create a tracking stock which would cover their three e-commerce businesses. The Westborough, Massachusetts retailer pioneered selling low-cost office supplies in warehouse stores to companies of any size, primarily small businesses and consumers. Staples, invented the office superstore concept and is the largest operator with over 44,000 employees serving customers through more than 1,000 office superstores, order catalogs, e-commerce and a contract business. **The tracking stock will include Staples.com, Quillcorp.com and StaplesLink.com.**

Staples is the #2 office supply superstore company in the US (behind Office Depot). It sells office products, furniture, computers, and printing and photocopying services at more than 1,000 stores (under the Staples and Staples Express names), most of them in the US and Canada, but also in Germany and the UK. The company plans to open 150 - 170 locations worldwide a year.

Offering 8,000 office products primarily to small- and medium-sized businesses, the Staples superstores generate most of the company's sales and profits. The company also has mail order and contract stationery businesses. Staples is expanding its direct-selling subsidiary, Quill, to Europe and is investing in Internet firms that provide business services. Quill is a leading mail-order distributor of office products to more than 700,000 medium-sized businesses, as well as schools, associations, and health care and legal offices in the US. To compete with office supply superstores, Quill markets some 14,000 Quill-brand and other brand-name products through specifically tailored print and electronic catalogs (including one on CD-ROM), telemarketing operations, and a Web site. The Board of Directors has also approved an increased common stock buyback program on its own stock from \$100 million to \$300 million. Staples operates in nearly 40 U.S. states, Canada, Germany and the UK. **There are no immediate plans for an initial public offering of Staples.com stock.**

Staples filed a preliminary proxy statement on September 24, 1999, for its special shareholders meeting to vote for approval of the tracking stock for Staples.

Market Data:	09/30/99		FY: Jan
Staples	SPLS		
Price:	\$21 13/16	Shares Out:	477m
52 Week Range	\$36 \$17	Market Cap:	\$10,400 m
Annual Dividend	\$0.00	Book Value	\$2.53
Dividend Yield	0.0%	Price-to-Book	8.6x
EPS 2000E	\$0.68	00E P/E	32x
EPS 2001E	\$0.88	01E P/E	24.8x

com. We do not believe that a tracking stock will materially enhance the market valuation of Staples. Staples plans on issuing shares of Staples.com stock in either a public or private financing within 12-months of stockholder approval of the tracking stock proposal. All Staples employees who are currently eligible for Staples stock option grants will be eligible for Staples.com stock options, including those who are not directly involved in the e-commerce business. Staples' electronic businesses are not yet profitable, compared to Office Depots e-commerce initiative, which is profitable according to ODP's management. Staples will allocate significant costs to the Staples.com business, particularly expenses related to marketing, thus increasing the "core" business' operating margin. Staples.com could reach \$200 million in calendar 2000. We believe management will expand on their plans for Staples.com in this month's analysts meeting in Boston (October 12 and 13).

Value of Staples.com to Staples Shareholders

We would guess that Staples.com could realize a market capitalization of perhaps 5 to 10x estimated 2000 revenues. Staples.com is expected to generate revenues of roughly \$200 million. Using a 5x to 10x target 2000 revenue multiple, we calculate a potential market capitalization of \$1.0 to \$2.0 billion for Staples.com. **Upon creation of the tracking stock, the business will be 100% owned by Staples; thus we would further discount this value by 15% to account for the tracking stock structure. This suggests a value of \$850 million to \$1.7 billion in capitalization to SPLS' existing shareholders or \$1.80 to \$3.60 per share. (SPLS' has 475 million shares outstanding).**

Structure of the Tracking Stock

If their proposal is accepted by shareholders, Staples will be authorized to issue 150 million shares of Staples.com stock to reflect the performance of the company's electronic commerce businesses. **The e-business group will be made up of Staples.com, the company's public Internet site, Quillcorp.com, which sells products from the company's direct mail catalog to small and medium sized businesses, and StaplesLink.com, which targets medium and large businesses.** Originally, the Staples.com tracking stock will be distributed to all Staples employees who currently receive options, whether they're directly involved with the electronic business or not. The creation of the Staples.com stock may help Staples to compete more effectively with other Internet companies in attracting and retaining employees interested in electronic businesses. Under existing employee incentive plans, SPLS can award 9.625 million shares of the tracking stock to employees. Based on SPLS' expected retained interest in their e-commerce business, 9.625 million shares would represent a 16% ownership in Staples.com, before any issuance of shares in a public or private financing. We expect such an issuance to occur within one year of stockholder approval of the tracking stock proposal.

Financial Analysis of Staples.com

In the proxy statement, Staples provided desegregated financial results for the e-commerce business. For the first half of 1999, which ended July 31, 1999, Staples.com's revenues grew to \$27.3 million, versus \$5.1 million for the same period last year. A comparison of these two periods is not particularly meaningful, however, as StaplesLink.com and Staples.com were not launched until 3Q98 and 4Q98, respectively. First half revenues from Staples' core business grew 23.67% year-over-year. Staples.com 1H99 gross margin of 23.1% was below that of the Staples Group, at 24.3%. Staples.com's gross margin was also down year-over-year in 1H99 as technology products continue to become a bigger part of the on-line product mix. 1H99 operating and selling (O&S) margins for Staples.com were significantly higher than the core business, primarily due to marketing expenses associated with the electronic business. Specifically, Staples.com O&S expense was 26.0% of sales for 1H99 versus 14.9% for the Staples Group during that time and 12.1% for 1H98. The bottom line is net profit results are unchanged for Staples under the tracking stock structure as long as Staples retains the 100% interest in Staples.com.

What is a Tracking Stock?

In a perfect world, Staples.com will allow investors to participate in the financial and operating performance of the e-commerce businesses of Staples. Under this scenario, Staples retains 100% legal ownership of its e-commerce businesses. However, investors in Staples.com will receive dividends based on the earnings and cash flow of the subsidiary. Investors in the tracking stock vote with other common stock classes for the parent company's board of directors and other corporate matters. The e-commerce division will remain consolidated for tax and accounting purposes. Any dividends received by Staples from the e-commerce unit are not taxed, and Staples will remain the legal entity responsible for any obligations incurred by the e-commerce unit. Staples gets to maintain full control of its e-commerce business while highlighting the spending related to the Internet. Staples can define to the investment community the initial losses associated with its e-commerce unit, and hopefully not penalize the valuation of Staples due to this spending. This tracking stock may encourage a new shareholder base to invest in the e-commerce unit. Internet investors will be able to participate in a "pure play" of Staples.com. In addition, this stock will allow the e-commerce unit to show EPS prior to a goodwill amortization charge related to the acquisitions that Staples has made to improve its internet business. Acquisitions include Register.com, point.com, DSL.net, Hotoffice.com.

Some Disadvantages To Tracking Deals

We have reviewed, in great detail, the many shortcomings we see with Tracking Stocks in the past. In short, we find that they do not have the same favorable dynamics and strong returns often associated with pure spin-offs. There are specific conflict of interest issues, which suggest that Tracking issues, are essentially "trust me" securities. The liquidity of the tracking stock could be much less than for Staples, which could impact valuation of this holding. Trying to find an exit strategy for this tracking stock could also prove difficult. Most importantly, Tracking Stocks are immune from takeovers, which accounts for a meaningful portion of the excess returns inherent in spin-off situations.

Sylvan Learning Systems to Spin-Off Prometric Testing Division

Sept. 24, 1999--Sylvan Learning Systems, Inc. (Nasdaq: SLVN \$16) announced it has filed an S-1 registration statement with the SEC to issue shares of a new class of Common Stock for Prometric®, Inc., its computer-based testing business. The Company intends to sell less than 20 percent of this new class of stock to the public, with the remaining shares to be retained by Sylvan Learning Systems. **Sylvan expects to distribute the remaining shares to Sylvan shareholders if it receives a ruling from the IRS that the distribution will be tax-free.** The offering will be led by Deutsche Banc Alex. Brown. The distribution is not expected until the second half of 2000. Prometric's testing division focuses on three primary markets: information technology (IT) certification, academic testing (primarily through a long-term contract with the Education Testing Service), and professional certification exams (eg, doctors, teachers, pilots). Shares of Sylvan finished flat on the news after rising 20% initially.

