SPIN-OFF Advisors, LLC

SPIN-OFF RESEARCH

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Table of Contents Page

The Spin-Off Class of 1999

1999 was the biggest year ever for corporate spinoffs. We have compiled the spinoff universe from last year to review the performance and to see what worked and what did not. The year ushered in 68 total spin-offs (including 26 pure spins, 30 carveouts, and 12 tracking stocks), worth more than $170 billion in capitalization. 1998, also a record, liberated 45 spin-offs worth about $150 billion. We expect this year will again be a record in number and volume. In the first six months of 2000, there were 75 spinoffs proposed.

One easily identifiable trend is the proliferation of partial spin-offs, or carveouts. The number more than doubled in 1999 from the 14 total partial IPOs observed in 1998. Carveouts, enable the parent companies to raise capital, enhance management focus, and highlight the subsidiary's embedded value, all while maintaining access to the spinoff's growth potential. Carveouts are often an intermediate step prior to a full tax-free spin-off. Carveouts provide unique advantages relative to other restructuring options. By creating an independent company with its own stock, a carveout enables analysts to follow a previously obscured business more accurately. This increased transparency can help boost coverage and attract new sponsorship. Often, the higher carveout valuation (relative to the parent) is reflected in the parent company's stock. When it is not, there is an opportunity to create the "stub" business cheaply synthetically, by purchasing shares in the parent and shorting the carveout in the appropriate ratio.

Tracking Stocks were all the rage in 1999. As the name suggests, companies create these stocks to track the fortunes of one or more of their subsidiaries. A total of 12 "trackers" were launched last year versus only 2 for 1998 (Sprint PCS and Genzyme Molecular). Unlike a spin-off—where a division is separated from the parent, goes public, and has complete autonomy financially and managerially from the parent company—tracking stocks represent shares that are still joined at the hip to the parent (there is no legal separation of the assets or liabilities). The parent and tracking stock operate under one management team and one board of directors, even though the tracker's finances are reported separately from the parent.

We view tracking stock as somewhat "flaky" securities. When you invest in trackers, you do not "own the thing that owns the thing". Tracking stocks have some advantages (to the issuer) over spin-offs. Issuing tracking stock is always a tax-free procedure. If either of the two units is losing money, the earnings from one could offset the losses of the other for tax purposes. Borrowing costs for the tracker are usually lower because if relies on its parent's higher credit rating. Overhead costs are lower than if the two businesses were separate. If synergies exist between the parent and the tracker, there are added benefits. Tracking stocks have inferior shareholder rights and the potential for serious conflict of interest issues, which we have delineated numerous times.

We find the **biggest drawback with tracking stocks is that they are immune from takeovers**. This was clearly illustrated to holders of DLJdirect's tracking shares. Recently, Credit Suisse (CSFB) announced that it is acquiring DLJ, which includes the DLJdirect online brokerage business. But, DLJdirect shares will remain a publicly traded tracking stock. The shares will continue to be 82% owned by CSFB/DLJ with remaining 18% or (18 million shares) publicly owned. Parent company, DLJ shot up 30% on the merger news, while the DLJdirect tracker languishes at $8 3/8, or 58% below the IPO price of $20 (May 1999). Further, the original terms of the IPO prospectus are still intact; for example, at the discretion of CSFB, DLJdirect shares may be redeemed or converted to CSFB stock at a minimum premium of 10%. The moral of the story is that we prefer to own the thing that owns the thing.

Class of 1999 – Alphabetically

	Tracking Name	Ticker	Spin-Off Type	Parent Name	Ticker	1st Day of Regular Trading	Spin-off Price 1st Close	CLOSING PRICE 09/07/00	Spin-off % Change	S&P % Change	Market Value (000) Initial	Market Value (000) 09/07/00
1	Celera Genomics	CRA	Tracking	Perkin-Elmer		5/6/99	10 10/16	104 1/4	882%	10%	605,625	5,945,813
2	Circle.Com	CIRC	Tracking	Snyder Comm.	SNC	10/29/99	12 12/16	3 3/4	-72%	8%	293,000	81,925
3	Disney Internet Group	DIG	Tracking	Disney	DIS	11/19/99	35 7/16	15	-58%	3%	1,900,000	672,960
4	DLJ Direct	DIR	Tracking	DLJ	DLJ	5/26/99	30	8 1/4	-73%	13%	3,081,000	847,275
5	DLT & Storage	DSS	Tracking	Quantum		8/3/99	19 2/16	15 2/4	-19%	11%	3,170,000	2,300,188
6	Genzyme Surgical	GZSP	Tracking	Genzyme General	GENZ	6/28/99	4 11/16	10	112%	10%	68,000	148,069
7	Genzyme Tissue Repair	GZTR	Tracking	Genzyme General	GENZ	2/16/99	3 2/16	5 2/4	74%	18%	70,000	156,056
8	Hard Disk Drive	HDD	Tracking	Quantum		8/3/99	6 12/16	9	33%	11%	534,600	712,800
9	Liberty Media	LMG.A	Tracking	AT&T	T	3/10/99	14	21 1/16	51%	14%	32,300,000	54,245,205
10	NBC Internet	NBCI	Tracking	General Electric	GE	11/30/99	76	9 3/4	-87%	6%	4,750,000	601,563
11	PE Bios Systems	PEB	Tracking	Perkin-Elmer		5/6/99	26 9/16	95	258%	10%	1,380,000	19,796,245
12	ZD Net	ZDZ	Tracking	Ziff-Davis	ZD	3/31/99	36	18 1/4	-50%	14%	2,540,000	1,364,813
											50,692,225	86,872,910

Total Change in Market Value >> 71%

	Spin-Off Name	Ticker	Spin-Off Type	Parent Name	Ticker	1st Day of Regular Trading	Spin-off Price 1st Close	CLOSING PRICE 09/07/00	Spin-off % Change	S&P % Change	Market Value (000) Initial	Market Value (000) 09/07/00
1	Arch Chemical	ARJ	Spin-Off	OLIN Corp.	OLN	2/9/99	18 13/16	19 3/16	2%	21%	432,688	424,044
2	Circor International	CIR	Spin-Off	Watts	WTS	10/19/99	10 6/16	9 12/16	-6%	16%	137,988	128,700
3	Conexant	CNXT	Spin-Off	Rockwell	ROK	1/4/99	9 3/8	37 6/16	297%	20%	1,787,188	8,514,025
4	Conoco	COC.b	Spin-Off	Dupont	DD	8/9/99	26 10/16	27 14/16	5%	13%	11,635,125	17,338,250
5	Delphi Automotive	DPH	CO/SP	General Motors	GM	2/5/99	18 7/16	16 5/16	-12%	19%	8,555,000	9,135,000
6	Gartner Group	IT	Spin-Off	IMS Health	RX	7/26/99	22	13 4/16	-40%	8%	2,290,200	1,137,168
7	Huttig	HBP	Spin-Off	Crane	CR	12/17/99	4	4 9/16	14%	3%	58,560	95,356
8	Interstate	IHCO	Spin-Off	Wyndham Int.		6/18/99	4 6/16	2 13/16	-36%	9%	24,500	17,772
9	Jefferies	JEF	Spin-Off	Investment Tech	ITG	4/28/99	23	29 12/16	29%	9%	549,700	725,900
10	Lanier Worldwide	LR	Spin-Off	Harris	HRS	11/8/99	2 13/16	1	-64%	7%	247,500	83,000
11	Lifepoint	LPNT	Spin-Off	Columbia/HCA	COL	5/12/99	13 4/16	29 8/16	123%	8%	397,500	923,350
12	Lynch Interactive	LIC	Spin-Off	Lynch	LGL	9/1/99	56	100	79%	10%	79,520	141,000
13	Nieman Marcus	NMG.A	Spin-Off	Harcourt General	H	10/25/99	22 4/16	34 8/16	55%	14%	1,090,250	1,635,300
14	Omnova Solutions	OMN	Spin-Off	Gencorp	GY	10/4/99	9 6/16	6	-36%	13%	70,322	237,600
15	Pactiv	PTV	Spin-Off	Tenneco	TEN	11/5/99	13 2/16	10 14/16	-17%	7%	2,205,000	1,765,991
16	Park Place Entertainment	PPE	Spin-Off	Hilton	HLT	1/4/99	7 4/8	14 10/16	95%	20%	2,265,000	4,390,864
17	Pulitzer	PTZ	Spin-Off	Pulitzer		3/22/99	42 6/16	41 12/16	-1%	13%	951,319	922,675
18	RJ Reynolds	RJR	Spin-Off	Nabisco Group	NGH	6/15/99	32 7/16	36 10/16	13%	13%	3,503,250	3,735,750
19	Teledyne Technologies	TDY	Spin-Off	Allegheny Tech.	ALT	12/1/99	9 10/16	23 2/16	140%	6%	269,500	714,563
20	Too, Inc.	TOO	Spin-Off	Limited	LTD	8/24/99	17	23 7/16	38%	8%	527,000	719,531
21	Triad	TRIH	Spin-Off	Columbia/HCA	COL	5/12/99	12 6/16	27 9/16	123%	8%	371,250	937,125
22	Varian Inc.	VARI	Spin-Off	Varian Medical	VAR	4/5/99	9 3/16	52 2/16	467%	11%	274,706	1,699,275
23	Varian Semiconductor	VSEA	Spin-Off	Varian Medical	VAR	4/5/99	11	53	382%	11%	328,900	1,696,000
24	Ventiv Health	VTIV	Spin-Off	Snyder Comm.	SNC	9/28/99	8 1/16	13 2/16	63%	15%	193,500	296,625
25	VoiceStream	VSTR	Spin-Off	Western Wireless	WWCA	5/3/99	20 8/16	116 3/16	467%	8%	1,619,500	24,864,125
26	Water Pik	PIK	Spin-Off	Allegheny Tech.	ALT	11/30/99	7 6/16	8 10/16	17%	6%	66,375	85,043
											39,931,341	82,364,031

Total Change in Market Value >> 106%

Class of 1999 – Alphabetically

	Spin-Off Name	Ticker	Spin-Off Type	Parent Name	Ticker	1st Day of Regular Trading	Spin-off Price 1st Close	CLOSING PRICE 09/07/00	Spin-off % Change	S&P % Change	Market Value (000) Initial	Market Value (000) 09/07/00
1	Agilent	A	Carve-Out	Hewlett-Packard	HWP	11/19/99	44	61 7/8	41%	3%	19,756,000	28,029,375
2	Azurix	AZX	Carve-Out	Enron	ENE	6/10/99	19 2/16	4 5/8	-76%	13%	1,912,500	534,725
3	BarnesandNoble.com	BNBN	Carve-Out	Barnes and Noble	BKS	5/25/99	22 15/16	4 6/8	-79%	14%	3,257,125	693,500
4	BlockBuster Ent.	BBI	Carve-Out	Viacom	VIA	8/11/99	15	9 6/8	-35%	13%	3,367,500	1,706,250
5	CareInsite	CARI	Carve-Out	Medical Manager	MMGR	6/16/99	30 15/16	23 1/8	-25%	10%	2,151,703	1,729,688
6	Delphi Automotive	DPH	CO/SP	General Motors	GM	2/5/99	18 7/16	16 3/8	-12%	19%	8,555,000	9,135,000
7	Deltathree.com	DDDC	Carve-Out	RSL Comm.	RSLC	11/23/99	29	6 5/8	-77%	5%	742,400	189,000
8	Digex	DIGX	Carve-Out	Intermedia	ICIX	7/30/99	22 5/16	72 7/8	227%	11%	1,338,750	4,627,563
9	Envision Development	EDV	Carve-Out	eCom Vantures	ECMV	9/29/99	6 12/16	12 3/8	82%	16%	49,950	108,264
10	Expedia.com	EXPE	Carve-Out	Microsoft	MSFT	11/10/99	53 7/16	16 1/8	-70%	7%	2,041,313	711,569
11	Genentech	DNA	Carve-Out	Roche	RO.SW	7/20/99	63 8/16	167 5/8	164%	7%	8,128,000	43,717,056
12	Interspeed	ISPD	Carve-Out	BrookTrout	BRKT	9/24/99	18 5/16	11 4/8	-37%	15%	225,244	126,500
13	iTurf	TURF	Carve-Out	dElia's	DLIA	4/9/99	57 7/16	1 6/8	-97%	9%	959,206	36,925
14	Ixnet	EXNT	Carve-Out	IPC Comm.	IPI	8/12/99	15	34	126%	13%	864,000	1,954,800
15	Marketwatch.com	MKTW	Carve-Out	CBS	CBS	1/19/99	93 6/16	11 7/8	-87%	17%	1,139,175	193,997
16	McAfee.com	MCAF	Carve-Out	Network Associates	NETA	12/2/99	44	22 7/8	-48%	4%	1,859,000	999,638
17	Net2Phone	NTOP	Carve-Out	IDT	IDTC	7/29/99	26 9/16	31 6/8	20%	10%	1,275,000	1,758,950
18	NetRadio	NETR	Carve-Out	Navarre	NAVR	10/15/99	10	1 6/8	-83%	14%	438,000	17,500
19	Netsilicon	NSIL	Carve-Out	Osicom	FIBR	9/15/99	12 6/16	24	94%	11%	163,969	326,400
20	Pepsi Bottling Group	PBG	Carve-Out	PepsiCo	PEP	3/31/99	29 11/16	29 6/8	0%	14%	2,567,188	4,364,063
21	PFSWeb	PFSW	Carve-Out	Daiseytek	DZTK	12/2/99	44 2/16	3 1/8	-93%	4%	767,775	54,819
22	ProVantage 6/14/00, Merck	PHS	Carve-Out	ShopKo	SKO	7/14/99	21 3/16	12 2/8	-42%	5%	378,197	218,663
23	Retek	RETK	Carve-Out	HNC Software	HNCS	11/18/99	32 9/16	41 3/8	27%	3%	1,465,313	1,944,625
24	TD Waterhouse Group	TWE	Carve-Out	Toronto-Dominion	TD	6/23/99	25 10/16	20 5/8	-20%	10%	9,353,125	7,833,375
25	Tibco Software	TIBX	Carve-Out	Reuters	RTRSY	7/14/99	32 3/8	102	215%	5%	1,954,187	19,359,600
26	Time Warner Telecom	TWTC	Carve-Out	TimeWarner	TWX	5/12/99	20 12/16	64 5/8	211%	8%	2,115,463	6,811,344
27	US Search.com	SRCH	Carve-Out	Kushner-Locke	KLOC	6/25/99	6 15/16	1 7/8	-73%	12%	75,411	33,003
28	Williams Communications	WCG	Carve-Out	Williams	WCG	10/1/99	28 1/16	28 3/8	1%	15%	12,908,750	13,157,488
29	XM Satelite Radio	XMSR	Carve-Out	Motient	MTNT	10/5/99	12	43 6/8	264%	11%	504,000	3,320,250
30	Xpedior	XPDR	Carve-Out	Metamor Worldwide	MMWW	12/16/99	26	6 2/8	-76%	4%	1,300,000	312,500
											91,613,244	154,006,426

Total Change in Market Value >> 68%

Trackers

If you just had to own a tracking stock, this was the one. The company is up nearly 4 fold since May of 99.