Prometric, (doing business as Sylvan Prometric®) is a leader in the delivery of computer-based testing and assessment services for Information Technology industry certification, academic admission and professional licensure/certification. Through its network of more than 2,900 testing centers in 141 countries, Sylvan Prometric delivers more than 2,400 different computerized exams for more than 170 client organizations. In fiscal year 1998, Sylvan **Prometric® had revenues of \$179 million and delivered more than 3.5 million tests. Prometric had revenues of \$106.3 million in the six months ended June 30, with net income of \$7.5 million.** Generating more than 60% of the company's revenue, its Sylvan Prometric division is the #1 provider of computer-based testing services for tests such as the Graduate Management Aptitude Test (GMAT) and Graduate Record Examination (GRE). Also #1 in contract educational services, Sylvan offers schools and other organizations contract supplemental, educational, and professional development services. Sylvan provides tutoring service through its

Market Data:	9/24/99	FY: DEC	
Sylvan Learning	SLVN		
Price:	\$16	Shares Out:	53.5 m
52 Week Range	\$35 \$15	Market Cap:	\$586 m
Annual Dividend	\$0.00	Book Value	\$9.52
Dividend Yield	0%	Price-to-Book	1.68X
EPS 1998A	\$0.87	98A P/E	16.8X
EPS 1999E	\$1.17	99E P/E	13.7X

collection of nearly 740 learning centers across North America and 900 learning centers across Europe.

The Sylvan Learning Centers division provides personalized instruction services to students of all ages and skill levels; the Sylvan Contract Education Services division provides supplemental education and other specialized services under contract to public and non-public schools; the Sylvan International Universities division provides higher education through international private universities; and the English Language training division, consisting of Wall Street Institute and ASPECT, delivers English language instruction to adult professionals and college students. For the six months ended 6/99, revenues rose 47% to \$272.2 million. Earnings rose from \$2.8 million to \$18.2 million. Results reflect increases in all business segments and the absence of \$8.7 million in non-recurring charges. Following this transaction, Sylvan's operations will be focused exclusively on tutoring, contract educational services, English language instruction, and international universities. Sylvan is the largest participant in each of its focus markets. The company rung up 50%, 31%, 49% and 45% EPS growth over the last four quarters. A broker downgrade from strong buy to hold (citing second half '99 earnings concerns related to the computerized testing division) and the perception of increased competition has punished the stock. Sylvan is currently trading at 13.7x 1999 consensus EPS estimate of \$1.17 or an aggregate market capitalization of \$856 million.

Foreign Announced Spin-Off Situations

Mannesmann AG to Split Telecommunication's from Engineering & Automotive

Mannesmann AG (Nasdaq: MNNSY; ADR-one Ordinary per ADR), (Ordinary Shares-MNMF.F) of Dusseldorf, Germany, announced on September 23, plans to create two separate companies of its telecommunications and engineering and automotive units. There appears to be little or no synergy between the two entities, so management believes a split would be the most attractive way to create "two identities for two strategies." Mannesmann hopes to stimulate growth through the creation of the new telecom only stock. **The separation is expected at the beginning of 2001.** Both shares are expected to trade in the DAX 30-index of the top thirty German public companies on the Frankfurt Exchange after 2001. Management believes that creating two separate identities will further accelerate the growth of enterprise value. This move is expected to appeal to investors and should give the Company more firepower to fuel upcoming potential acquisitions in European markets such as the UK, where the Company currently lacks a presence. The Company's Board of Directors must approve the plan, which is expected late next year. The potential of greater focus inevitably leads to higher accountability for shareholders. Improved profitability is a bonus as well to the newer, more focused stock. There is speculation that Vodafone Airtouch Group, PLC. of Britain could make a bid on the new Telecom Company.

Mannesmann AG, is one of Germany's largest conglomerates, combines leading positions in capital goods with a rapidly growing telecommunications

business. Mannesmann operates globally through nearly 500 subsidiaries. Its major holdings include D2 Mobilfunk (65.2% owned), and Arcor which operates the primarily private mobile telephone network in Germany (6.5 million subscribers); Demag, a leading builder of materials-handling and metallurgical plants; Dematic, which manufactures pneumatics and drive controls; Krauss-Maffei, focusing increasingly on plastics machinery; Mannesmannrohen-Werke, a steel tube and pipe producer; VDO, which makes auto control systems; and Sachs, which makes clutches and suspensions. In Italy, Mannesmann owns 49.9% of fixed-line carrier Infostrada (a rival to Telecom Italia SpA) and a 55 percent in wireless provider Omnitel. In France, Mannesmann has telecom exposure via Cegetel and SFR.

Mannesmann Telecommunications is based in two home markets, Germany and Italy, which it will use as muscle for becoming Europe's leading private telecom group. The unit, generally considered financially more attractive, has the desire to become Europe's Number One competitive telecommunications position. Controlling stakes are owned in D2 of Germany and Omnitel of Italy, two of Europe's most successful mobile-phone businesses. The telecom business is one of the biggest earners and strongest assets of the entire group. Telecomm are flying high these days and the German conglomerate has considered different strategies for some time now. Management believes that in a few years, as a result of the spin-off, that the telecomm group will grow significantly in assets.

Foreign Announced Spin-Off Situations

RSL Plans IPO of Australian Unit

On Sept. 9, 1999, RSL Communications, Ltd. (NASDAQ: RSLC) announced that it is planning an initial public offering of the common stock of its Australian subsidiary, RSL COM Australia Holdings Pty. Limited, to be renamed RSL Communications (Australia) Limited. RSL COM Australia is preparing to file a prospectus for registration with the Australian Securities and Investments Commission and to seek listing on the Australian Stock Exchange. RSL COM Australia expects to offer up to approximately 40% of its outstanding shares to the public. Warburg Dillon Read and Ord Minnett have been named joint global coordinators for the offering. **The offering, which will primarily take place in Australia, is expected to be completed during the fourth quarter of 1999.** The shares are proposed to be offered only by means of a prospectus registered in Australia. **A registration statement relating to these securities will not be filed with the U.S. Securities and Exchange Commission** and these securities will not be offered or sold in the United States without registration or an exemption from the registration requirements. RSL COM Australia serves business and residential customers through its RSL COM, Australia Star, DigiPlus and EZI Phonecard divisions. It offers local and long distance voice, data, mobile and calling card products in Australia and residential long distance voice products in New Zealand.

RSL Communications provides discounted international and domestic long-distance service, prepaid calling cards, and private-line services in Australia, Europe, Latin America, and the US. Europe and the US are its two largest markets. In the US, the company sells primarily to other carriers. In Europe it offers discounts to traditionally underserved small and mid-sized businesses with substantial international phone traffic. RSL, which bought Delta Three to offer Internet telephony and Web-based communications, now connects customers using traditional phone hardware through an Internet backbone to existing telephone infrastructure. Chairman and co-founder Ronald Lauder's mother is cosmetics queen Estee Lauder.

deltathree.com Files Initial Public Offering of Common Stock

Sept. 7, RSL Communications, announced that deltathree.com, Inc., its wholly owned subsidiary, has filed a registration statement with the SEC relating to the initial public offering of its common stock. The shares will be offered through a syndicate led by Lehman Brothers. Founded in 1996, deltathree.com is a provider of Internet Protocol (IP) telephony services and other enhanced Web-based communications services to individuals and businesses. It uses its privately managed, global IP network to enable its users to make low-cost, high quality phone calls from either a personal computer or a standard telephone. Through deltathree.com's interactive communications portal, www.deltathree.com, its users can also retrieve and forward voice mail, e-mail and faxes and send e-mail using one unified mailbox from anywhere in the world. The company filed to raise \$57.5 million. With about \$4.2 million in revenue primarily from carrying transmissions for RSL and others, Deltathree.com markets its services through relationships with other Internet companies, including CBS.com, Sony.com, and others. The company plans to use the proceeds from the IPO for developing additional enhanced Internet Protocol communications services, pay for further advertising and marketing, to pursue alliances and other general corporate purposes.