	Tracking Name	Ticker	Spin-Off Type	Parent Name	Ticker	1st Day of Regular Trading	Spin-off Price 1st Close	CLOSING PRICE 09/07/00	Spin-off % Change	S&P % Change	Market Value (000) Initial	Market Value (000) 09/07/00
1	Celera Genomics	CRA	Tracking	Perkin-Elmer		5/6/99	10 10/16	104 1/4	882%	10%	605,625	5,945,813
2	PE Bios Systems	PEB	Tracking	Perkin-Elmer		5/6/99	26 9/16	95	258%	10%	1,380,000	19,796,245
3	Genzyme Surgical	GZSP	Tracking	Genzyme General	GENZ	6/28/99	4 11/16	10	112%	10%	68,000	148,069
4	Genzyme Tissue Repair	GZTR	Tracking	Genzyme General	GENZ	2/16/99	3 2/16	5 2/4	74%	18%	70,000	156,056
5	Liberty Media	LMG.A	Tracking	AT&T	T	3/10/99	14	21 1/16	51%	14%	32,300,000	54,245,205
6	Hard Disk Drive	HDD	Tracking	Quantum		8/3/99	6 12/16	9	33%	11%	534,600	712,800
7	DLT & Storage	DSS	Tracking	Quantum		8/3/99	19 2/16	15 2/4	-19%	11%	3,170,000	2,300,188
8	ZD Net	ZDZ	Tracking	Ziff-Davis	ZD	3/31/99	36	18 1/4	-50%	14%	2,540,000	1,364,813
9	Disney Internet Group	DIG	Tracking	Disney	DIS	11/19/99	35 7/16	15	-58%	3%	1,900,000	672,960
10	Circle.Com	CIRC	Tracking	Snyder Comm.	SNC	10/29/99	12 12/16	3 3/4	-72%	8%	293,000	81,925
11	DLJ Direct	DIR	Tracking	DLJ	DLJ	5/26/99	30	8 1/4	-73%	13%	3,081,000	847,275
12	NBC Internet	NBCI	Tracking	General Electric	GE	11/30/99	76	9 3/4	-87%	6%	4,750,000	601,563
											50,692,225	86,872,910

Total Change in Market Value >> 71%

Celera Genomics announced it has completed mapping the human genome, ahead of the international consortium, Human Genome Project. A unit of PE Corporation (formerly Perkin-Elmer), the firm plans to continue exploring not just the human genome but also the genetic makeup of mice, fruit flies, rice, and other life forms. It will license access to its database (at $5 million to $15 million a year) to biotech and drug firms, research organizations, and other life sciences firms. Celera's typical big pharmaceutical subscriptions are worth roughly $5 million per year, excluding custom services, and carries a five year term, and provides Celera with downstream royalties on product sales in addition to subscription revenue. The company's academic deals are priced according to level of access—the fee is roughly $5,000 per year per laboratory—and typically generate $500,000 to $750,000 each in annual subscriptions income for Celera. The company's gene variance program is expected to uncover multiple medically relevant gene variants—gene variants (alleles) that either predispose or diagnose markers, or variants that are responsible for poor outcomes with a given drug or drug candidate and which could have potential diagnostic uses. Celera's protenomics effort, which is expected to start in about six months, is expected to identify both novel drug discovery targets (proteins) implicated in disease as well as potential antibody therapeutics.

PE Biosystems Group, also a unit of PE Corporation (formerly Perkin-Elmer) makes technology used by researchers in the life sciences. It consists of four operating units: Applied Biosystems (genetic analysis and Genomics); PerSeptive Biosystems (consumable products and instrument systems for purification, analysis, and synthesis of proteins and other molecules); PE Informatics (bioinformatic software for pharmaceutical, biotech, and agrochemical industries); and Tropix (chemiluminescent substrates and other products). One of PE Biosystems' largest customers is sister company Celera Genomics. The company recently reported FQ4 and FY00 (June) results. For the quarter, revenues were $392 million, a 21% increase year-on-year, 6% sequentially. For fiscal year 2000 (June), total revenues were $1.4 billion, a 24% increase year-over-year. Net income was $56.6 million, or $0.26 per share in the quarter, up 24% year over year. For FY2000, net income was $186.2 million, or $0.86 per share, in-line with consensus estimates. PE Biosystems is up 258% since being spun in May of 1999.

Trackers

Genzyme Surgical was created from Genzyme General in June of last year. The company develops and markets a variety of surgical products used primarily in cardiovascular, general, and minimally invasive surgery. Its products include the Sepra line; these products are used to prevent or minimize surgical adhesions. Genzyme Surgical is also developing various cellular therapies, including one to replace failing heart cells and to promote angiogenesis (development of new blood vessels) in heart tissue. Genzyme Surgical has appreciated some 112% since its debut.

Genzyme Tissue Repair develops products for treating and preventing serious tissue damage. GTR is also a separately traded tracking division of Genzyme Corporation. Its main product is Carticel, which is used to aid in the healing of articular knee cartilage. GTR's Epicel Service is used to culture skin grafts from a sample the size of a postage stamp of the patient's own skin, growing enough skin to cover a patient's entire body in four weeks. The company is also developing treatments for Parkinson's disease, multiple sclerosis, and Huntington's disease from the company's research on promoting tissue growth. GTR recently announced Q2 2000 financial results. Carticel sales, which represents 73% of total sales, were $4.6 million worldwide, an increase of 21% relative to the same period last year and 2% as versus last quarter. Epicel sales were $1.7 million, 31% higher than the past quarter. The net loss for the quarter was $4.0 million or $0.14 per share.

Genzyme Tissue Repair expects to merge with Genzyme Surgical Products and Biomatrix (BXM) to form Genzyme Biosurgery. The formation of this new entity will focus on biomaterials and biotherapeutic products for use in surgical and medical procedures with an emphasis on orthopedics and cardiothoracic surgery. The combined company is expected to have about $250 million in revenues. When formed, Genzyme Biosurgery will be a Genzyme tracking stock. They expect the merger to close during the fourth quarter of this year. Under the terms of the merger agreement, Genzyme Tissue Repair shareholders will hold approximately 27% representing 0.3352 shares of the new entity, Genzyme Biosurgery. Genzyme Surgical Products shareholders will hold approximately 26% representing 0.6060 shares of Genzyme Biosurgery. Biomatrix shareholders will hold about 47% of Genzyme Biosurgery. In addition, Biomatrix shareholders will receive cash of $37 per share for an aggregate of $245 million. Shareholder vote will be required on the part of each of the three companies. GTR is up about 75% since trading started in February of 1999.

Liberty Media constructs, acquires, owns and operates cable systems and provides satellite-delivered video entertainment, information and home-shopping programming services to various video distribution media, mainly cable systems. The company has stakes in about 100 cable channels, including BET, Discovery Channel, E!, Encore, QVC, and USA Networks. It also has a 44% interest in Gemstar-TV Guide (program guides) and 93% ownership of Liberty Digital (music and online properties). In addition, Liberty is one of the largest shareholders of Time Warner (9%) and News Corp. (8%). The company is a tracker of AT&T (acquired with Tele-Communications, Inc., in 1999) but operates as a separate and independent entity, led by former TCI chairman John Malone. As of August 16th, the public portfolio had an estimated market value of about $17.50 per Liberty Media share. We believe the total net asset value for Liberty is closer to $30 per share. Again, we feel the large discount from NAV is due to the tracking stock structure.

Trackers

After the close on August 17th, Liberty Media reported Q2 results for its private assets. Liberty's price assets (including cash) constitute less than 30% of the company's total estimated asset value and are only a partial indicator of the performance of the company. Total proportionate EBITDA for Liberty's developed private assets (Discovery Channel, TLC, Discovery Europe and Latin America, AVC, and Starz!, Encore), excluding Liberty Media International (LMI), increased 22% to $207 million. Upon completion of the United GlobalCom (UCOMA) transaction, the majority of LMI's developed EBITDA will be contributed to UnitedGlobal. In June, Liberty Media Group announced the asset swap with UnitedGlobal. Liberty agreed to swap its 25% stake in Telewest Communications, Latin American cable assets, and others for 75.3 million newly issued UCOMA (Class B common shares). This deal substantially increases Liberty's ownership in UnitedGlobal subsidiary United Pan Europe Communications, to 45% (82% voting) from 10% equity stake. United Pan Europe is the third largest cable MSO in the world, after AT&T and Time Warner Cable, and largest outside the United States, with more than 10 million consolidated subscribers. Essentially the deal will consolidate Liberty's international assets into one publicly traded entity. It is expected to close late in the fourth quarter. Liberty Media has returned about 51% since March 10th 1999.

Quantum Hard Disk Drive Group (NYSE:HDD) shares track the performance of Quantum Corporation's Hard Disk Drive group. HDD is a top US maker of disk drives. The group's high-end and solid-state drives, which store data on multiple rotating magnetic disks, are designed for the PC market (about 85% of sales), and for the emerging realm of drives specially designed for TV recording devices and other consumer electronics. The Hard Disk Drive Group's products are sold to computer makers like Hewlett-Packard (14% of sales) and Compaq (10%). Quantum Corporation's DLT & Storage Systems Group trades separately. Quantum HDD reported first quarter fiscal 2000 (June), with EPS of $0.19 on revenue of $864 million. Total unit shipments were down 4% sequentially, to 8.2 million units. HDD generated $16 million in cash from operations during the June quarter. The company also spends about $35 million to repurchase million shares. HDD appreciated about 30% since its debut in August of 1999. <u>HDD trades at a relatively low valuation, at about 0.3x trailing sales for little more than its $7.82 book value.</u> We would argue that the puny market value ($700 million cap) is in large part due to the "tracking" structure.

Quantum Corporation's DLT & Storage Systems Group, the second Quantum tracking stock, is the world's leading maker of tape drives (65% of sales) used for data storage and backup on network servers. Besides its digital linear tape (DLT) drives, the group also markets tape media cartridges and tape libraries. Storage Systems Group sells more than 60% of its products to computer makers; Compaq accounts for 25% of sales, Hewlett-Packard for 13%. The group continues to expand its presence in the market for network-attached storage appliances. Complementing drive sales, Quantum earns recurring royalty income from media, in a razor/razor blade model, and is expanding into higher-value-added systems markets with automated tape libraries (ATL) and NAS appliances. Quantum DSS reported June-quarter (first quarter fiscal 2001) EPS of $0.28 on revenue of $366 million (up 11% year over year). Storage systems revenues grew 49%, to 27% of total. DSS generated $50 million in cash from operations during the quarter, and spent about $111 million to repurchase 10.5 million shares of its stock. Shipments of DLT drives were up 8% year over year and 4% sequentially, to 118,000 units. DSS shares have decreased 19% since adopting the tracking status in August of 1999.

Trackers

ZDNet plans to merge with CNET. ZDNet, was spun off from Ziff Davis as an IPO tracker on March 31st, 1999. Ziff Davis then promptly had ZDNet hand over the bulk of the IPO proceeds to keep the wolves away. Ziff-Davis sold most of its other businesses and planned to merge into its Internet tracking stock. That plan has been shelved now that rival CNET Networks agreed to buy both companies. The company sold its publishing unit (more than 80 magazines) to investment firm Willis Stein & Partners. It also sold its interest in cable TV channel ZDTV to Paul Allen's Vulcan Ventures in 2000. ZDNet was the online arm of Ziff-Davis, ZDNet operates a Web site offering nearly 30 channels centering on issues such as home computing, technology news, and e-commerce. It also offers access to more than 60 Web sites (including online versions of Ziff-Davis publications such as *PC Magazine* and *Inter@ctive Week*). Ziff-Davis created a tracking stock for ZDNet in 1999 and sold a stake to the public (retaining 84%). Ziff-Davis then liquidated the rest of its businesses, allowing high-tech publisher CNET Networks to buy both firms. In July, CNET agreed to buy ZDNet. CNET will exchange 0.59 shares for ZDNet's 85 million shares in a purchase transaction expected to close in October, with the Hart-Scott-Rodino waiting period over. The last step for merger approval is shareholder votes, scheduled on October 13th for ZDNet and October for CNET. As a result, holders of Ziff-Davis will own approximately 35% of the combined entity. Softbank, a 50% owner of ZDNet, will own a 17% stake in the combined company. The combined company expects to produce $580 million in revenue in 2001. How does ZDNet benefit? You got me. The stock is 10% below its IPO price of $19 (from March 31st, 1999).

Walt Disney Internet Group (formerly GO.com) ,72%-owned by The Walt Disney Company, operates entertainment and news Web sites, including Disney Online, ESPN.com, ABC.com, and ABCNEWS.com. The sites attract about 22 million visitors a month. Its GO.com search and directory site also offers online chat, message boards, and free homepages and e-mail. In addition, Disney Internet builds and maintains several third party sites, such as NFL.com, NBA.com, and NASCAR.com. The firm also includes Disney's direct marketing and online retail operations. In early August, GO.com changed its name to the Walt Disney Internet Group, which began trading on the NYSE on August 7th under the new ticker DIG. Perhaps they should have renamed it DOG.com, to more accurately reflect its stock performance (down 58% since its debut on November 19th, 1999). The company also reported Q3 results. Reported revenues were $86.3 million. Total Internet revenues were $69.5 million. Excluding goodwill, EPS was a loss of $0.34.

Circle.com is an Internet services company that offers technology and marketing consulting, e-commerce services, brand development, and e-mail marketing to clients including GTE, IBM, Office Depot, and Lotus Development. The company is a subsidiary of marketing and advertising firm Snyder Communications, which created a tracking stock for Circle.com in 1999. Snyder co-founders and siblings Daniel Snyder (Snyder chairman and CEO,) and Michele Snyder (Snyder vice chairman, president, and chief operating officer) own about 16% of the tracking stock. This is the same Dan Snyder that owns the Washington Redskins. Judging from the stock price (down 72% since launched on October 29th, 1999), Dan has been spending too much time on the gridiron. The company generated about $36 million in sales in 1999, and competes with iXL Enterprises, marchFIRST and Razorfish. All of which have taken gas this year. Parent company, Snyder (SNC) offers advertising and public relations services through its Arnold Communications unit, direct marketing services through Brann Worldwide, marketing services and sales promotion through Bounty SCA Worldwide. French ad giant Havas Advertising has agreed to buy Snyder.

Trackers

DLJdirect is a perfect example of what is wrong with tracking stocks. On May 26th, 1999, DLJdirect, the Internet trading tracking stock of DLJ went public. Targeting affluent traders, DLJdirect lets investors trade Nasdaq and exchange-listed securities and offers market data and research, portfolio tracking, and cash management; it also lets clients in on DLJ-sponsored IPOs. Traders can access DLJdirect over the Internet, by telephone, and through wireless devices. As we discussed previously, Credit Suisse (CSFB) recently announced that it is acquiring DLJ, which includes the DLJdirect online brokerage business. But, DLJdirect shares will remain a publicly traded tracking stock. The shares will continue to be 82% owned by CSFB/ DLJ with remaining 18% or (18 million shares) publicly owned. Parent company, DLJ shot up 30% on the merger news, while the DLJdirect tracker languishes at $8 3/8, or 58% below the IPO price of $20 (May 1999). Further, the original terms of the IPO prospectus are still intact; for example, at the discretion of CSFB, DLJdirect shares may be redeemed or converted to CSFB stock at a minimum premium of 10%. If that doesn't queer you on tracking stocks nothing will.

NBC Internet (NBCi) operates Web sites that include the broadcaster's NBC.com. Its Web network includes search portal Snap.com and Web host Xoom.com, both being phased out to rebrand sites under the NBCi name. Attracting about 16 million users monthly, NBCi's sites provide information, broadband and streaming content, and services like free e-mail. Advertising accounts for about 55% of sales, with the rest coming from e-commerce and direct marketing services. NBCi moved into selling e-books in an effort to claim a niche on the Web. NBC (a subsidiary of General Electric) owns about 44% of NBCi, and CNET Networks owns about 11%. Recently, NBC Internet announced plans to layoff 20% of their work force. The layoffs (680 to 850 employees). NBC Internet has the distinction of being the worst performing tracking stock from 1999. The stock is down 87% since the stock was created from a merger of Zoom.com and Snap.com on November 30th, 1999.

Carveouts

Here is our universe of 30 carveouts from 1999. We could not help but notice that six of the ten poorest performing carveouts had “dot.com” in their name.

	Spin-Off Name	Ticker	Spin-Off Type	Parent Name	Ticker	1st Day of Regular Trading	Spin-off Price 1st Close	CLOSING PRICE 09/07/00	Spin-off % Change	S&P % Change	Market Value (000) Initial	Market Value (000) 09/07/00
1	XM Satelite Radio	XMSR	Carve-Out	Motient	MTNT	10/5/99	12	43 6/8	264%	11%	504,000	3,320,250
2	Digex	DIGX	Carve-Out	Intermedia	ICIX	7/30/99	22 5/16	72 7/8	227%	11%	1,338,750	4,627,563
3	Tibco Software	TIBX	Carve-Out	Reuters	RTRSY	7/14/99	32 3/8	102	215%	5%	1,954,187	19,359,600
4	Time Warner Telecom	TWTC	Carve-Out	TimeWarner	TWX	5/12/99	20 12/16	64 5/8	211%	8%	2,115,463	6,811,344
5	Genentech	DNA	Carve-Out	Roche	RO.SW	7/20/99	63 8/16	167 5/8	164%	7%	8,128,000	43,717,056
6	Ixnet	EXNT	Carve-Out	IPC Comm.	IPI	8/12/99	15	34	126%	13%	864,000	1,954,800
7	Netsilicon	NSIL	Carve-Out	Osicom	FIBR	9/15/99	12 6/16	24	94%	11%	163,969	326,400
8	Envision Development	EDV	Carve-Out	eCom Ventures	ECMV	9/29/99	6 12/16	12 3/8	82%	16%	49,950	108,264
9	Agilent	A	Carve-Out	Hewlett-Packard	HWP	11/19/99	44	61 7/8	41%	3%	19,756,000	28,029,375
10	Retek	RETK	Carve-Out	HNC Software	HNCS	11/18/99	32 9/16	41 3/8	27%	3%	1,465,313	1,944,625
11	Net2Phone	NTOP	Carve-Out	IDT	IDTC	7/29/99	26 9/16	31 6/8	20%	10%	1,275,000	1,758,950
12	Williams Communications	WCG	Carve-Out	Williams	WCG	10/1/99	28 1/16	28 3/8	1%	15%	12,908,750	13,157,488
13	Pepsi Bottling Group	PBG	Carve-Out	PepsiCo	PEP	3/31/99	29 11/16	29 6/8	0%	14%	2,567,188	4,364,063
14	Delphi Automotive	DPH	CO/SP	General Motors	GM	2/5/99	18 7/16	16 3/8	-12%	19%	8,555,000	9,135,000
15	TD Waterhouse Group	TWE	Carve-Out	Toronto-Dominion	TD	6/23/99	25 10/16	20 5/8	-20%	10%	9,353,125	7,833,375
16	CareInsite	CARI	Carve-Out	Medical Manager	MMGR	6/16/99	30 15/16	23 1/8	-25%	10%	2,151,703	1,729,688
17	BlockBuster Ent.	BBI	Carve-Out	Viacom	VIA	8/11/99	15	9 6/8	-35%	13%	3,367,500	1,706,250
18	Interspeed	ISPD	Carve-Out	BrookTrout	BRKT	9/24/99	18 5/16	11 4/8	-37%	15%	225,244	126,500
19	ProVantage 6/14/00, Merck	PHS	Carve-Out	ShopKo	SKO	7/14/99	21 3/16	12 2/8	-42%	5%	378,197	218,663
20	McAfee.com	MCAF	Carve-Out	Network Associates	NETA	12/2/99	44	22 7/8	-48%	4%	1,859,000	999,638
21	Expedia.com	EXPE	Carve-Out	Microsoft	MSFT	11/10/99	53 7/16	16 1/8	-70%	7%	2,041,313	711,569
22	US Search.com	SRCH	Carve-Out	Kushner-Locke	KLOC	6/25/99	6 15/16	1 7/8	-73%	12%	75,411	33,003
23	Xpedior	XPDR	Carve-Out	Metamor Worldwide	MMWW	12/16/99	26	6 2/8	-76%	4%	1,300,000	312,500
24	Azurix	AZX	Carve-Out	Enron	ENE	6/10/99	19 2/16	4 5/8	-76%	13%	1,912,500	534,725
25	Deltathree.com	DDDC	Carve-Out	RSL Comm.	RSLC	11/23/99	29	6 5/8	-77%	5%	742,400	189,000
26	BarnesandNoble.com	BNBN	Carve-Out	Barnes and Noble	BKS	5/25/99	22 15/16	4 6/8	-79%	14%	3,257,125	693,500
27	NetRadio	NETR	Carve-Out	Navarre	NAVR	10/15/99	10	1 6/8	-83%	14%	438,000	17,500
28	Marketwatch.com	MKTW	Carve-Out	CBS	CBS	1/19/99	93 6/16	11 7/8	-87%	17%	1,139,175	193,997
29	PFSWeb	PFSW	Carve-Out	Daiseytek	DZTK	12/2/99	44 2/16	3 1/8	-93%	4%	767,775	54,819
30	iTurf	TURF	Carve-Out	dElia's	DLIA	4/9/99	57 7/16	1 6/8	-97%	9%	959,206	36,925
											91,613,244	154,006,426
											Total Change in Market Value >>	68%

XM Satellite Radio finished at the head of our carveout class with an impressive 264% return since its October 5, 1999 IPO at $12. The deal raised $120 million. XM Satellite is one of the two satellite radio licensees (Sirious Satellite is the other) that expects to launch a commercial service during the first half of 2001. The company plans to offer digital-quality programming transmitted via S-Band satellite channels to home and car stereos across the US. It plans to offer 100 channels, including various music genres such as classic rock and country, as well as a variety of news, sports, and public affairs shows. Satellite radio subscribers will pay a one-time activation fee of $10 and a monthly fee of $9.95 for up to 100 channels of digital quality radio. Strategic partners include General Motors, Clear Channel Communications, and DIRECTTV. It has an agreement with investor General Motors to install equipment in GM cars. **The company was carved out of Motient Corporation, which still owns 22%.** (based on XM’s 76 million fully diluted shares). Formerly American Mobile Satellite, Motient combines its GEO (geosynchronous earth orbit) satellite above with its ARDIS terrestrial network below to operate a voice and data network covering all 50 US states, Puerto Rico, the US Virgin Islands, and US coastal waters. The ARDIS network consists of about 1,900 base stations. Wireless offerings include email (eLink), messaging, and other data services; a nationwide radio dispatch; and satellite telephony. Motient is about 21%-owned by Hughes Communications.

Carve-Outs

Digex hosts Web sites and Web-based applications for more than 550 businesses and institutions. The company also provides consulting and enterprise services such as firewall management and Web site activity reporting. The company offers network connectivity through an agreement with Intermedia Communications, which owns 55% of Digex and holds a 94% voting stake. Intermedia has agreed to be acquired by WorldCom (see our update section). Digex is up about 227% since its first day close.

TIBCO Software is a leading provider of software that allows businesses to integrate enterprise applications, interact with other businesses in B2B commerce, and deliver personalized information through portals. ActiveEnterprise enables businesses to connect resources with customers and automatically deliver event-driven information across networks and the Web in real-time. The company also offers e-commerce, consulting, and support services. TIBCO's has a global client base of more than 750 customers. Customers license the software to integrate, personalize, and distribute content. Reuters owns more than 55% of the company (less than 50% fully diluted), and Cisco holds a minority stake of 7%. Tibco was carved out of Reuters on July 14th, 1999, at $15 per share. Thus, ranked third on our carveout list with a hardy 215% from the closing price on day one. Tibco generated about $96 million in revenues in 1999 and lost roughly $20 million. This means the company is trading at whopping 200x last years' sales.

Time Warner Telecom is building out a fiber-optic network. The company, which operates as a competitive local-exchange carrier (CLEC) in 22 metropolitan US markets, offers integrated broadband communications services primarily to long-distance carriers, ISPs, wireless companies, and government agencies. It also offers long-distance services to small- and medium-sized businesses. The company will expand in the western US by buying network assets from bankrupt GST Telecommunications. Time Warner Telecom is 48%-owned by Time Warner, which Internet giant America Online is buying. TWT went pubic on May 6th, at $14 a share (up 378% from the IPO price and 211% from the first day close).

Genentech is one of the world's top biotech firms. More than 70% of sales come from eight products, including Rituxan (a non-Hodgkins lymphoma drug), Activase (for post-heart attack treatment), Nutropin and Protropin (human growth hormones), and cancer treatment Herceptin. The firm is developing other cancer drugs with ImmunoGen. Genentech earns royalties for hepatitis B vaccines, bovine growth hormones, and Humulin (human insulin). Genentech's foreign sales are handled by Hoffman-La Roche, whose parent Roche Holding owns 58% of Genentech. Genentech was carved out on July 1st, 1999, at $97 a share.

Ixnet was carved out of IPC Communications in an IPO on August 12th, 1999 at $15 per share. The firm's global extranet is a full-service private network for the financial services industry. The extranet (an intranet connection for customers) connects financial firms with their business partners as well as multiple offices in the same firm. Communications services include full voice and data connections. IXnet has two network operations centers and more than 70 points of presence (POPs) with 1,300 customer access nodes. It serves about 500 clients in 37 countries. The company is now a subsidiary of telecom services provider Global Crossing, which acquired both IXnet and its former parent, IPC Communications, in 2000. On February 22, 2000, Global Crossing announced that it would acquire Ixnet and its parent IPC Communications for a total of $3.8 billion in stock in a tax-free transaction. The deal closed on June 14th. The last price for Ixnet was $33 15/16 suggesting a 126% return from its IPO price.

Carve-Outs

NETsilicon uses silicon-based technology to connect to the Net. NETsilicon, formerly Digital Products, makes hardware and software that enables scanners, printers, fax machines, and copiers to communicate over networks. Its NET+ embedded networking equipment is based on technology that uses a single silicon chip to control imaging devices (from manufacturers such as Minolta, NEC, and Xerox) via the Internet or a LAN. NETsilicon is incorporating NET+ line into industrial automation, communication, and utility monitoring equipment. The company also offers training, consulting, and technical support services. Osicom Technologies has a 55% nonvoting stake in NETsilicon.