Deltathree.com did not disclose how many shares it planned to offer in the IPO, or their estimated price range in its preliminary SEC filing. Technology has made phone calls via the Internet possible, and deltathree.com wants to make them desirable and dependable. The company manages an Internet protocol-based network that has nearly 45 points of presence in 27 countries. Customers place calls from PCs or standard phones at costs lower than those of traditional carriers. According to Frost and Sullivan, deltathree.com routes 17% of all Internet Telephony traffic worldwide.

Foreign Announced Spin-Off Situations

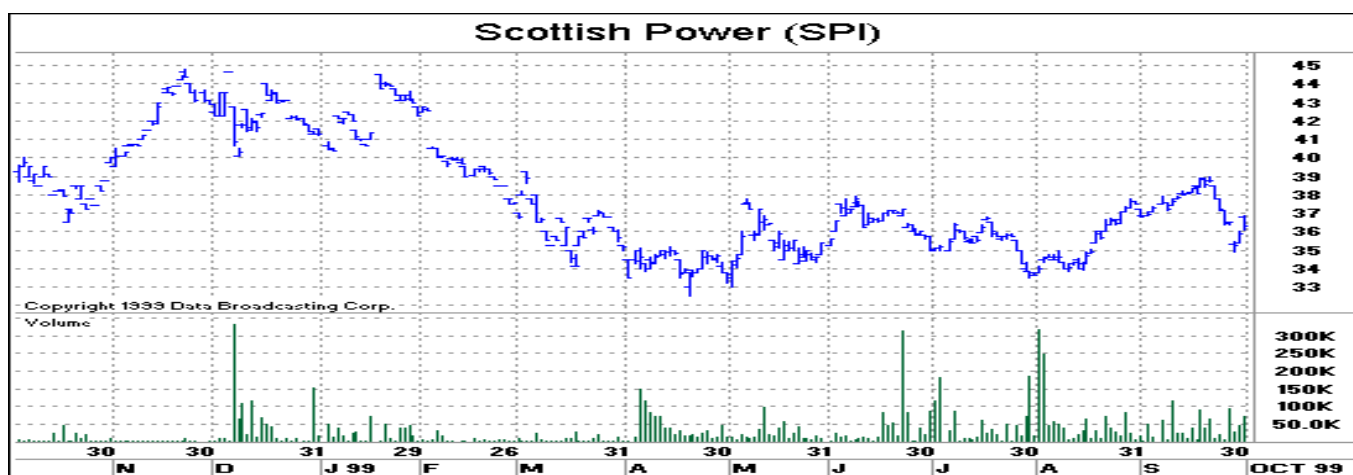
Scottish Power to Spin Telecommunications Arm

On September 17, Scottish Power, PLC (NYSE: SPI-\$36 5/16 ADS) said it is prepared to sell to the public a stake of up to 49 percent of its holdings in Scottish Telecom, a \$2.4 billion business, which includes the company's Internet services division. Scottish Power plans on keeping the majority of the telecom subsidiary.

Scottish Power, based in Glasgow, is one of the largest multi-utility enterprises in the country. Scottish Power's three core business areas include southern Scotland (Scottish Power), southern England (Southern Water), and northern Wales and northwestern England (Manweb). With approximately 5 million customers in Scotland, England, and Wales and operations in electricity, gas, telecommunications and water related services and distribution. Scottish Power transmits and distributes electricity to nearly 1.8 million customers in Scotland. Manweb, its wholly owned regional electricity company, has some 1.3 million customers in northwestern England and northern Wales. Manweb operates power stations generating electricity wholesaled, along with gas, in the U.K. Although energy seems to provide much of the company's revenues, water and wastewater services are accountable for about 1.7 million customers throughout southern England, via subsidiary Southern Water. After taking advantage of the deregulation

trend in power markets within the U.K. during 1998 and 1999, Scottish Power has grown beyond its original business as the power supplier in southern Scotland. Acquisitions have fueled the company to diversify into operations including contracting services, energy supply, generation wholesale, information systems, power systems, and retail stores (183 consumer electronic stores throughout the U.K.). Industry competitors include: British Energy, Energis, Enron and, Freeserve.

Scottish Telecom, is one of the U.K.'s top Internet providers, through its 1998 purchase of **Demon Internet**, which at the time was the largest independent Internet service provider. With more than 500 corporate customers and has roughly 8 percent share of Scotland's data and telecommunications business sector. Scottish Telecom offers several Web services throughout the U.K. and the Netherlands under the name- Demon. Scottish Telecom bought the Demon brand in April 1998. Demon is the U.K.'s second largest Web-hosting business, generating some 3 billion minutes of Web traffic each year. Voice, data and mobile telephony services, on-line information and Internet access services comprise the bulk of the telecom unit's portfolio. In 1999, with the aid of the BBC, Scottish Telecom launched a free Internet service called Freebeeb.net.



Insider Trading

Company	Symbol	Date	Filer's Name	Title / Status	Buy/ Sell	Shares Traded	Shares Held
Abercrombie & Fitch	ANF	8/24/99	GERTMENIAN, RUSSELL M.	DIR	Buy (I)	300	300
Baxter	BAX	8/5/99	LOUCKS, VERNON R. JR	CB	Sell	394,348	276,915
Baxter	BAX	8/10/99	GLANZMANN, THOMAS H.	OFF	Sell	650	57,789
Baxter	BAX	8/23/99	JOSEPH, DONALD W.	OFF	Sell	15,036	115,317
Baxter	BAX	8/25/99	ANDERSON, BRIAN P.	SR VP	Sell	1,334	82,313
ChoicePoint	CPS	8/24/99	ROGERS, C.B. JR	DIR	Buy	2,000	79,965
Cincinnati Bell	CSN	8/11/99	KIGGEN, JAMES D.	DIR	Buy	4,000	44,319
Cohesion Tech.	CSON	8/9/99	WEBSTER, DEBORAH L.	VP	Sell	2,400	16,478
Cohesion Tech.	CSON	8/18/99	DANIELS, JOHN R. M.D.	CB	Buy	31,800	241,527
Columbia/HCA	COL	8/3/99	FRIST, THOMAS F. JR MD	CB	Buy	1,177,800	6,160,954
Columbia/HCA	COL	8/5/99	ANDERSON, DAVID G.	SR VP	Sell (I)	500	423
Columbia/HCA	COL	8/25/99	ANDERSON, DAVID G.	SR VP	Sell	1,005	20,671
DuPont	DD	8/7/99	SHARP, H. RODNEY III	DIR	Sell (P)	3,331	366,437
DuPont	DD	8/7/99	DUNHAM, ARCHIE W.	DIR	Sell (P)	13,748	92,068
General Motors	GM	8/30/99	GRIMALDI, MICHAEL A.	VP	Sell	6,115	6,516
Genzyme General	GENZ	8/2/99	SMITH, ALAN E.	SR VP	Sell	10,000	370
Genzyme General	GENZ	8/23/99	TERMEER, HENRI A.	CB	Sell	100,000	211,498
Genzyme General	GENZ	8/24/99	MOSCICKI, RICHARD A.	SR VP	Sell	13,410	6,332
Genzyme General	GENZ	8/24/99	VAN HEEK, G. JAN	EX VP	Sell (I)	8,600	2,108
Genzyme General	GENZ	9/2/99	COONEY, CHARLES L.	DIR	Sell	6,000	9,440
Hanover Direct	HNV	8/30/99	REGAN PARTNERS, L.P.	B/O	Buy	74,600	22,690,100
Hanover Direct	HNV	8/30/99	REGAN, BASIL P.	B/O	Buy (I)	74,600	38,916,150
HealthSouth	HRC	8/16/99	WATKINS, PHILLIP C.	DIR	Buy	5,000	139,254
HealthSouth	HRC	9/10/99	WATKINS, PHILLIP C.	DIR	Buy	9,000	148,254
HI/FN	HIFN	8/5/99	JOHNSON, ROBERT W.	DIR	Sell	10,000	437,850
HI/FN	HIFN	8/6/99	WALKER, WILLIAM R.	CFO	Sell	15,000	3,750
HI/FN	HIFN	8/10/99	HARRAH, ROBERT CHARLES	VP	Sell	170	-
HI/FN	HIFN	8/17/99	MONSOUR, ROBERT	VP	Sell (I)	10,000	107,029
Host Marriott	HMT	8/31/99	MARRIOTT, J.WILLARD FDT		Buy	168,000	2,833,091
Husmann	HSM	8/16/99	SCHLEE, JOHN	SR VP	Sell	19,703	35,468
Husmann	HSM	8/17/99	HALPERN, BURTON	SEC	Sell	3,000	1,000
IMS Health	RX	8/19/99	KAMERSCHEN, ROBERT J.	DIR	Buy	2,575	29,884
Intimate Brands	IBI	8/12/99	FIELDS, CYNTHIA	OFF	Sell	36,000	298,389
LandAir Services	LAND	8/14/99	ROBERTS, RICHARD H.	DIR	Buy	300,000	316,317
LandAir Services	LAND	8/14/99	NISWONGER, SCOTT M.	CB	Sell	300,000	2,828,920
LifePoint	LPNT	8/6/99	LAPHAM, WILLIAM V.	DIR	Buy	1,300	
LifePoint	LPNT	8/31/99	LAPHAM, WILLIAM V.	DIR	Buy (I)	350	1,650
LifePoint	LPNT	8/31/99	LAPHAM, WILLIAM V.	DIR	Buy (I)	350	1,650
Marriott International	MAR	8/13/99	MARRIOTT, RICHARD E.	DIR	Sell (I)	60,000	10,349,830
MediTrust	MT	8/25/99	TAYLOR, THOMAS M.	DIR	Buy (I)	246,700	5,398,378
MediTrust	MT	8/25/99	BROOKE, EDWARD W.	DIR	Buy	5,000	106,867
MediTrust	MT	8/26/99	BENSON, DAVID F.	PR	Buy (I)	4,000	4,120
MediTrust	MT	8/26/99	BYRNES, WILLIAM G.	DIR	Buy	20,000	120,182
MediTrust	MT	8/26/99	CONN, JAMES P.	DIR	Buy	10,000	27,422
MediTrust	MT	8/26/99	GERBER, LAURIE T.	CFO	Buy	1,000	55,634
MediTrust	MT	8/26/99	MCCALMONT, WILLIAM S.		Buy	5,000	60,000
MediTrust	MT	8/26/99	BAKER, WILLIAM C.	DIR	Buy	40,000	101,400
MediTrust	MT	8/26/99	BUSHEE, MICHAEL F.	COO	Buy (I)	1,500	1,500
MediTrust	MT	8/27/99	CUSHMAN, JOHN C. III	DIR	Buy (I)	20,000	245,421