Envision Development Corporation, formerly perfumania.com, shifted gears from online retail sales to e-business services shortly after its spinoff and IPO in September of 1999 at $7. Envision sold the perfume sales business back to Perfumania (now E Com Ventures) in 2000 and began acquiring Web development and technology firms to pursue its new business model. While the company's plans call for further acquisitions, it may itself be the target of an acquisition: San Francisco-based venture capital firm Zero.net, which owns about 41% of the company, has said it may buy the rest of Envision.

Agilent Technologies, spun off from Hewlett-Packard, is a global technology company with four divisions: Test & Measurement, Semiconductor Products, Heatlhcare, and Chemical Analysis. Its Test and Measurement unit (51% of sales) supplies telecommunications and hardware providers with products that test network equipment. Semiconductor Products sells chip makers and other manufacturers integrated circuits, and Healthcare Solutions makes patient monitoring and ultrasound imaging equipment. Agilent's Chemical Analysis unit provides instruments to life sciences companies. Agilent was initially carved out on November 18th, 1999, then fully separated on June 2nd in a tax-free distribution. HP shareholders received about 0.373 shares of Agilent. Agilent has corrected significantly from a high of $162 reached in early March, but still up a respectable 41% since its IPO. Agilent has 464 million shares out and a current market value of $27.8 billion.

Retek is a provider of inventory management software that lets retailers interact across the Web with suppliers, wholesalers, transportation companies, and other links in the supply chain. In addition to its Transaction Solution business software suite, the company provides consulting and support services. Retek, a spinoff of business intelligence software specialist HNC Software, sells direct and through resellers and distributors worldwide. Retek continues to forge software partnerships with companies like Andersen Consulting and Oracle to boost its sales. **HNC owns about 85% of Retek, and plans to spinoff the rest to shareholders on September 29th, to shareholders of record of the 13th. We are guessing the ratio will be about 1.25.** On September 7th, Retek jumped $9.25 to $41 3/8, or 29% after IBM took an equity stake in the company, as part of an expanded alliance involving e-commerce products. Terms of the stake were not disclosed. The alliance calls for the two companies to sell each other's products, which could generate sales of more than $1 billion for the companies by 2003. Retek's take could amount to as much as $300 million over the three years. In 1999, Retek had $69.2 million.

Net2Phone's software allows users to make phone calls over the Internet to anywhere in the world, usually at a much lower cost than wireless or fixed-line calling. Customers can make calls or send faxes from PCs, telephones, or fax machines. The #1 Internet telephony carrier, Net2Phone serves more than 325,000 customers and is expanding through networking deals with AT&T (which owns 32% of Net2Phone) and Sprint. It's also bundling its services with products from America Online, Compaq, Yahoo!, and others. Net2Phone was founded in 1997 as a subsidiary of long-distance carrier IDT, which spun off the company on July 29th, 1999 at $15 a share. The company had $33 million in sales last year and loss nearly $25 million.

Carve-Outs

Williams Communications Group offers communications equipment and network services throughout North America. The Network unit operates a nationwide fiber-optic network using ATM (asynchronous transfer mode) technology to provide data, Internet, video, and voice transmission services to telecommunications carriers, ISPs, utilities, and other service providers. The Strategic Investments unit invests in or owns, and operates, US and foreign communications businesses. The newest business unit, Broadband Media, offers distribution and management of digital assets and related information. The Williams Companies owns about 85% of the company. Williams has received an IRS ruling indicating that a distribution of the balance of the Communications Group would be tax-free. <u>We suspect that a full separation could happen prior to the end of 2000.</u>

Pepsi Bottling Group (PBG) is the world's #1 manufacturer and distributor of Pepsi-Cola beverages, accounting for about 30% of PepsiCo's global beverage sales and more than half of its North American sales (where more than 90% of PBG's sales are rung up). PBG operates more than 65 plants and delivers its drinks, which include Aquafina water, All Sport sports drink, Lipton's Iced Tea, Mountain Dew, Slice, and the world's #2 soft drink, Pepsi-Cola, directly to stores and through third-party distributors. PBG operates in Canada, Greece, Russia, Spain, and the US. PepsiCo owns about 37% of the company and about 45% of its voting stock.

Delphi is the world's largest maker of auto parts, Delphi was been spun off from General Motors, the world's largest automaker. Delphi makes virtually everything mechanical or electrical that goes into a car, including the brake, chassis, engine, and thermal, electrical, and steering systems. Delphi operates 166 manufacturing plants in 37 countries. More than 75% of Delphi's business comes from former parent GM, but the company expects to broaden its customer base now that it is an independent company. To that end, Delphi plans to expand its non-automotive (aerospace, communications, construction, etc.) business.

TD Waterhouse, The #2 online brokerage in the world (Charles Schwab is #1), offers securities and bond trading as well as mutual fund and other investment and retirement product sales over the Internet and phone and at its more than 200 offices in Australia, Canada, Hong Kong, the UK, and the US. The firm is expanding its operations into Asia and Europe through acquisitions and partnerships. Canada's Toronto-Dominion Bank still owns almost 90%.

CareInsite operates a Web-based network for use by health care providers and their patients. The network offers e-commerce, laboratory communication, messaging, claims and eligibility services, and access to medical reference material. The company's RxInsite service allows physicians, patients, and pharmacies to exchange prescription information. CareInsite uses software made by health care information systems provider Cerner. It also manages The Health Information Network Connection, which provides health care information to more than 40,000 physicians in the New York City area. Health care practice management firm Medical Manager, which is being bought by Healtheon/WebMD, owns more than two-thirds of CareInsite. Medical Manager provides medical information services and manufactures surgical plastics. Medical Manager makes practice management software that enables billing, scheduling, referrals, and information exchange between doctors, hospitals, and insurance companies. Porex Technologies, the firm's plastics and filtration technologies division. CareInsite went public on June 16th, 1999 at $19 a share. Medical Manager and CareInsite will hold stockholders meetings on September 12th, 2000 to vote of the merger proposal.

Carve-Outs

Blockbuster is the world's largest video rental chain, with almost 4,800 company-owned or franchised US stores and more than 2,300 stores in 25 other countries. The company rents more than 1 billion videos, DVDs, and video games at its Blockbuster Video outlets each year. It also operates Blockbuster.com and has marketing partnerships with companies such as America Online and DIRECTV. Entertainment company Viacom owns 82% of Blockbuster (96% of voting power) after taking 18% of the company public in 1999. It is waiting until Blockbuster's stock hits $20 or more before spinning off the rest of the company to Viacom shareholders.

Interspeed makes hardware based on DSL (digital subscriber line) technology, which enables data communications service providers such as local-exchange carriers and ISPs to provide high-speed data transfer over existing copper phone wires. Its DSL Access Routers (DSLARs) are equipped with remote-access concentrators, switches, and routers; the systems also work with Interspeed's SpeedView graphical user interface. The company relies on contractors to make its products, which it sells directly to OEMs (Cabletron accounts for 75% of sales), resellers, and systems integrators. Electronic messaging products maker Brooktrout owns about 57% of Interspeed.

ProVantage Health Services offers pharmacy benefit management (PBM) and health information technology (HIT) services to some 3,500 health organizations. ProVantage's PBM services include a retail pharmacy network, a mail-order pharmacy system, and vision benefits management. Its ATI program keeps records of patients' prescriptions to prevent drug interactions. HIT programs include RationalMed software (outcomes assessment), ProVQuery (pharmaceutical decision support software), ProVMed (health care data software), and ProVCOR (outcomes analysis software). ProVantage, previously spun off by ShopKo (July 14th, 1999 at $14 a share), and then acquired by Merck subsidiary Merck-Medco (on June 14th, 2000).

McAfee.com's sells virus protection software offered through its Web site's online store, as well as online application hosting, repair, upgrades, and other services (some are subscription-based). The site's Oil Change service provides software update and upgrade recommendations based on customers' system profiles. McAfee Clinic helps users protect their systems from viruses, and diagnose and fix configuration problems. McAfee.com continues to add Internet access device security, uninstallation, and other products and services to its site. Security software specialist Network Associates owns 82% of the company.

Expedia wants to be the online destination for individuals who book their travel reservations from their PCs. In addition to making airplane, hotel, and rental car reservations, Expedia's customers can take advantage of travel-related Web site features such as chat rooms, frequent flyer tracking tools, and maps. Microsoft sold a portion of the firm to the public in late 1999, retaining nearly 85%.

US SEARCH.com helps you conduct searches. By accessing the company's Web site or calling its toll-free number (1-800-US-SEARCH), clients can hire US SEARCH to locate individuals and perform many other searches -- all by electronically accessing public records. The company offers instant searches through its Web site and in-depth investigations by staff members for more complex cases. While consumer services continues to be its main source of revenue, US SEARCH has expanded its offerings to include pre-employment screening and other similar services for businesses. On September 8th, US Search announced that it completed a private financing for up to $27.5 million from Pequot Private Equity Group. The company

Carve-Outs

has received $10 million. As part of the deal, Pequot will purchase 3.5 million shares of the company's common stock from The Kushner-Locke company. Under terms of the agreement, assuming the company receives the total $27.5 million financing, US SEARCH will have issued as much as 16.1 million shares of common stock. The company will receive an additional $10 million if it meets certain performance objectives. The company may receive up to an additional $7.5 million up on the exercise of warrant by Pequot. The conversion price of the Series A Preferred Stock is $1.70. As a result of the deal, Kushner-Locke, which currently owns 52.6% of US SEARCH, will have its ownership reduced to under 50%. Assuming the company receives the total $27.5 million financing and Pequot exercises all its warrants and converts its preferred stock, Pequot will hold on a fully diluted basis about 40% of all US SERACH with Kushner-Locke holding 13%.

Xpedior specializes in e-business consulting support. It offers such services as business strategy consulting, e-commerce and data management application development, networking, and application integration. Xpedior works with clients through its high-tech development centers located around the US. Internet service provider PSINet owns 80% of Xpedior. The company was carved out of Metamor Worldwide on December 16th, 1999 at $19 a share. Metamor was bought out by PSINet on June 15th, 2000.

Azurix was formed by diversified energy company Enron (which retains a 67% stake) to acquire, manage, and develop water and wastewater businesses around the world. With deregulation sweeping through the water industry, Azurix hopes to use Enron's experience with the deregulation of the gas and electricity industries to pick up a number of formerly government-owned water companies. The company has acquired UK-based Wessex Water, its biggest operation. Azurix also has bought water businesses in Argentina, Brazil, Canada, and Mexico. The stock went public on June 10th, at $19 a share, and fell 74% as it struggled to execute on plan. Recently the CEO resigned.

Deltathree.com manages an Internet Protocol (IP) network with about 70 points of presence in more than 35 countries; it avoids the public Internet by leasing dedicated network capacity. With deltathree.com's IP telephony, customers place PC-to-phone or phone-to-phone calls at a discount to traditional telephone service. A unified messaging service permits users to send e-mail and retrieve and forward voice mail, e-mail, and faxes. Most of deltathree.com's sales come from transporting traffic for such carriers as parent RSL Communications, which controls 96% of the firm's voting stock.

barnesandnoble.com is an online seller of books (over 90% of sales), e-books, magazines, music, software, and videos and has more than 750,000 titles in stock. barnesandnoble.com offers author biographies and book summaries and reviews from in-house editors, customers, and sources such as *The New York Times Book Review*. Bricks-and-mortar retailer Barnes & Noble and German media giant Bertelsmann (owner of Random House) each own about 40% of the firm's stock and control nearly 49% of its voting power.

NetRadio offers 250,000 music titles organized into more than 100 channels covering most musical genres such as blues, country, rock, and R&B. It also serves up several channels of music news. Its Web site draws about 2.5 million visitors a month. In addition to streaming audio, NetRadio sells CDs online (about 50% of sales), which are distributed by 49.9% owner Navarre Corporation. (NetRadio chairman Eric Paulson and director Charles Cheney are officers of and own interests in Navarre.) ValueVision International (40%-owned by General Electric) owns about 14% of the company.

Carve-Outs

MarketWatch.com Web site offers features such as real-time news, IPO reports, and personal finance tools. While most of its services are free of charge, MarketWatch.com offers subscription-based services such as MarketWatch RT and MarketWatch LIVE (real-time quotes from US exchanges). Viacom (owner of CBS) and Data Broadcasting Corporation (60%-owned by UK media giant Pearson, which also owns the *Financial Times*) each own 34% of the company.

PFSweb provides transaction management services for electronic and traditional commerce, offering retailers and e-tailers order management, customer support, billing services, and distribution. More than 90% of the company's sales come from arrangements to distribute inventory for IBM. Although it has a high-tech mission, PFSweb was recently completely spun from computer supplies distributor Daisytek International, which established the firm in 1996 as Priority Fulfillment Services. PFSweb went public on December 2nd, 1999 at $17 and now trades at just $2 7/8 (down 82%). Daisytek spun off the rest of PFSweb on July 6th (0.81 shares of PFSweb for each share of Daisytek held).

iTurf's gURL.com Web site targets consumers from ages 10-24, enticing young Web surfers with a variety of content and community services, such as an online magazine, free home pages and e-mail, chat rooms, and message boards. The company makes about 85% of its revenue from retail offerings of clothing and home furnishings pitched to those consumers. As its young consumers mature, iTurf hopes to hold on to them through college student-oriented OnTap.com (purchased in 1999). Catalog retailer dELiA*s controls 89% of the voting power through its nearly 60% equity ownership. The Kahn family, including CEO Stephen Kahn, owns nearly 50% of the company. iTurf was the worst performing carveout on our list. They successfully destroyed nearly 92% of their shareholders money since going public at $22 on April 9th, 1999. On August 17th, ITurf and dELiAs announced a definitive agreement to merge in a stock-for-stock transaction. Under the terms of the estimated $86 million deal, iTurf (Nasdaq: TURF) will swap 1.715 of its Class A shares for each share of common stock in dELiAs (Nasdaq: DLIA). Once the deal is completed, the combined company, to be named dELiAs iTURF, would trade on the Nasdaq national market with the ticker symbol DLTF. The combined entity will have approximately 37.5 million shares, including about 21.5 million iTurf shares and 16 million shares of dELiAs. The current transaction will be accounted for as the purchase by dELiAs of the minority interest in iTurf that is held by the public. ITurf reported revenue of $11 million in the second quarter, incurring a net loss of $9.2 million, while dELiAs reported a second-quarter loss of $8.7 million on total revenue of $49 million.

Spinoffs

The group of pure spinoffs performed the best (relative to the carveout and tracker groups). The market capitalization of this list appreciated 64% (measured to September 7th).

	Spin-Off Name	Ticker	Spin-Off Type	Parent Name	Ticker	1st Day of Regular Trading	Spin-off Price 1st Close	CLOSING PRICE 09/07/00	Spin-off % Change	S&P % Change	Market Value (000) Initial	Market Value (000) 09/07/00
1	Varian Inc.	VARI	Spin-Off	Varian Medical	VAR	4/5/99	9 3/16	52 2/16	467%	11%	274,706	1,699,275
2	VoiceStream	VSTR	Spin-Off	Western Wireless	WWCA	5/3/99	20 8/16	116 3/16	467%	8%	1,619,500	24,864,125
3	Varian Semiconductor	VSEA	Spin-Off	Varian Medical	VAR	4/5/99	11	53	382%	11%	328,900	1,696,000
4	Conexant	CNXT	Spin-Off	Rockwell	ROK	1/4/99	9 3/8	37 6/16	297%	20%	1,787,188	8,514,025
5	Teledyne Technologies	TDY	Spin-Off	Allegheny Tech.	ALT	12/1/99	9 10/16	23 2/16	140%	6%	269,500	714,563
6	Triad	TRIH	Spin-Off	Columbia/HCA	COL	5/12/99	12 6/16	27 9/16	123%	8%	371,250	937,125
7	Lifepoint	LPNT	Spin-Off	Columbia/HCA	COL	5/12/99	13 4/16	29 8/16	123%	8%	397,500	923,350
8	Park Place Entertainment	PPE	Spin-Off	Hilton	HLT	1/4/99	7 4/8	14 10/16	95%	20%	2,265,000	4,390,864
9	Lynch Interactive	LIC	Spin-Off	Lynch	LGL	9/1/99	56	100	79%	10%	79,520	141,000
10	Ventiv Health	VTIV	Spin-Off	Snyder Comm.	SNC	9/28/99	8 1/16	13 2/16	63%	15%	193,500	296,625
11	Nieman Marcus	NMG.A	Spin-Off	Harcourt General	H	10/25/99	22 4/16	34 8/16	55%	14%	1,090,250	1,635,300
12	Too, Inc.	TOO	Spin-Off	Limited	LTD	8/24/99	17	23 7/16	38%	8%	527,000	719,531
13	Jefferies	JEF	Spin-Off	Investment Tech	ITG	4/28/99	23	29 12/16	29%	9%	549,700	725,900
14	Water Pik	PIK	Spin-Off	Allegheny Tech.	ALT	11/30/99	7 6/16	8 10/16	17%	6%	66,375	85,043
15	Huttig	HBP	Spin-Off	Crane	CR	12/17/99	4	4 9/16	14%	3%	58,560	95,356
16	RJ Reynolds	RJR	Spin-Off	Nabisco Group	NGH	6/15/99	32 7/16	36 10/16	13%	13%	3,503,250	3,735,750
17	Conoco	COC.b	Spin-Off	Dupont	DD	8/9/99	26 10/16	27 14/16	5%	13%	11,635,125	17,338,250
18	Arch Chemical	ARJ	Spin-Off	OLIN Corp.	OLN	2/9/99	18 13/16	19 3/16	2%	21%	432,688	424,044
19	Pulitzer	PTZ	Spin-Off	Pulitzer		3/22/99	42 6/16	41 12/16	-1%	13%	951,319	922,675
20	Circor International	CIR	Spin-Off	Watts	WTS	10/19/99	10 6/16	9 12/16	-6%	16%	137,988	128,700
21	Delphi Automotive	DPH	CO/SP	General Motors	GM	2/5/99	18 7/16	16 5/16	-12%	19%	8,555,000	9,135,000
22	Pactiv	PTV	Spin-Off	Tenneco	TEN	11/5/99	13 2/16	10 14/16	-17%	7%	2,205,000	1,765,991
23	Omnova Solutions	OMN	Spin-Off	Gencorp	GY	10/4/99	9 6/16	6	-36%	13%	70,322	237,600
24	Interstate	IHCO	Spin-Off	Wyndham Int.		6/18/99	4 6/16	2 13/16	-36%	9%	24,500	17,772
25	Gartner Group	IT	Spin-Off	IMS Health	RX	7/26/99	22	13 4/16	-40%	8%	2,290,200	1,137,168
26	Lanier Worldwide	LR	Spin-Off	Harris	HRS	11/8/99	2 13/16	1	-64%	7%	247,500	83,000
											39,931,341	82,364,031

Total Change in Market Value >> 106%

Varian is a leading manufacturer of scientific instruments and equipment, including chromatography and optical spectroscopy systems for chemical analysis, nuclear magnetic resonance spectroscopy systems used in medical and materials research, high-vacuum pumps, and helium leak detectors. Varian also provides low-volume contract manufacturing of printed circuit boards and electronics assemblies. The company generates 55% of its sales from North American customers, and it has factories in Australia, Italy, the Netherlands, and the US. Varian was formed in 1999 when Varian Associates split into three publicly traded companies: medical, semiconductor, and instruments. Varian is up 467% since the spin.

VoiceStream Wireless, which has agreed to be acquired by Deutsche Telekom (which is 58% owned by the German government), owns and operates PCS wireless licenses in the western United States. The company has appreciated 467% since the spin on May 3rd, 1999, and now has a $30 billion market cap. Having expanded with the acquisitions of Omnipoint and Aerial Communications, VoiceStream provides digital PCS to more than 2.5 million customers on its GSM (global system for mobile communications) networks. It will expand into the southeastern US with the acquisition of fellow GSM operator Powertel. Overall, VoiceStream has licenses in 23 of the top 25 US markets. (Some of the licenses are owned by a joint venture between VoiceStream and Cook Inlet Region.) Hong Kong conglomerate Hutchison Whampoa owns 23% of

Spin-Offs

VoiceStream Wireless, which was spun off from Western Wireless in 1999. This week, the company won approval from the Justice Department, which examined the roughly $34 billion combination for antitrust problems. The deal still must get the blessing from the Federal Communications Commission and the SEC. VoiceStream is expected to file its merger documents with the SEC in the next few days. In Late August Deutsche TeleKom and VoiceStream announced that they intend to acquire Powertel (PTEL) for about $7 billion. DT/VoiceStream is paying 54x 2001E cash flow and 25x2002E cash flow for Powertel (or about 16x 2000E revenue, $357 per POP and $9,800 per subscriber). This deal would fill a major gap in the southeast.

Varian Semiconductor Equipment Associates (VSEA) is the world's top manufacturer of ion implantation systems -- just ahead of rival recent Eaton carveout Axcelis (ACLS)-- which beam ions at a semiconductor wafer to alter its conductivity in certain areas. VSEA has installed more than 2,500 ion implanters worldwide. Customers in the US account for 70% of the company's sales. VSEA has manufacturing plants in South Korea and the US, and sales offices throughout Asia, Europe, and the US. The company was formed when high-tech instrument maker Varian Associates split into three independent public companies on April 5th, 1999. The trivestiture has created enormous value. VSEA's value has increased 382% since the distribution.

Conexant Systems which was spun off from Rockwell International in January of 1999, is a leading maker of modem chips and other integrated circuits (ICs) used by major manufacturers in communications electronics. Its chips are found in 70% of all fax machines. Conexant's business units make ICs and subsystems for personal computing (PC modems), personal imaging (fax machines, video systems), wireless communications (cordless phones), digital infotainment (cable modems, set-top boxes), and network access (networking devices). The stock has increased 297% since the tax-free spin.

Teledyne Technologies products include communication systems for commercial airlines and turbine engines for missiles. Its engineering services to the US space program range from mission planning to training astronauts for the space shuttle. Teledyne Technologies also provides battle simulation and other software. It also makes aviation piston engines, ignitions, spare parts, and microelectric modules used in fiber-optic systems and pacemakers. The company is a spin-off of Allegheny Technologies (formerly Allegheny Teledyne), which is focusing on its metals business.

Triad Hospitals, spun off by HCA in 1999 as part of a restructuring effort, represents what was once its parent's Pacific Group, including some 30 hospitals and more than a dozen outpatient surgery centers located in 11 states in the Sun Belt and Midwest. Most of its hospitals are in smaller cities, where they face little competition; approximately half of them are located in Arizona and Texas. Triad retains some ties to HCA, including taking part in a group-purchasing program. Triad finished in the top 5 up our pure spin list with a solid 123% return since the separation.

LifePoint Hospitals, like Triad was spun off from HCA the US hospital giant. Lifepoint represented the 23 America Group hospitals in the South, West, and Midwest of HCA. LifePoint's facilities are located primarily in rural areas; 21 of the hospitals are their area's only health care provider. LifePoint plans to sell three hospitals to pay off existing debt.

Carve-Outs

Park Place Entertainment is world's second-largest casino gaming company (after MGM Mirage). They have almost 30 resorts in five countries, including star attractions like Caesars Palace and Bally's Las Vegas. Beyond the Vegas Strip (more than 35% of sales), Park Place owns casinos in Atlantic City (Atlantic City Hilton, Bally's Park Place), Mississippi (Grand Casino Biloxi, Grand Casino Gulfport), and in Reno and Laughlin, Nevada. The company also owns stakes in casinos in Australia, Canada, South Africa, and Uruguay. Its newest hotel, Paris Las Vegas, simulates the ambiance of Paris with and a replica of the Eiffel Tower.

Lynch Interactive, was spun off from manufacturing company Lynch Corporation in 1999. Lynch Interactive has multimedia holdings that include 11 small local-exchange phone companies in parts of Kansas, Michigan, New Hampshire, New Mexico, New York, North Dakota, and Wisconsin. It also owns three cable TV operations and has stakes in two local TV stations: ABC affiliate WOI-TV and CBS affiliate WHBF-TV. Lynch's services division includes The Morgan Group (55%-owned), which manages the delivery of manufactured housing, vehicles, and equipment. CEO Mario Gabelli, who also heads Gabelli Asset Management, owns 23% of Lynch Interactive.

Ventiv, a spinoff of marketer Snyder Communications, provides sales and marketing services for the life sciences and pharmaceutical industries. Ventiv's Health Products Research Group designs pharmaceutical product launches, while its Healthcare Communications Group informs doctors and other health-care professionals about the products, which are sold by the Contract Sales Group.

Neiman Marcus department stores offer high fashion, high-quality women's and men's apparel accessories, fine jewelry, china, crystal, silver, and gourmet foods. The Neiman Marcus Group operates 31 Neiman Marcus stores in 20 states and the District of Columbia, as well as two Bergdorf Goodmans in New York City, and about 10 clearance centers. Its direct-marketing business, NM Direct, distributes catalogs. Publisher Harcourt General spun off all but 10% of its stake in Neiman Marcus in 1999.

Too, Inc., is a retail chain that offers private-label apparel, sleepwear, and swimwear for trendy girls ages 7-14. Limited Too also sells GirlCare glitter makeup, nail polish, and room accessories, such as inflatable furniture and sheet sets. The company wants girls to view its stores as a hip destination (with photo booths, light shows, and ear piercing), as well as a hip place for clothes. Too is the latest spin-off from The Limited. Too's 380-plus stores are located in malls in 44 states. Limited CEO Leslie Wexner owns about 22% of Too.

Jefferies Group provides off-exchange block securities brokerage services for institutional investors through Jefferies & Company, which also serves as an investment bank for issuers of speculative-grade debt issues (high-yield bonds). Subsidiaries Jefferies International and Jefferies Pacific conduct trades on international markets through offices in Hong Kong, Japan, Switzerland, and the UK. Jefferies spun off Investment Technology Group (automated trading and research services). Technically Jefferies was the spinoff for tax purposes (a reverse spin).

Spin-Offs

Water Pik Technologies, was been spun off by Allegheny Technologies (on November 30th , 1999), whose metals business didn't really fit with Water Pik Technologies' personal care products and water-heating and pool products. Water Pik Technologies makes oral irrigators, showerheads, and water filters under the Water Pik name. It sells its swimming pool and spa products (heaters, controls, valves, and accessories) under the Laars and Jandy brand names. The company also makes Laars residential and commercial water-heating systems. CEO Michael Hoopis, a former Black & Decker executive, was brought in to spearhead the spin-off. J.P. Morgan owns 11.5% of the company.

Huttig Building Products is one of the US's largest distributors of millwork and building products. It sells doors (which account for a third of sales), windows, moldings, trusses, wall panels, lumber, and other building products to building material dealers (who in turn sell mostly to professional builders and contractors) through about 60 distribution centers in some 45 states. The firm was later acquired by diversified manufacturer Crane Co. In 1999 Huttig was spun off by Crane and combined with the US building products unit of UK cement and lime firm The Rugby Group. Rugby owns about a third of Huttig.