(I) Indicates indirect trade.

Insider Trading

Company	Symbol	Date	Filer's Name	Title / Status	Buy / Sell	Shares traded	Shares Held
Meritor Automotive	MRA	8/5/99	DE LA RIVA, JUAN L.	SR VP	Buy	2,000	21,677
Odetics	ODETA	8/24/99	DALY, KEVIN C.	DIR	Sell (I)	35,400	22,494
Odetics	ODETA	8/25/99	SLUTZKY, JOEL	CB	Buy	22,500	530,063
Olin Corp.	OLN	8/13/99	JACKSON, JOHNNIE M.JR	VP	Buy (I)	1,500	15,545
Pepsi	PEP	8/6/99	REINEMUND, STEVEN S.	CB	Sell	197,106	4,262
Pomeroy Computers	PMRY	8/16/99	POMEROY, DAVID B.	CEO	Sell	5,000	2,240,050
Priority Healthcare	PPCO	8/19/99	HAMACHEK, TOD R.	CB	Buy	7,000	465,000
Rockwell	ROK	8/16/99	WASHINGTON, EARL S.	SR VP	Sell	43,236	18,469
RSL Comm.	RSLC	8/4/99	SHASSIAN, DONALD R.	EX VP	Buy	3,000	18,000
RSL Comm.	RSLC	8/5/99	LANGHAMMER, FRED H.	DIR	Buy	5,000	29,562
Schlumberger	SLB	8/6/99	BISMUTH, PIERRE E.	VP	Sell	20,300	30,808
Seagate Tech.	SEG	8/4/99	WILKENING, LAUREL L.	DIR	Sell	25,485	11,400
Seagate Tech.	SEG	8/4/99	HAUGHTON, KENNETH E.	DIR	Sell	20,000	
Seagate Tech.	SEG	8/13/99	FILLER, GARY B.	CO CB	Sell	32,510	-
Seagate Tech.	SEG	8/20/99	MULVANEY, THOMAS F.	SR VP	Sell	10,770	71,966
Seagate Tech.	SEG	8/25/99	PORTER, TOWNSEND H. JR	EX VP	Sell	13,167	87,321
Solutia	SOI	8/4/99	MULCAHY, J. PATRICK	DIR	Buy	1,000	1,000
Staples	SPLS	8/31/99	ELLINGER, DEBORAH	SR VP	Buy (I)	4,000	4,000
Symantec	SYMC	8/11/99	CALISI, CHRISTOPHER	OFF	Sell	46,924	-
The Sabre Group	TSG	8/4/99	DURHAM, MICHAEL J.	PR	Sell	31,320	57
The Sabre Group	TSG	8/18/99	JACKSON, JEFFERY M.	EX VP	Sell	10,400	-
Torchmark	TMK	8/17/99	BOREN, DAVID L.	DIR	Sell	800	1,980
Tricon Global	YUM	8/4/99	KOHL, SIDNEY	DIR	Buy	5,000	41,790
Tricon Global	YUM	8/6/99	DANIEL, D. RONALD	DIR	Buy	1,000	5,790
Tricon Global	YUM	8/9/99	DIMON, JAMES	DIR	Buy	50,000	202,312
Tricon Global	YUM	8/9/99	WEINBERG, JOHN L.	DIR	Buy	6,800	66,590
Tricon Global	YUM	8/10/99	KOHL, SIDNEY	DIR	Buy (I)	5,000	21,000
Tricon Global	YUM	8/11/99	NOVAK, DAVID C.	VCB	Buy	2,750	9,935
United Wisconsin	UWZ	8/24/99	HEFTY, THOMAS R.	CB	Buy	1,500	22,833
United Wisconsin	UWZ	8/30/99	SIEWERT, PENNY J.	VP	Buy	200	3,298
Unova	UNA	8/9/99	BRADY, LARRY D.	PR	Buy	29,000	138,585
Varian Medical	VAR	8/10/99	I.G. INV MGT LTD.	B/O	Buy (I)	96,600	
Varian Semiconductor	VSEA	8/4/99	MACNAUGHTON, ANGUS A.	DIR	Buy	5,000	25,000
Vlasic	VL	8/12/99	O'MALLEY, SHAUN F.	DIR	Sell (I)	30	-
VoiceStream	VSTR	8/4/99	BENDER, ALAN R.	EX VP	Sell	46,500	63,297
VoiceStream	VSTR	8/12/99	DOTSON, ROBERT P.	SR VP	Sell	5,000	-
Western Wireless	WWCA	8/11/99	THOMSEN, MIKAL J.	COO	Sell	5,000	25,000
Western Wireless	WWCA	8/12/99	BENDER, ALAN R.	EX VP	Sell	38,500	42,570
Western Wireless	WWCA	8/13/99	STAPLETON, ROBERT R.	XOFF	Sell	40,000	59,570

(I) Indicates indirect trade.