R.J. Reynolds Tobacco (RJR), the #2 US cigarette maker (after Philip Morris). Its Camel, Doral, Salem, and Winston brands are among the best selling in the nation; other brands include More, NOW, and Vantage. RJR is buying former parent Nabisco Group Holdings. Nabisco Group (formerly RJR Nabisco) sold its international tobacco operations and spun off the domestic tobacco firm in 1999 in an effort to shield its food business from smoking-related litigation.

Conoco, a former subsidiary of chemical giant DuPont, is an integrated oil and gas company explores for petroleum in 15 countries (proved reserves are 2.5 billion barrels of oil equivalent) and has production mainly in Norway, the UK, and the US. Conoco also runs about 9,000 miles of US pipeline and owns or has stakes in nine refineries in the US, Europe, and Asia. The company has 8,000 gas stations in Europe, Thailand, and the US.

Arch Chemicals, formerly a part of the Olin Corporation, operates worldwide in three business segments, microelectronic, performance, and water chemicals. The microelectronic chemicals sector provides advanced photoresists, wet process chemicals, and chemical management services to the semiconductor industry. Its performance chemicals unit is a leading producer of biocides used in antidandruff shampoos and makes hydrazine propellants used in satellites. Arch Chemicals' water chemicals business is a leading maker of hypochlorite pool sanitizers. The company is acquiring UK-based chemicals and coatings maker Hickson International.

Pulitzer, Inc. (formerly Pulitzer Publishing) publishes 14 daily newspapers include the *St. Louis Post-Dispatch;* Tucson, Arizona's *The Arizona Daily Star;* and *The Pantagraph* in Bloomington, Illinois. Pulitzer also publishes a string of community papers and operates Web sites affiliated with its publications. The company sold its TV and radio holdings to Hearst-Argyle Television in 1999 (both companies' namesakes were fierce rivals). The Pulitzer family controls about 90% of the company.

Spin-Offs

CIRCOR , a spinoff of Watts Industries, produces valves and other fluid control devices and systems used in industries ranging from aerospace and energy to food processing and pharmaceuticals. In addition to valves, CIRCOR also produces pipeline closures, pipe fittings, steam-water heaters, and strainers. CIRCOR is divided into two units: instrumentation and fluid regulation and petrochemicals products. CIRCOR has a global market, but the US accounts for nearly 60% of sales. The firm's business has grown through 24 acquisitions since 1984. Watts Industries' Chairman and CEO Timothy Horne and relatives own 29% of CIRCOR.

Delphi, made both our carveout and spin-off list for 1999. The world's largest maker of auto parts, Delphi has been carved out in an IPO in February and later distributed to GM shareholders.
Delphi makes. More than 75% of Delphi's business comes from former parent GM, but the company expects to broaden its customer base now that it is an independent company.

Pactiv makes consumer products such as plastic food-storage bags (Baggies), plastic waste bags (Hefty), and disposable tableware. Its foodservice products include molded-fiber egg cartons, bakery bags, and foam trays for meats. Pactiv makes protective packaging for use by the automotive, computer, and electronics industries. The company’s flexible products end up in such items as padded mailers, disposable diaper liners, and medical bags for IV-fluid delivery. Plastic products generate about 70% of sales. Pactiv, was spin-off of one-time conglomerate Tenneco (renamed Tenneco Automotive), has exited its aluminum foil and cookware businesses.

OMNOVA Solutions is the decorative and building products and performance chemicals units spun off from aerospace and defense company Gencorp. OMNOVA's decorative and building products segment (64% of sales) manufactures polyvinyl chloride- and paper-based wallcoverings, coated fabrics, and vinyl woodgrain and paper laminates. OMNOVA's building products are used primarily for refurbishing commercial office buildings, hotels, hospitals, and schools. The company's chemicals business provides emulsion polymers and specialty chemicals to makers of paper, carpet, and textiles.

Interstate Hotels is one of the nation's largest independent hotel operators, managing about 160 hotels across the US and in Canada, the Caribbean, and Russia. It is the world's largest franchisee of Hampton Inns, and operates about 25 brands altogether, including Amerisuites, Hilton, Holiday Inn, Marriott, and Radisson. Properties managed by Interstate include the Manhattan Courtyard in New York City, The Charles Hotel in Harvard Square (Cambridge, Massachusetts), and the Delta Hotel in Toronto. Interstate Hotels was spun off from Wyndham International in 1999.

Gartner Group provides research and recommendations on computer hardware and software, communications, and related high-tech industries and products. One of the nation's leading information technology consultants, the company also provides customized project consulting and sponsors conferences and seminars. The company serves more than 9,600 organizational clients from about 80 locations worldwide. It also owns 37% of Internet research firm Jupiter Communications. IMS Health, which owned just less than half of Gartner Group, distributed its interest in the company to IMS shareholders in 1999. Investment firm Silver Lake Partners is buying about 25% of the firm.

Spin-Offs

Lanier Worldwide is a leading supplier of office equipment including copiers, dictation equipment, fax machines, health care information management systems, and printers. Its Lanier Professional Services subsidiary offers such outsourcing services as binding, commercial scanning, reprographics, litigation support, and mailroom management. Lanier sells its products directly and through resellers. Nearly 30% of its sales come from outside the US. In 1999 Lanier, which was spun off from communications equipment maker Harris Corporation (November 8th, 1999), still holds a 10% stake in the company. Lanier was the worse performing spinoff from 1999, dropping 64% to the current $1 share. At this level Lanier has an $83 million market capitalization.

Company Update

Cabletron Systems

Despite participating in the lucrative data networking equipment industry, shares of Cabletron Systems (NYSE: CS) have been a market laggard. In response to this, the company reorganized itself into a holding company and four operating units that it would eventually take public and spin-off to shareholders. These four operating units are Riverstone Networks (service provider), Enterasys Networks (enterprise e-business), Global Network Technology Services (professional services), and Aprisma Management Technologies (infrastructure management). As a holding company, Cabletron will work with each company on completing a successful IPO. The holding company will then focus on incubation investments that are currently in Cabletron's portfolio as well as growth investment opportunities.

We believe that Cabletron is ready to file for an initial public offering of Riverstone Networks during the next two weeks to happen during the fourth quarter of 2000. Cabletron has also announced that Global Network Technology Services (GNTS) unit will be the second IPO of Cabletron's companies. The company should complete the offering for GNTS before the end of the calendar year. The other two divisions are expected to go public during the first half of 2001. Additionally, the board of Cabletron has also authorized the company to repurchase up to $400 million of its common stock over the next 12-15 months. While Wall Street has not been kind to many high-tech public offerings this year, networking companies (such as Riverstone) have been an exception. Avici Systems, Corvis, Sonus Networks and ONI Systems have experienced successful IPOs. This follows the solid year that networking companies had in 1999: (Sycamore Networks Juniper Networks, Foundry Networks, and RedBack Networks).

Riverstone Networks

Riverstone's solutions meet the infrastructure needs of Internet service providers (ISP), multiple service operators (MSO) and metro network providers, as well as the data center needs of co-location, content hosting and application service providers (ASP). Riverstone offers application-aware switch routers, intelligent load balancers, web cache redirectors and software tools for provisioning, billing, accounting, monitoring, fault isolation and service level management. The company's switch routers combine the wire-speed routing with integrated LAN/WAN capability, control of application flows, and routing cable capacity. The switch routers also enable customers to prioritize, filter and extend quality policies across the entire network. Additionally, the company is building 100 MB to 1-gigabit Ethernet backbones. Lastly, the company's Internet Appliance provides line rate device load balancing, traffic load balancing and traffic policing for high-performance hosting environments. The appliances ensure that visitors to an Internet site are able to complete their transactions seamlessly.

Riverstone is positioned to upgrade existing networks. Because of the tremendous growth in data traffic, networks in their current state will be unable to handle the increases in the speed and amount of data that enterprises are using, creating bottlenecks. The problem is that most existing networks are based on SONET/ATM- equipment that is designed to carry voice (not data) traffic. Riverstone's 10 gigabit Ethernet should eliminate the bottleneck for service providers. Some of Riverstone's customers include GTE, EarthLink (MindSpring), WorldCom's UUNET, Telseon, British Telecom, Bell Atlantic, and Adelphia. Sales of Riverstone products increased $13.3 million, or 536.2%, to $15.8 million in the first quarter of fiscal 2001 compared to $2.5 million in the first quarter of fiscal 2000. Riverstone also experienced an increase in its operating loss. The division's operating loss was $12.2 million in 1Q01, compared to a loss of $8.6 million in 1Q00. Riverstone expects to achieve profitability in 2002 after narrowing its losses during 2001.

Enterasys Networks

Enterasys focuses on enterprise-class customers. The company helps to its customers manage their information technology infrastructure by optimizing enterprise network solutions for e-business applications and providing service and support. Enterasys offers Cabletron's family of "smart products" including SmartSwitches, SmartSwitch Routers (SSR), SmartSTACKs, wireless RoamAbout solutions, and Spectrum ® Enterprise Management to maximize the performance of their networks and to migrate to the next generation of technology. The company implements its solutions on legacy and newer network environments. The SmartSwitch Router, used to integrate customers' legacy systems, combines the speed of a switch with the efficiency and security of a router. According to Dell'Oro Group's second quarter report, Cabletron's SmartSwitch Router held the number one position in worldwide modular Layer 3 ports shipped, with 33.9% of the market for the period of April through June 2000. The company's SmartSwitches provide high-end switching capabilities for all environments (workgroups, wiring closet, or data center). Enterasys offers a full line of ATM SmartSwitches that provide uplinks of LAN workgroups, interconnect data centers, support bandwidth-heavy multimedia applications and allow access to public ATM services. Enterasys' WAN products permit clients to scale, plan and manage their central-site solutions to meet specific remote access/WAN requirements while managing and controlling the remote sites from a single location. Through a reseller agreement with Aprisma, Enterasys will offer Aprisma's Spectrum ® network management software. Cisco Systems is the dominant vendor of enterprise-class customers and will be the largest competitor for Enterasys. The company will also compete against Alcatel, Ericsson, Lucent, Nokia and Northern Telecom. Sales of Enterasys products increased $16.5 million, or 10.2%, to $177.2 million in the first quarter of fiscal 2001 compared to $160.7 million in the first quarter of fiscal 2000. Enterasys reported an operating loss of $2.3 million for 1Q01 compared to a net loss of $16 million for 1Q00.

Aprisma Management Technologies

Aprisma focuses on delivering infrastructure management software for service provider and enterprise markets based on the company's Spectrum ® software. The company develops, markets and supports e-business infrastructure management software solutions that deliver service assurance capabilities. Spectrum ® software bridges the gap between legacy network management platforms and technology point tools. Through the use of the software, clients are able to control the networks, systems and applications of their businesses. Spectrum ® enables the customer to perform network management (routing, switching, and managing protocols and IP services), business process management (assure service level agreements are meeting the enterprise's needs), systems management (resource utilization), application management (including ERP systems), fault management (locate, prioritize and correct problems), and configuration management (normalizes configurations of specific device types regardless of vendor to simplify training requirements). Aprisma competes primarily with Hewlett-Packard's OpenView, IBM's Tivoli, BMC Software, Visual Networks and Micromuse Corp. The separation from Cabletron has already benefited Aprisma – the company partnered itself with Cisco Systems (a Cabletron competitor). Sales of Aprisma products increased $2.6 million, or 20.7%, to $15.1

million in the first quarter of fiscal 2001 compared to $12.5 million in the first quarter of fiscal 2000. Aprisma's operating loss for 1Q01 was $3.6 million, versus an operating loss of $1.1 million for 1Q00.

Global Network Technology Services

GNTS provides network infrastructure solutions that optimize application availability and network performance through the design, performance, management and security of networks to enterprise and service provider clients. GNTS will focus on internetworking design (design and build-up of network solutions in support of e-commerce and other strategic business initiatives), network assessment and optimization (improve network performance by optimizing the client's network hardware and design), network management (improve the performance and scalability of the client's network management application), outsourcing (provide outsourced network solutions so clients may focus on their core business), and information assurance (critical networking solutions). The company is one of the largest independent network-consulting firms in the world, with 67 locations worldwide. GNTS competes against Predictive Systems and against the large professional service organizations of large telecommunications companies such as Compaq and IBM. Sales of GNTS services increased $4.5 million, or 75.2%, to $10.4 million in the first quarter of 2001 compared to $5.9 million in the first quarter of fiscal 2000. GNTS reported an operating loss of $4.4 million in 1Q01 versus an operating loss of $3.6 million in 1Q00.

Industry

Riverstone operates in a lucrative market to equip telecommunications carriers and service providers with networking equipment to speed the Internet. Third party estimates have the Layer 3 LAN switching market growing from $650 million in 1998 to $4.5 billion in 2002 - 58% compounded annual growth (CAGR). A Layer 3 switch performs many of the functions of a router but has a higher performance and cost less because the Layer 3 switch implements the router functions through hardware not software. A router is usually software that determines the next network point to which a packet should be forwarded toward its destination. A switch is a telecommunications device that manages the forwarding of data in a network. Similarly, the Layer 4-7 switch market is expected to grow to about $1 billion by 2002 from $130 million in 1998 (65% CAGR). Given this growth, there are many companies that compete in this market. Some of Riverstone's competitors are Sonus Networks, Juniper Networks, RedBack Networks, Foundry Networks, Alteon WebSystems, Cisco Systems and Extreme Networks. Even given the amount of the competition, it appears that there is enough growth in this market for several competitors to survive.

While there is no dominant vendor in the service provider market, Cisco Systems is the dominant vendor in the enterprise market. Cisco's dominance can be seen in some companies (3Com) leaving the enterprise division or electing not to enter the enterprise market to focus on the service provider market. Competing in the enterprise market and against Cisco will be difficult; Enterasys should benefit from being one of the remaining companies in this segment. Next, Aprisma's products enable entities to control their networks that they run to improve the networks' performance. Aprisma's Spectrum ® is able to optimize the networks of ISPs, ASPs, MSOs and enterprises. Once separated from Cabletron, Aprisma should benefit from being able to design solutions for non-Cabletron companies and networking equipment. Lastly, GNTS is a consulting company that focuses on network design, management and optimization and on information assurance. As more and more companies require or improve their networks, these companies are going to demand the services of consulting companies like GNTS. One of the difficulties facing the spin-offs is that they need to shed the negative connotations associated with the Cabletron name and focus on their target markets.

Valuation

Of the four spin-offs, Riverstone appears to warrant the highest valuation multiple. Riverstone's closest comparable companies are other service providers oriented networking companies. Extreme Networks, a networking company that also offers Level 3 and Level 4-7 switches, is trading at about 24x estimated next years sales. Riverstone should trade at least at 20x its estimated 2001 revenues of $175 million. This is conservative based on Extreme expected to have positive earnings during the upcoming year, while Riverstone should have positive earnings in 2002. This equates to $19 per share of Cabletron. Secondly, we expect Enterasys will be worth about $24 per share of Cabletron (the highest of any of the spin-offs). This is based more on Enterasys having the largest revenue level of the spin-offs. Enterasys' not having a comparable company complicates matters. The company should probably trade at a discount to the valuation multiples of companies such as Cisco, Alcatel and Nortel but at a premium to a company such as Lucent. This equates to about 5x 2001 revenues of $900 million ($24 per share of Cabletron). Next, Aprisma should trade in the valuation range of its peers, which range from about 2x – 48x next year's sales. Aprisma warrants a valuation towards the lower end because

Division	Estimated 2001 Revenues	Price-to-Sales Multiple	Value	Value per CS Share
Riverstone	175	20x	3,500	19.00
Enterasys	900	5x	4,500	24.43
Aprisma	100	12x	1,200	6.51
GNTS	90	4x	360	1.95
	Mkt Cap	**CS Owns**		
Efficient Net	2,808.20	20.79%	583.82	3.17
		Spin-Off Value	10,144	55.07
		Discount		15%
		Total value		46.81

the company has yet to turn a profit. At 12x next years revenues, Aprisma is worth about $6.50 per Cabletron share. Fourthly, GNTS should probably trade at slight discount to Predictive Systems (5x next year's sales), its closest comparable pure play. At 4x next year's sales of about $90 million, GNTS would be worth about $2 per share of Cabletron. Lastly, Cabletron owns a 20.79% stake in Efficient Networks (NASDAQ: EFNT). Cabletron plans on selling a portion of its holdings in the supplier of high-speed digital subscriber line (DSL) customer premises equipment for the broadband access market. Each share of Cabletron has about $3.17 of Efficient embedded in it. The sum of each results in a Cabletron price of about $55 per share. Because of the execution risk still associated with this transaction, we have discounted Cabletron by 15% to $47 per share.

Company Update

Dun & Bradstreet to Spin-Off Moody's

Dun & Bradstreet (NYSE: DNB) will split into two publicly traded companies: (1) the new D&B Corporation and (2) Moody's Corporation. In a tax-free dividend, D&B will distribute to its stockholders one share of New D&B common stock for every two shares of D&B common stock. D&B has already received a ruling from the IRS stating that the distribution will be tax-free. In connection with the distribution, new D&B will change its name to "The Dun & Bradstreet Corporation" and the remaining "old" D&B will change its name to "Moody's Corporation". Shares of the new D&B common stock are expected to list on the NYSE and trade under the symbol "DNB". Moody's will continue to trade on the NYSE, but under a yet to be determined symbol. The companies are scheduled to separate on or about September 30.

The New D&B Corporation is a worldwide provider of business information and related decision-support services and is provider of commercial receivables management. The company operates offices in 37 countries, conducts operations in 4 other countries through minority interests in joint-venture companies and operates through independent correspondents in more than 150 additional countries. New D&B maintains the largest and most comprehensive database of business credit, marketing and purchasing information of its kind, with data on over 58 million public and private businesses from more than 200 countries. The database is also the platform from which new D&B offers an array of products, services and applications. D&B offers customers tools and data to understand and manage business information. Customers use D-U-N-S(R) numbers to identify companies and company affiliations and to provide links to New D&B's database and other data. The D-U-N-S(R) number has received endorsement from the US Government, the European Commission, the International Standards

Organization, and the UN Edifact Council, among others. After the distribution, Clifford Alexander, Jr., current Chairman and CEO of D&B, will become the Chairman and CEO of the New D&B.

Customers use new D&B's products and services to evaluate and make decisions about their working relationships with customers and suppliers, to improve efficiency and productivity and to identify growth opportunities and market their products more successfully. Specifically, new D&B offers credit information solutions (65.5% of 1999 new D&B revenues), marketing information solutions (22.2%), purchasing information solutions (2%), and receivables management services (10.3%). Credit information solutions help customers to extend commercial credit, approve loans and leases, underwrite insurance, evaluate clients, and make other financial and risk assessment decisions. The largest customers for these solutions are manufacturers, wholesalers, insurance companies, banks and other credit and financial institutions. New D&B's marketing and information solutions provide business-to-business marketing information and analysis. Customers use these products and services to segment customers, profile clients, select prospects and develop marketing lists. Next, customers use new D&B's purchasing information solutions to help customers understand their supplier base, leverage buying power, minimize supply-related risks, and identify and evaluate new sources of supply. Lastly, new D&B offers customers a full range of accounts receivable management services, including third party collection of accounts, letter demand services and receivable outstanding programs.

New D&B competes directly with a broad range of companies offering information services to business customers. Business information and related services are becoming increasingly available as a result of the expansion of the Internet. The competitive environment varies by country. In some countries, new D&B may have a leadership position (United States), whereas in other countries the competition may be highly fragmented. In its information business, new D&B faces competition from in-house operations of the businesses that it seeks as customers, from other general and specialized credit reporting services, as well as from other information and professional service providers (banks, credit issuers, and the Internet). In the collection industry, there are several collection agencies that have larger receivables portfolios (health-care and credit card providers). The third-party collection market is highly fragmented, with more than 5,000 collection agencies. The outsourcing market has relatively fewer competitors due to the need for receivables providers to have larger-scale operations. Companies competing against the new D&B are Equifax, Acxicom, Dow Jones and Harte-Hanks.

Moody's Corporation is a global credit rating, research and risk analysis firm. Moody's publishes credit opinions, research and ratings on fixed income securities, issuers of securities and other credit obligations. Moody's credit ratings and research help investors analyze the credit risks associated with fixed-income securities. The company has offices in 14 countries and expanded into developing markets through joint ventures or affiliation agreements with local rating agencies. Moody's publishes rating opinions and research on a broad range of credit obligations. These include various corporate and governmental obligations in over 100 countries issued in domestic and international markets, structured finance securities and commercial paper programs. Recently, Moody's moved beyond its traditional bond ratings activities and began to rate issuers of securities, insurance company obligations, bank loans, derivative products, bank deposits and other bank debt, and managed funds. Moody's customers include investors, depositors, creditors, investment banks, commercial banks, other financial intermediaries and a wide range of corporate and governmental issuers of securities. Moody's provides investor-oriented credit research for more than 2,800 institutions reaching more than 15,000 users globally. Moody's also owns Moody's Risk Management Service (MRMS), which develops and distributes credit risk assessment software that banks and other financial institutions use in their portfolio management, commercial lending and other activities. MRMS also provides modeling tools, credit education materials, seminars, and computer-based lending simulations. After the distribution, John Rutherford, Jr., current Moody's Investors Services President, will be the President and CEO of Moody's.

Moody's competes with other credit rating agencies and with investment banks and brokerage firms that offer credit opinions, research and risk analysis services. Institutional investors also have in-house credit research capabilities. Moody's most direct competitor in the global credit rating business is Standard & Poor's Rating Services, a division of McGraw-Hill Companies. Another rating agency competitor is Fitch (a subsidiary of the French conglomerate Fimalac), which is the product of the merger between Duff & Phelps and Fitch IBCA.

One issue overhanging the stock distribution is a lawsuit that IRI filed against Donnelley, the parent of old D&B, and two other subsidiaries of Donnelley. The suit alleges violations of US antitrust laws (including the Sherman Act), with a contract and a claim of tortious interference with a prospective business relationship. IRI is seeking damages in excess of $350 million under antitrust laws and punitive damages in an unspecified amount. New D&B and Moody's have agreed to be responsible for 50% of any payments made in respect to IRI's lawsuit. Management was unable to predict the outcome of the IRI action and the impact, if any, on the results of operations on new D&B and Moody's.

Financials
For the year ended December 31st, 1999, the new D&B Corporation reported pro-forma revenues of $1.4 billion and pro-forma operating income of $160.9 million. The company also reported pro-forma income from continuing operations of $89.5 million. The diluted earnings per share from continuing operations of $0.55 would be $1.10 per share if adjusted for the distribution ratio. For the six-month period ended June 30th, 2000, the new D&B Corporation reported pro-forma revenues of $704.3 million and pro-forma operating income of $98.9 million. For this period, the new D&B had income from continuing operations of $52.7 million, or $0.32 per share ($0.64 per share when adjusted for distribution ratio).

On a pro-forma basis, Moody's reported a net income of $151.2 million on revenues of $564.2 million for the year ended December 31st, 1999. For the year, the company's operating income was $270.4 million. Pro-forma earnings per share for the year were $0.92. For the six months ended June 30th, 2000, Moody's reported revenues of $288.7 million. For the period, the company's pro-forma operating income was $138.6 million. The company's net income for the period was $74.5 million ($0.46 per share).

As adjusted for the distribution and as of June 30th, 2000, the new D&B Corporation will have $54.8 million in cash and cash equivalents. Additionally, the company will also have $16 million in notes payable and $302.5 million in minority interest. Lastly, the company's total equity would be $9.1 million. This is the sum of common stock ($0.8 million), capital surplus ($226.5 million), retained earnings ($16.7 million), cumulative translation adjustment (-$196.5 million), and minimum pension liability (-$38.4 million). In total, the new D&B Corporation's capitalization would total $327.6 million.

Cash on Moody's books as adjusted for the distribution and as of June 30th, 2000, is $14.6 million. The company would also have $275.6 million in long-term debt. Moody's would also have a total equity deficit of $316.8 million. This is the sum of common stock ($1.6 million), cumulative translation adjustment (-$3.2 million), and retained deficit (-$315.2 million). Moody's capitalization would total negative $40.9 million.

Valuation
New D&B should probably trade in the range of its comparable companies, which trade at average of about 16x 2001 estimated earnings (range of 12.5x to 19x). To take a slightly conservative valuation metric of 13x 2001 estimated earnings of $0.96 (unadjusted for the distribution) results in a price of $12.50. Given that the new D&B is a leading company in the business information market, the company could warrant a premium earnings multiple. If the company were to trade at the high end of the P/E range of 19x 2001 earnings, new D&B would be worth about $18 per share.

Moody's does not have a publicly traded comparable pure play. However, the company should trade at a premium to McGraw-Hill, the parent of Standard & Poor's. McGraw-Hill trades at about $59 ½ per share, 22x December 2001 consensus earnings estimates. If Moody's were to trade at about $23.75 per share, the company would be trading at 25x estimated 2001 earnings of $0.95 per share. The combination of the two results in a share price for existing D&B of $36.25.

Company Update

Global Crossing to IPO Asia Global

Asia Global Crossing intends to offer 53 million shares of its class A common stock in an IPO. After the offering, Asia Global Crossing's outstanding common shares will consist of 67 million shares of class A common stock and 481.8 million shares of class B common stock. The class A shares are expected to price in the $14 - $16 range. Holders of class A common stock have one vote per share, while holders of class B common stock will have 10 votes per share. After the offering, holders of class B common stock will retain approximately 98.8% of the aggregate voting power. The founding shareholders of Asia Global Crossing (Global Crossing, Microsoft, and Japan's Softbank) own all of the class B common stock. With the completion of this IPO, Global Crossing will own 310.8 million (56.6%) of the class B shares. Microsoft and Softbank will each own 85.5 million (15.6%) of the class B shares. The Goldman Sachs group will own 4.8 million shares of the class A common stock (1%). After the offering, Asia Global Crossing will distribute to each of Global Crossing, Microsoft, and The Goldman Sachs Group their proportionate share of the total number of shares of common stock. The proposed symbol for Asia Global Crossing is "ACGX".

Concurrently with the stock offering, ACGX is also offering senior notes in an approximate aggregate principal amount of $400 million in a private transaction. The estimated net proceeds from the equity and debt offerings (if the equity prices at $15 per share) will be about $1.2 billion. The company expects to use the net proceeds to build out its network ($500 million), to invest in telecommunications and Internet companies ($200 million), to repay outstanding indebtedness under shareholder loans ($9.4 million), and to purchase an additional $79 million from additional Global Crossing shareholder loans.

Asia Global Crossing is building to become a pan-Asian telecommunications carrier that provides Internet, data, voice and Web-hosting services to wholesale and business customers. Specifically, the company offers (1) managed bandwidth services to telecommunications carriers and Internet companies; (2) Internet transit services, including dedicated Internet access; (3) domestic and international private line services; and (4) Web-hosting and Internet infrastructure services. The company also intends to offer data center services in Asia together with GlobalCenter, a Global Crossing subsidiary. The services the company expects to add are advanced Internet services, including e-mail hosting, unified messaging and storage, data transport services, and integrated voice and data services, including multimedia services such as video conferencing and e-commerce services. Elements of the company's network are already operational are a trans-Pacific subsea cable, a portion of its national network in Japan, a GlobalCenter data center in Tokyo, and the largest fully-fiber optic network in Hong Kong. The company is in the process of completing an East Asian subsea cable, segments of its national networks in Japan and Hong Kong. By the end of 2001, ACGX expects its network to connect the principal commercial and financial centers across Asia. In addition, the company will offer worldwide Internet and data services through seamless connectivity within the Global Crossing network which, inclusive of ACGX's network, is expected to span approximately 162,544 route kilometers, serving five continents, 27 countries and more than 200 major cities. As of June 30th, 2000, AGCX's customers included AboveNet, KDD and Qwest. For the six months ended June 30, 2000, Qwest, KDD and AboveNet accounted for 53.8%, 15.9% and 9.9% of consolidated revenue, respectively.