Implied Value of Stubs

Parent Company	Symbol	Price	Carve-Out / Holding	Symbol	Price	Ratio (1)	Embedded Value (2)	Residual Stub Value (3)	Parent P/E (4)	Residual P/E (5)
Adelphia Comm.	ADLAC	\$ 58.81	Hyperion Telecom	HYPT	\$ 24.81	0.897	\$ 22.24	\$ 36.57		
Alpine Group	AGI	\$ 12.94	Superior Telecom	SUT	\$ 13.94	0.634	\$ 8.84	\$ 4.10	9.95	(6.7)
AMR Corp.	AMR	\$ 54.50	Sabre Group	TSG	\$ 43.00	0.676	\$ 29.05	\$ 25.45	9.73	6.0
ARC International	ATV	\$ 1.44	Ballantyne of Omaha Cabletel Communications	BTN TTV	\$ 5.63 \$ 3.50	0.204	\$ 1.15 \$ 0.81	\$ 0.29 \$ 0.63		
							\$ 1.96	(0.52)		
Ascent Entertainment Group	GOAL	\$ 13.75	On Command	ONCO	\$ 19.00	0.578	\$ 10.98	\$ 2.77		
Banco Santander Spain	STD	\$ 10.31	Banco Santander Puerto Rico	SBP	\$ 17.00	0.032	\$ 0.55	\$ 9.76	10.42	10.51
Barnes and Noble	BKS	\$ 26.00	Barnesandnoble.com	BNBN	\$ 19.31	0.849	\$ 16.39	\$ 9.61	23.01	8.5
Boise Cascade	BCC	\$ 36.44	Boise Office products	BOP	\$ 10.88	0.946	\$ 10.29	\$ 26.15	33.13	378.7
Bowne	BNE	\$ -	Edgar Online	EDGR	\$ 7.44	0.040	\$ 0.29	(0.29)	-	(0.3)
BrookTrout	BRKT	\$ 13.88	Interspeed	ISPD	\$ 17.63	0.593	\$ 10.45	\$ 3.42		
CBS	CBS	\$ 46.25	Infinity Broadcasting MarketWatch.com Medscape Sportsline USA	INF MKTW MSCP SPLN	\$ 29.31 \$ 47.25 \$ 10.13 \$ 29.56	0.968 0.007 0.020 0.007	\$ 28.36 \$ 0.31 \$ 0.20 \$ 0.20	\$ 17.89 \$ 45.94 \$ 46.05 \$ 46.05	110.12	511.1
							\$ 29.06	\$ 17.19		
Cerner	CERN	\$ 15.25	CareInsite	CARI	\$ 50.63	0.387	\$ 19.60	(4.35)	33.89	(9.66)
Cohesion Technology	CSON	\$ 6.00	Boston Scientific Pharming N.V. Medarex Innovative Devices	BSX PHAR MEDX IDEA	\$ 24.75 \$ 8.50 \$ 7.13 \$ 7.88	0.119 0.100 0.033 0.100	\$ 2.95 \$ 0.85 \$ 0.24 \$ 0.79	\$ 3.05 \$ 5.15 \$ 5.76 \$ 5.21		
							\$ 4.82	\$ 1.18		
Cordant	CDD	\$ 30.44	Howmet International	HWM	\$ 14.00	2.308	\$ 32.32	(1.88)		
Delia's	DLIA	\$ 6.28	iTurf	TURF	\$ 10.50	0.660	\$ 6.93	(0.65)	20.94	(0.9)
Dixons PLC	DXNS.L	1,082	Freesserve	FRE.I	\$ 146.75	2.087	\$ 306	\$ 776		
Donaldson Lufkin & Jenrette	DLJ	\$ 39.56	DLJ Direct	DIR	\$ 15.25	0.622	\$ 9.49	\$ 30.07	12.06	9.0
Flowers Ind.	FLO	\$ 13.56	Keebler	KBL	\$ 29.88	0.464	\$ 13.85	(0.29)	11.30	(0.7)
Ford	F	\$ 50.25	Hertz	HRZ	\$ 44.00	0.077	\$ 3.37	\$ 46.88	9.02	8.8
GM	GM	\$ 62.94	Hughes	GMH	\$ 57.25	0.739	\$ 42.30	\$ 20.63	7.36	4.8
Hartford Financial Services	HIG	\$ 40.88	Hartford Life	HLI	\$ 49.25	0.406	\$ 20.01	\$ 20.87	10.45	8.01
IDT	IDTC	\$ 20.94	Net2Phone	NTOP	\$ 52.13	0.764	\$ 39.82	(18.88)		
IMS Health	RX	\$ 22.81	Cog Tech Solutions	CTSH	\$ 31.63	0.022	\$ 0.71	\$ 22.11		-
Intermedia	ICIX	\$ 21.75	Digex	DIGX	\$ 23.69	0.868	\$ 20.56	\$ 1.19		
IPC Communications	IPI	\$ 61.50	Ixnet	exnt	\$ 15.13	5.321	\$ 80.48	(18.98)		
Kansas City Southern	KSU	\$ 46.50	DST Systems	DST	\$ 56.88	0.234	\$ 13.32	\$ 33.18		
Kushner-Locke	KLOC	\$ 5.00	USSearch.com	SRCH	\$ 9.81	0.751	\$ 7.36	(2.36)		
Limited	LTD	\$ 38.25	Intimate Brands	IBI	\$ 38.94	0.922	\$ 35.88	\$ 2.37	21.98	-
Loews	LTR	\$ 70.19	Diamond Offshore Drilling CNA Insurance	DO CNA	\$ 33.38 \$ 35.00	0.626 1.415	\$ 20.88 \$ 49.51	\$ 49.31 \$ 20.68	10.48	(0.05)
							\$ 70.39	(0.20)		
Maxxam	MXM	\$ 51.38	Kaiser Aluminum	KLU	\$ 8.31	7.143	\$ 59.38	(8.00)		
National City	NCC	\$ 26.69	National Processing	NAP	\$ 9.00	0.142	\$ 1.27	\$ 25.41	5.83	5.63
News Corp	NWS	\$ 28.44	Fox Corp	FOX	\$ 21.06	0.541	\$ 11.40	\$ 17.03	28.72	21.0
Osicom	FIBR	\$ 9.38	NetSilicon	NSIL	\$ 12.75	0.877	\$ 11.18	(1.80)		
Ocwen Financial	OCN	\$ 6.69	Ocwen Asset Investment	OAC	\$ 4.31	0.031	\$ 0.13	\$ 6.55	5.18	
PepsiCo	PEP	\$ 30.50	Pepsi Bottling Group	PBG	\$ 17.06	0.037	\$ 0.63	\$ 29.87	25.42	25.2
PICO Holdings	PICO	\$ 21.44	Hyperfeed Technologies	HYPR	\$ 8.06	0.485	\$ 3.91	\$ 17.53		
Pitway cI.A.B	PRY	\$ 28.25	Cylink	CYLK	\$ 7.25	0.205	\$ 1.49	\$ 26.76	17.12	1.7
Ralston Purina	RAL	\$ 27.88	DuPont Interstate Bakeries Conoco	DD IBC COC	\$ 60.50 \$ 23.00 \$ 27.38	0.063 0.094 0.023	\$ 3.81 \$ 2.17 \$ 0.64	\$ 24.06 \$ 25.70 \$ 27.24	16.89	14.6
							\$ 6.62	\$ 21.25		
Nabisco Group Holdings	NGH	\$ 15.00	Nabisco	NA	\$ 34.56	0.655	\$ 22.62	(7.62)		
Seagate Technology	SEG	\$ 30.63	Veritas Software SanDisk Gadzoox Networks	VRTS SNDK ZOOX	\$ 75.94 \$ 65.19 \$ 53.88	0.310 0.028 0.018	\$ 23.58 \$ 1.80 \$ 0.97	\$ 7.05 \$ 28.83 \$ 29.66		
							\$ 26.34	\$ 4.28		
ShopKo	SKO	\$ 29.00	Provantage Health	PHS	\$ 10.31	0.477	\$ 4.92	\$ 24.08	10.90	
Silicon Graphics	SGI	\$ 10.94	Mips Technology	MIPS	\$ 31.81	0.168	\$ 5.34	\$ 5.60		
Medical Manager (new)	MMGR	\$ 49.75	CareInsite	CARI	\$ 50.63	1.444	\$ 73.08	(23.33)		
Synovus	SNV	\$ 18.69	Total Systems	TSS	\$ 16.25	0.580	\$ 9.43	\$ 9.26	23.36	15.4
Toronto-Dominion	TD	\$ 19.50	TD Waterhouse Group Knight-Trimark	TWE NITE	\$ 12.94 \$ 29.63	1.088 0.030	\$ 14.07 \$ 0.90	\$ 5.43 \$ 18.60		
							\$ 14.97	\$ 4.53		
Telephone & Data Systems	TDS	\$ 88.81	U.S. Cellular Aerial Communications Vodafone	USM AERL VOD	\$ 68.00 \$ 26.00 \$ 237.75	1.155 0.964 0.042	\$ 78.57 \$ 25.07 \$ 9.87	\$ 10.24 \$ 63.75 \$ 78.95	(493.40)	(10.8)
							\$ 113.51	(24.69)		
Time Warner	TWX	\$ 60.75	Time Warner Telecom	TWTC	\$ 20.88	0.046	\$ 0.96	\$ 59.79	173.57	151.9

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

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

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

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

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

Spin-Off Calendar by Date

Parent	Listed			Listed		Date Announced	Spin-Off Date	Report Date	Tax	
	Symbol	Options	Spin-Off	Symbol	Options				Exempt	Ratio
CBS / Data Broadcasting	DBCC	Y	Marketwatch.com	MKTW		10/13/98	01/19/99	January	Y	CO
Olin	OLN	Y	Arch Chemicals	ARJ		7/30/98	02/09/99	February		1:2
Pulitzer Publishing	PTZ	N	Pulitzer Inc.	PTZ		5/26/98	03/22/99	March	Y	1:1
PepsiCO	PEP	Y	Pepsi Bottling Group	PBG	Y	7/28/98	03/31/99	April		CO
Varian Associates	VAR	Y	Varian Inc.	VARI	Y	8/21/98	04/50/99	March	Y	1:1
			Varian Semiconductor	VSEA	Y	8/21/98	04/05/99	March	Y	1:1
Investment Technologies Group	ITGI	N	Jefferies Group	JEF	Y	3/18/98	04/28/99	April	Y	1:1
dElia*s	DLIA	N	iTurf	TURF			04/09/99			CO
Columbia/HCA	COL	Y	LifePoint Hospitals	LPNT		7/29/98	05/11/99	May	Y	1:19
			Triad Hospitals	TRIH		7/29/98	05/11/99	May	Y	1:19
Western Wireless	WWCA	Y	Voicestream Wireless Corp.	VSTR		10/27/98	05/03/99	May	Y	1:1
General Motors	GM	Y	Delphi Unit	DPH	Y	8/3/98	05/28/99	May	Y	.7:1
Creative Computers	MALL	N	uBid	UBID		07/06/98	06/08/99	June	Y	.7:1
Wyndham International	PAH		Interstate Hotels	IHCO			06/18/99	June	N	1:30
Enron	ENE	Y	Azurix	AZX		03/16/99	06/10/99	June		CO
Nabisco Group Holdings	NGH	Y	RJ Reynolds	RJR		03/09/99	06/15/99	June	Y	1:3
Synetic	SNTC	Y	CareInsite	CARI		03/26/99	06/16/99	July		CO
Toronto-Dominion	TD	Y	TD Waterhouse Group	TWE	Y	04/30/99	6/23/99	July		CO
Kushner-Locke	KLOC	Y	USSearch.com	SRCH		04/12/99	6/25/99	July		CO
Genzyme General	GENZ	Y	Genzyme Surgical	GZSP		05/27/99	06/28/99	July		TR
IMS Health	RX	Y	Gartner Group	IT	Y	11/12/98	07/26/99	July	Y	1:7.7
ShopKo	SKO	Y	ProVantage Health Services	PHS		02/04/99	07/14/99	August		CO
Roche Holdings AG	RO.SW		Genentech	DNA		06/02/99	07/20/99	August		CO
IDT	IDTC	Y	Net2Phone	NTOP		05/14/99	07/29/99	August		CO
Quantum	QNTM	Y	Hard Disk Drive	HDD		03/01/99	08/03/99	July-U		.5:1
			DLT & Storage Systems	DSS		03/01/99	08/03/99	July-U		1:1
DuPont	DD	Y	Conoco	COC	Y	05/11/98	08/09/99	August	Y	1:2.95
Viacom	VIA.B	Y	Blockbuster Entertainment	BBI	Y	05/06/99	08/12/99	September	Y	CO
Limited	LTD	Y	Limited Too	TOO		05/03/99	08/24/99	September	Y	1:7
Lynch Corp.	LGL		Lynch Interactive	LIC		04/09/99	09/01/99	September	Y	1:1
Hyperfeed Technologies	PQT	Y	PCQuote.com	PCQT		04/26/99	Sept-99	September		CO
Snyder Communications	SNC	Y	Ventiv Health	VTIV		06/23/99	09/28/99	September	Y	1:3
Action Performance	ACTN		Goracing.com	GRCN		07/06/99	October	September		CO
BrookTrout Inc.	BRKT	Y	Interspeed Inc.	ISPD		06/18/99	09/24/99	Featured		CO
Perfumania	PRFM	N	Perfumania.com	PF		04/20/99	09/29/99	September		CO
Williams Co.	WMB	Y	Williams Communications	WCG		11/20/98	10/01/99	Featured		CO
Gencorp	GY	Y	Omnova Solutions	OMN		12/17/98	10/01/99	Featured	Y	1:1
HRPT Properties	HRP	Y	Senior Living	SNH		12/24/98	10/12/99	September	N	1:10
Watts Industries	WTS	Y	CIRCOR International	CIR		12/15/98	10/18/99	Featured	Y	1:2
Snyder Communications	SNC	Y	circle.com	CRCM		05/12/99	October	September		TR .25:1
Navarre	NAVR	Y	Net Radio	NETR	N	03/03/99	Oct-99	April		CO
Harris Corp.	HRS	Y	Lanier Worldwide	LN		04/14/99	Nov-99	August-U		1:1
Comdisco	CDO	Y	Prism – High Speed Data Line			06/17/99	Nov-99	July		CO
US Industries	USI	Y	Strategic Industries			05/18/99	Nov-99	June	P	1:10
Harcourt General	H	Y	Neiman Marcus	NMG		05/17/99	Nov-99	May	Y	3:10
Tenneco	TEN	Y	Tenneco Packaging			07/21/98	Nov-99	May	Y	1:1
Allegheny Teledyne	ALT	Y	Teledyne Technologies	TDY		01/19/99	Nov / Dec	February	Y	1:7
			Water Pik Technologies	PIK						Y
Kansas City Southern Ind.	KSU	Y	Stilwell Financial	SV		02/03/98	Nov / Dec	April	Y	2:1
Ogden Corp.	OG	Y	Aviation Entertainment			03/11/99	CXL	April		CO
Telephone & Data Systems	TDS	Y	Aerial Communications	AERL	Y	12/21/98	Acquired	October-U		CO
JC Penney	JCP	Y	Eckerd Drug Chain			05/18/99	4th qtr	June		CO-TR

Spin-Off Calendar by Date

Parent	Symbol	Listed		Spin-Off	Listed		Date Announced	Spin-Off Date	Report Date	Tax	
		Options			Symbol	Options				Exempt	Ratio
LSB Industries	LSB	N		Automotive Business			08/05/98	1999	September-98	P	SP
Odetics	ODETA	N		Intelligent Transportation Unit			05/04/98	1999	April		CO
Meditrust	MT	Y		Health Care Financing Business			11/12/98	1999	December-98	P	SP
Pomeroy Computers	PMRY	Y		Pomeroy Select	PSIS		01/15/99	1999	February		CO
Delta Woodside	DLW	Y		Apparel Division			02/09/99	1999	March	N	SP
Silicon Graphics	SGI	Y		Mips Technology	MIPS	N	02/26/99	1999/2000	March		CO
Hewlett-Packard	HWP	Y		Agilent Technologies			03/02/99	1999	April		SP
Century Business	CBIZ	Y		Insurance			04/06/99	1999	May		
Oak Industries	OAK	Y		Lasertron			04/21/99	1999	May		CO
CarrAmerica Realty	CRE	Y		HQ Global Workplaces			05/07/99	1999	June		CO
AutoNation	AN	Y		Autonation.com			05/25/99	1999	June		CO/TR
				Rental Car Units			08/02/99	Jan-00	September	Y	1:6
ACX Technologies	ACX	Y		Coors Ceramics			06/15/99	1999	July	P	SP
HealthSouth	HRC	Y		HealthSouth Hospitals			06/14/99	CXL	July		SP
Ralston Purina	RAL	Y		Eveready			06/10/99	1999	July	P	SP
Symantec	SYMC	Y		Internet Software			06/10/99	1999	July		CO
Crane	CR	Y		Huttig			06/21/99	1999	July	P	SP
Tektronix	TEK	Y		Color Printing and Imaging			06/24/99	SOLD	July	P	CO/SP
Miller Industries	MLR	Y		RoadOne			05/13/99	2000	June	P	SP
US Bancorp	UBAN	N		Three Rivers Bancorp			07/12/99	1999	August	P	SP
Weatherford	WFT	Y		Grant Prideco Drilling			07/21/99	1999	August	P	SP
Schlumberger	SLB	Y		Sedco Forex (Merger)	RIG		07/12/99	December	August		SP
Baxter Int.	BAX	Y		Cardiovascular Unit			07/12/99	2000	August	P	SP
Interpool	IPX	N		Microtech and Poolstat			08/09/99		Featured		SP
Nordstrom	JWN	N		Internet Unit			08/26/99		Featured		CO
Olsten Corp.	OLS	Y		Health Services			08/18/99	December	Featured		SP
3Com	COMS	Y		Palm Pilot			09/14/99		Featured		CO/SP
Staples	SPLS	Y		Staples.Com			09/15/99		Featured		TR
Sylvan Learning	SLVN			Prometric Testing			09/24/99		Featured		CO
Technology Solutions	TSCC	Y		eLoyalty			03/31/99	1st qtr 2000	August	P	SP
Great Lakes Chemical	GLK			OSCA			09/20/99	1st qtr 2000	Featured		CO

Foreign Spin-Off Calendar by Date

Parent	Symbol	Spin-Off	Symbol	Date Announced	Spin-Off Date	Report Date	Tax	
							Exempt	Ratio
CommerzBank	CBK.F, CRBZY.N	Com-Direct		6/10/99	1999	July		CO
VEBA AG	VEB.F, VEB.N	Stinnes	SNS.F		06/23/99	August		CO
Dixons Group PLC	DXNS.L	Freeserve	FRE.L FREE	06/07/99	07/06/99	August		CO
Shaw Communications	SJR.A, SJR.TO	Corus Entertainment	CJR	06/10/99	09/01/99	September	Y	1:3
Siemens	SIEG.F	Infineon			Oct / Nov	August		CO
Hoechst AG	HFAG.F, HOE.N	Celanese Chemicals	CZ, CZZ	12/01/98	Nov-99	July	Y	SP
Banca Popolare Brescia	BPB.IM	Fin-Eco Online		06/18/99	1999	July		CO
Magna International	MGA.N, MG.TO	Non-Automotive		05/25/99	1999	June		SP
Mannesmann AG	MNNSY	Telecommunications		09/23/99		Featured		SP
Telefonica S.A.	TEF.N, TDESF.MA	Internet Division		08/25/99	1999	September		CO
Scottish Power	SPL.N	Telecommunications		09/17/99		Featured		CO

Spin-off Statistics

Spin-Off Name	Symbol	Parent	Symbol	Spin-Off Date	Spin-Off Price	CLOSING	Spin-Off	S+P 500
						PRICE 09/30/99	% Change	% Change
A.C. Nielson	ART	Dun and Bradstreet	DNB	11/13/96	18 12/16	22 11/16	21%	75%
Agribands	AGX	Ralston Purina	RAL	4/1/98	35 14/16	49 10/16	38%	16%
Arch Chemical	ARJ	Olin	OLN	2/9/99	18 7/8	16.1875	-14%	5%
Chicago Title Corp.	CTZ	Alleghany	Y	6/18/98	46 12/16	39 15/16	-15%	16%
Choice Hotel International	CHH	Manor Care, Inc.	MNR	11/4/96	15 2/16	17 2/16	13%	81%
ChoicePoint	CPS	Equifax, Inc.	EFX	8/7/97	35 12/16	67 6/16	88%	35%
Cognizant Technology Solutions	CTSH	IMH Health	RX	6/19/98	10	31 10/16	216%	17%
Cohesion Technologies	CSON	Collagen Aesthetics	CGEN	8/19/98	5	6	20%	17%
Commscope	CTV	General Instrument	GIC	7/28/97	15 12/16	32 8/16	106%	37%
Conexant	CNXT	Rockwell International	ROK	1/4/99	18 7/8	72.65625	286%	4%
Convergys	CVG	Cincinnati Bell	CSN	8/12/98	16 10/16	19 13/16	19%	19%
Corn Products International	CPO	Best Foods (CPC Intl.)	BFO	1/2/98	30	30 7/16	1%	32%
Covance	CVD	Corning Inc.	GLW	1/14/97	19 12/16	9 11/16	-51%	73%
Delphi Automotive	DPH	General Motors	GM	2/5/99	18 8/16	16 1/16	-13%	3%
Earthgrains	EGR	Anheuser-Busch	BUD	3/26/96	7 10/16	22 2/16	190%	98%
Fox Entertainment	FOX	News Corp	NWS	11/11/98	24 4/8	21 1/16	-14%	14%
Hi/fn	HIFN	Stac	STAC	12/17/98	20 8/16	110 4/16	438%	9%
Highland Insurance Services	HIC	Halliburton Co.	HAL	1/24/96	21 2/16	9 4/16	-56%	66%
Hussman Corp.	HSM	Whitman Corp.	WH	2/2/98	13 10/16	17	25%	31%
Imation	IMN	Minnesota Mining	MMM	7/16/96	23 14/16	31	30%	102%
IMS Health	RX	Nielsen Media research	NMR	7/1/98	31 8/16	22 13/16	-28%	12%
Infinity Broadcasting	INF	CBS	CBS	12/10/98	23 2/16	29 5/16	27%	10%
Keebler Foods	KBL	Flowers	FLO	1/29/98	26 13/16	29 14/16	11%	30%
Land Air Corporation	LAND	Forward Air	FWRD	9/24/98	6	5 15/16	-1%	23%
Leap Wireless	LWIN	Qualcomm	QCOM	9/24/98	8	23 8/16	194%	23%
LNR Properties	LNR	Lennar Corp.	LEN	11/3/97	25 3/16	20 6/16	-19%	41%
Lucent Technologies	LU	AT&T	T	4/3/96	7 10/16	64 14/16	754%	87%
Meritor Automotive	MRA	Rockwell International	ROK	10/1/97	23 14/16	20 14/16	-13%	43%
Midas	MDS	Whitman Corp.	WH	2/2/98	16 1/16	20 10/16	28%	31%
Midway Games	MWY	WMS Industries	WMS	10/30/96	20	15 12/16	-21%	83%
NCR	NCR	AT&T	T	1/2/97	33 12/16	33 1/16	-2%	74%
Newport News Shipbuilding	NNS	Tenneco	TEN	12/12/96	17	32 5/16	90%	76%
Octel	OTL	Great Lakes Chemical	GLK	5/26/98	22 12/16	11 4/16	-51%	17%
Park Place Entertainment	PPE	Hilton Hotels	HLT	1/4/99	7 8/16	12 8/16	67%	4%
Pennzoil-Quaker State	PZL	PennzEnergy	PZE	12/31/98	15 2/16	12 10/16	-17%	4%
Penton Media	PME	Pittway	PRY	8/10/98	16 12/16	16 4/16	-3%	18%
Primex Technologies	PRMX	Olin	OLN	1/7/97	16 12/16	19 12/16	18%	73%
Quest Diagnostics	DGX	Corning Inc.	GLW	1/14/97	17 12/16	26	46%	73%
RCN Corp.	RCNC	C-Tec Corporation	CTEX	10/1/97	15 14/16	41	158%	35%
RH Donnelley	RHD	Dun and Bradstreet	DNB	7/1/98	15 10/16	18 10/16	19%	12%
Solutia	SOI	Monsanto	MTC	9/3/97	19 3/16	17 14/16	-7%	43%
Sonosight	SONO	ATL Ultrasound	ATLI	4/7/98	13 6/16	26 2/16	95%	16%
Tricon Global Restaurants	YUM	Pepsi Corp.	PEP	10/7/97	31 2/16	40 15/16	32%	33%
uBid	UBID	Creative Computers	MALL	12/4/98	48	26 6/16	-45%	9%
United Wisconsin	UWZ	American Medical Group	AMZ	9/28/98	7 3/16	6 4/16	-13%	22%
Unova	UNA	Western Atlas	WAI	11/3/97	18 6/16	13 6/16	-27%	42%
Vlassic	VL	Campbell Soup	CPB	3/30/98	25 12/16	6 15/16	-73%	17%
Workflow Management	WORK	US Office	OFIS	6/10/98	9	13	44%	15%

Parent Statistics

Parent Name	Symbol	Spin-Off	Symbol	Spin-Off Date	Spin-Off Price	CLOSING	Spin-Off % Change	S + P 500 % Change
						PRICE 09/30/99		
Alleghany	Y	Chicago Title & Trust	CZT	6/17/98	225	177.00	-21%	16%
AMR Corporation	AMR	Sabre Reservations System	TSG	10/10/96	82 5/8	54.50	-34%	85%
Anheuser-Busch	BUD	Earthgrains	EGR	3/27/96	17	70.06	315%	98%
Barnes & Noble	BKS	barnesandnoble.com	BNBN	5/25/99	28 6/16	26.00	-8%	0%
Baxter International	BAX	Allegiance	AEH	10/1/96	43	60.25	40%	86%
BEI Electronics	BMED	BEI Technologies	BEIQ	10/8/97	4 3/8	1.56	-64%	32%
Best Foods	BFO	Corn Products International	CPO	12/31/97	50 1/4	48.56	-3%	32%
Campbell Soup	CPB	Vlasic Foods International	VL	3/30/98	56 12/16	39.13	-31%	17%
CBS	CBS	Infinity Broadcasting	INF	12/10/98	30 4/16	46.25	53%	10%
Choice Hotels International	CHH	Sunburst	SNB	10/16/97	17 3/8	17.13	-1%	34%
Columbia/HCA	COL	LifePoint Hospitals	LPNT	5/11/99	25 12/16	21.19	-18%	-5%
Columbia/HCA	COL	Triad Hospitals	TRIH	5/11/99	25 12/16	21.19	-18%	-5%
Comercial Intertech	TEC	Cuno	CUNO	9/11/96	11	12.06	10%	92%
Cooper Industries	CBE	Cooper Cameron	RON	7/5/95	40 3/8	46.75	16%	134%
Corning Inc.	GLW	Covance	CVD	12/31/96	45 3/8	68.56	51%	73%
Corning Inc.	GLW	Quest Diagnostics	DGX	12/31/96	45 3/8	68.56	51%	73%
Creative Computers	MALL	uBid	UBID	6/8/99	8 11/16	6.38	-27%	9%
CVS (Melville Corp.)	CVS	Footstar	FTS	10/16/96	38 1/4	40.81	7%	82%
dElia's	DLIA	iTurf	TURF	4/9/99	31 12/16	6.28	-80%	-5%
Dole Food Company	DOL	Castle & Cook, Inc.	CCS	1/4/95	20 6/8	19.00	-8%	179%
DuPont	DD	Cononco	COC	10/22/98	61 10/16	60.50	-2%	19%
Eaton Vance Corp.	EV	Investor Financial Services	IFIN	11/11/95	15 4/16	32.00	110%	116%
Florida Progress Corp.	FPC	Echelon International	EIN	12/18/96	32 1/2	46.25	43%	75%
Flowers	FLO	Keebler Foods	KBL	1/29/98	23 4/16	13.56	-42%	30%
Ford	F	Associates First Capital Corp.	AFS	4/7/98	44 8/16	50.25	13%	16%
Fortune Brands	FO	Gallaher Tobacco	GLH	6/2/97	31 5/8	32.25	2%	52%
Forward Air (Formerly Landair Services)	FWRD	Landair Corporation	LAND	8/27/98	11 1/16	23.63	114%	23%
General Mills	GIS	Darden Restaurants	DRI	6/1/95	51 5/8	81.13	57%	140%
General Motors	GM	Delphi Unit	DPH	5/28/99	69	62.94	-9%	3%
Great Lakes Chemical	GLK	Octel	OTL	5/22/98	42 1/16	38.63	-8%	17%
H&R Block	HRB	Compuserve	CSRV	4/19/96	37 3/8	43.44	16%	99%
Halliburton Co.	HAL	Highland Insurance Services	HIC	1/24/96	23 7/8	41.00	72%	66%
HomeBase (Waban)	HBI	BJ's Whole Sale Club	BJ	7/29/97	8 1/8	3.94	-52%	36%
Host Marriot Corp.	HMT	Host Marriot Services	HMS	2/2/96	11 5/8	9.50	-18%	101%
Lennar	LEN	LNR Properties	LNR	11/3/97	16 5/8	15.94	-4%	37%
Limited	LTN	Abercrombie & Fitch	ANF	9/26/96	19	38.25	101%	16%
May Department Stores	MAY	Payless ShoeSource	PSS	5/9/96	45 1/4	36.44	-19%	100%
Minnesota Mining	MMM	Imation	IMN	7/16/96	61 1/2	96.06	56%	102%
Monsanto	MTC	Solutia	SOI	9/1/97	45	35.69	-21%	43%
Murphy Oil	MUR	Deltic Timber	DEL	12/31/96	49 3/8	54.06	9%	73%
Nabisco Holdings Group	NGH	RJ Reynolds	RJR	6/15/99	21 9/16	15.00	-30%	-1%
Nielsen Media Research (formerly	NMR	IMS Health	RX	6/30/98	5 2/16	37.19	626%	12%
Odetics, Inc.	ODETA	ATL Products	ATLPA	10/31/97	7 3/16	10.50	46%	42%
Olin	OLN	Primex Technologies	PRMX	12/31/96	37 5/8	13.63	-64%	73%
Olin	OLN	Arch Chemicals	ARJ	2/9/99	15 7/16	13.63	-12%	5%
Penford Corp.	PENX	Penwest Pharmaceuticals	PPCO	9/1/98	13 4/16	13.63	3%	29%
Pepsi	PEP	Tricon Global Restraunts	YUM	10/8/97	38 6/8	30.50	-21%	30%
Premark International	PMI	Tupperware	TUP	5/31/96	16 1/4	50.50	211%	92%
Qualcomm	QCOM	Leap Wireless	LWIN	9/23/98	24 2/16	189.19	685%	23%
Ralston Purina	RAL	Agribands	AGX	4/1/98	34 2/16	27.88	-18%	16%
Rockwell	ROK	Meritor	MRA	10/1/97	55 3/8	52.50	-5%	34%
Tenneco	TEN	Newport News Shipbuilding	NNS	12/12/96	44	17.00	-61%	76%
Varian Associates	VAR	Varian Inc.	VARI	4/5/99	18 5/16	21.88	19%	-3%
Varian Associates	VAR	Varian Semiconductor	VSEA	4/5/99	18 5/16	21.88	19%	-3%
Western Wireless	WWCA	Voicestream Wireless Corp.	VSTR	5/3/99	23 14/16	44.84	88%	-5%
Whitman	WH	Midas / Hussmann	MDS/HSM	1/30/98	16 3/4	14.25	-14%	31%