Intending to capitalize on the anticipated significant growth in Asian Internet and telecommunications traffic and the increasingly favorable regulatory environment, Global Crossing, Microsoft and Softbank formed Asia Global Crossing as a joint venture in November 1999. The companies intended to build a network to serve the most important routes for Internet, data and voice traffic which connect principal commercial and financial centers in Asia. The company already established operations in Japan and Hong Kong (two of the largest telecommunications markets in Asia) and expects to serve six other key Asian markets: Taiwan, Korea, Singapore, Malaysia, the Philippines and, if and when regulations permit, China. These seven countries, together with China, accounted for approximately $6.4 trillion or 87% of the combined GDP of Asia. In comparison, the US has a GDP of $9.2 trillion. The development of Internet access and Internet services in many countries in Asia is also at an early stage. According to International Data Corporation, in 1999, there were approximately 29.2 million existing Internet users in ACGX's target markets, or approximately 20 per 1,000 people, compared to 87.3 million Internet users in the United States or 320 per 1,000 people. Two reasons for the relatively low level of Asian Internet penetration are the regulation of domestic markets and the relatively higher cost of Internet access.

Deregulation of Asian telecommunications markets will create opportunities to compete with established national telecommunications companies. Hong Kong and Korea have partially opened up their telecommunications markets by awarding licenses to new entrants. Singapore completely opened up its telecommunications market effective April 1st, 2000, two years ahead of schedule. Taiwan has announced the partial opening of its telecommunications market to new entrants offering facilities-based services effective August 2000.

The telecommunications industry is extremely competitive, and the company's success in Asia will depend on its ability to compete against a variety of companies. In most Asian countries where ACGX competes or intends to compete, established, national telecommunications carriers traditionally had a monopolistic or dominant presence (the NTT group of companies, Singapore Telecom and Hong Kong Telecom). Next, the company will compete against a number of undersea cable operators, including Tycom, 360networks, and Level 3. ACGX will also compete with various other global telecom companies, including MCI WorldCom, AT&T and British Telecommunications, each of which plan to operate global fiber optic networks. Finally, the company competes with other telecommunications companies that provide Web-hosting services, including Exodus, Digex, Level 3, PSINet, and Genuity.

Global Crossing (NASDAQ: GBLX) has grown into a major telecommunications carrier. The company is an independent global provider of Internet and long distance telecommunications facilities and related services on its 12 regional undersea and terrestrial digital fiber optic cable networks. The Global Crossing Network contains 97,200 announced route miles, serving five continents, 24 countries and over 200 major cities. The Network's construction and engineering technology is the latest in fiber optic technology, including self-healing ring structures, erbium-doped fiber amplifier repeaters, wavelength division multiplexing, and the use of redundant capacity to ensure instantaneous restoration. Through the Network, the Company's telecommunications and Internet product offerings will soon be available to over 80% of the world's international communications traffic. Global Crossing provides local, long-distance, and international phone service; Internet access; and data transport and network capacity.

Valuation

At $15 per share of ACGX, Asia Global Crossing would have a market capitalization of $8.2 billion. The company appears to be trading in line with its peers that are still in the red at about 3.8x book value. The company will probably remain in the red as long as the company continues to build its network. Lastly, one share of Global Crossing has $5.29 of Asia Global Crossing embedded in it.

Company Update

ICN to IPO Ribapharm

On August 3rd, ICN Pharmaceutical's (NYSE: ICN) subsidiary Ribapharm filed to IPO 18 million class A shares or 12.6%. ICN will retain 124 million class B shares (5 votes) representing an 87% economic interest and 97% voting. The offering if priced at the midpoint of the range ($13-$15) would raise $252 million before fees and give a market value of $1.9 billion to Ribapharm. The proposed ticker for Ribapharm is "NASDAQ: RIBA". ICN's stake would represent an embedded value of $22 per ICN share based on ICN's 79.4 million shares outstanding ($14*1.56 | 124/79.4). ICN will receive all proceeds from the sale of the class A Common Stock in Ribapharm.

Shareholder Dissent

Investment group Special Situation Partners (SSP) holds an 8.5 percent stake which opposes the restructuring by ICN, and has threatened to run its own slate of directors and block the initial public offering of Ribapharm. SSP said it was seeking to boost shareholder value by separating ICN and the two spin-offs into completely independent entities. ICN in response has stated that a complete spin-off **would not** qualify for tax free treatment at this time, and that carve-outs would be the best course of action to create shareholder value.

Ribapharm is a biotechnology company that develops and commercializes innovative products in the antiviral and anticancer areas. Ribapharm owns a library of 3500 nucleosides, conducts all R&D operations at its California facilities. Ribapharm research efforts focus on treatments for hepatitis C, hepatitis B, HIV, cancer and other life threatening diseases. Drugs that treat these diseases may qualify for accelerated FDA review procedures, and have a potential for premium pricing and favorable reimbursement policies. Ribapharm's main product is Ribavirin, which is used in the treatment for Hepatitis C. Royalties in 1999 accounted for $110 million and $76.6 million in the first six months of 2000.

Upon completion of the Ribapharm IPO, the next carve-out will be ICN's international division. There is no S-1 at this time so specific details are not available, but the new international company will include operations from Eastern and Western Europe plus the Pacific Basin. ICN International will be headquartered in Moscow, have about 12,600 employees and 13 manufacturing sites. ICN will be the majority owner in both companies and will have about 1,700 employees and 8 manufacturing sights, with approximately $307 million in revenue on a 1999 pro forma basis.

Recent news

On Sept. 6th, ICN Pharmaceuticals received approval from the FDA to market the first laser technology to safely remove wrinkles without damaging the skin's surface. ICN's non-abrasive laser technology has been shown in clinical studies to benefit patients in a range of age groups with various degrees of wrinkle severity. In clinical trials the procedure required no anesthesia, and was typically completed in 20 minutes. The device is approved in Europe and was launched at the Royal College of Physicians, London earlier this year. Patients undergo treatment in their doctor's office.

Company Update

Worldcom to Buy Intermedia

On September 5th, WorldCom announced it has signed a definitive agreement with Intermedia (NASDAQ: ICIX). In July, we suggested that Intermedia was a good buyout candidate given the negative implied valuation relative to its Digex stake. Intermedia is one of the biggest independent operators of voice and data networks in the country. The transaction is valued at $6 billion ($3 billion in equity, plus $3 billion in debt and preferred stock). Intermedia closed at $31.50, up 38%. The purchase gives WorldCom a way to backdoor into Web hosting, given Intermedia's 55% ownership (94% voting control) of the Digex Web hosting subsidiary. The move should expand WorldCom's data applications and Web hosting capabilities—and leverage its UUnet Internet backbone to drive data revenue growth.

Digex offers the end-to-end infrastructure to support complete web and enterprise applications. In addition to the Internet connectivity, floor space and secure data center in co-location services, Digex owns and manages customer web and application servers and offers other value added monitoring, reporting, security and backup services. Hosted applications include banking, procurement and eCommerce, as well as the new ASP model with its various derivatives. Value-added services include private networking, intelligent networking (load balancing and cashing), enterprise services (firewall management, stress testing and security) and consulting services (capacity/migration planning and database optimization). Presently the company has four data centers in Beltsville, Maryland, Cupertino, California and San Jose, California totaling over 220,000 square feet of space. Recently the company just opened its first data center in London. The most direct competitors in the managed services area include IBM, Genuity, PSINet and Qwest. Indirect competitors in web hosting include Exodus, Global Crossing's Global Center and the large telcos. Internet Web hosing is growing at a geometric rate. Consultants estimate the size will grow above $20 billion by the end 2003.

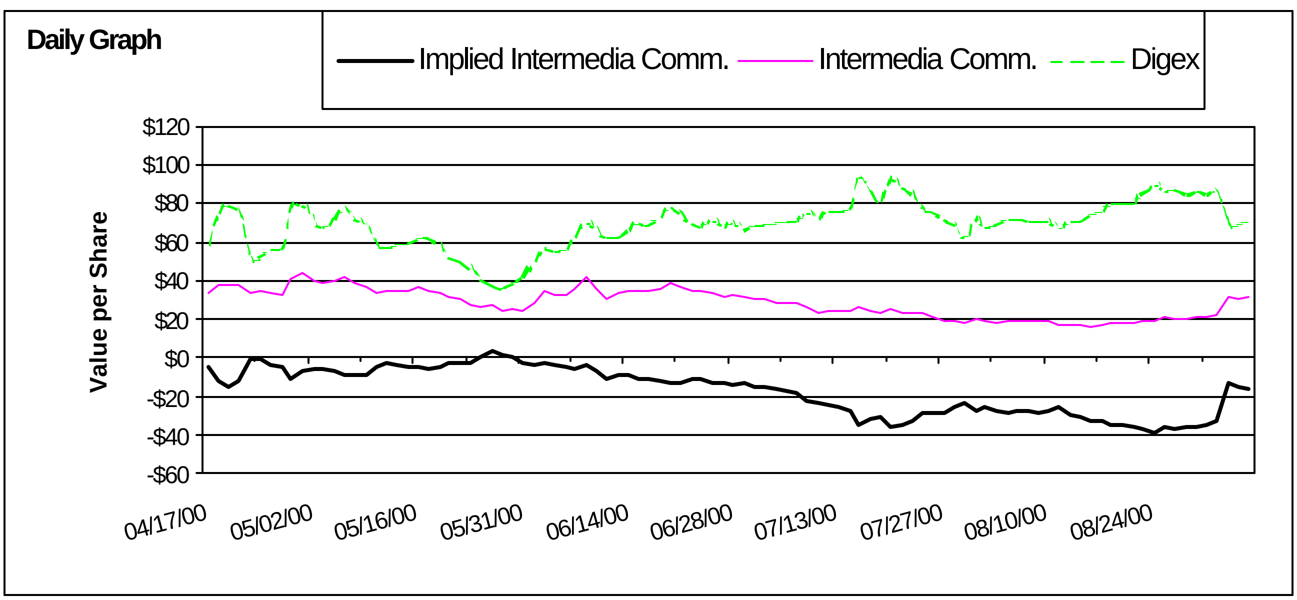
WorldCom's financial strength, global sales force, network capacity, and co-location will provide Digex a stronger platform from which to grow market share. WorldCom beat out several Digex rivals, including Exodus and Global Crossing, in reaching an agreement to acquire the company.

On the day the deal was announced, shares of WorldCom were down $3.19, or 8.6 percent, to close at $33.75. Digex was down $16.63, or almost 20%, to close at $67.88, amid disappointment that the company was not being acquired in its entirety. If the deal goes through, WorldCom will hold 55% of Digex's equity and 94% of the company's voting interest. The remaining 45% will remain publicly traded. Digex began trading as a standalone company on July 30th, 1999 in a partial IPO. The agreement calls for WorldCom, the nation's largest long-distance service provider after AT&T, to swap $39 worth of its stock (subject to a collar) for each of Intermedia share and assume about $3 billion in Intermedia debt. The actual number of WorldCom common shares to be exchanged for each Intermedia common share will be determined based on the average trading prices prior to the closing. **The exchange ratio will not be less than 0.8904 share if WorldCom's average stock price exceeds $43.80, or more than 1.1872 shares if WorldCom's average stock price is less than $32.85. In the event that the exchange ratio is higher than 1.0685, WorldCom may elect to pay the difference between the exchange ratio and 1.0685 in cash rather than in additional WorldCom stock**. The merger, subject to approval by shareholders and federal regulators, is expected to close in early 2001. The transaction will be accounted for as a purchase and is tax free to shareholders. Additionally, the transaction carries with it an approximate break-up fee of $150 million.

The risks of the transaction would appear to center on regulatory approval following WorldCom's failed acquisition of Sprint. The Department of Justice will revisit the same issues of consolidation in the IP and long distance market and the ability of a major carrier to make acquisitions. An investment in Intermedia shares at this point is appropriate only for investors that would like to end up owning WorldCom shares.

WorldCom plans to divest the majority of Intermedia's assets (selling off overlapping local assets to avoid regulatory complications and rationalizing the rest of the assets). We would view Intermedia's non-DIGEX ATM/IP ATM/IP and CLEC businesses as highly likely candidates for divestiture and accounting treatment as discontinued operations. However, WorldCom is likely to retain some assets and revenues from Intermedia if there is a benefit in doing so. For example, Intermedia has a favorable network agreement with Williams that WorldCom may use for some of its own traffic.

The initial market reaction has been negative as WorldCom dropped nearly 9% on the announcement. We would blame the stock weakness on the Intermedia dilution (it is expected to be 5 to 7% diluted to GAAP EPS). In addition, on the conference call, WorldCom's management indicated it expects WorldCom's revenue growth rate to fall in the 11-12% range over the next two quarters, down from prior targets of 12-13%. The toned back growth is due to continued weakness in the consumer and wholesale voice long distance segment. We expect an announcement in the next month in regard to WorldCom's plans to exit the consumer long distance market, either through a sale or tracking stock for that business.



Company Update

Modis Unit Idea Integration Files for IPO Carveout

On August 16th, Idea Integration, the IT solutions division of Modis Professional Services (NYSE-MPS) filed an initial public offering of $103.5 million worth of common stock. To separate their businesses, Modis and its wholly owned subsidiary Idea Integration will complete a reorganization prior to the IPO. Modis also plans to distribute shares of Idea Integration to its stockholders, but it is not obligated to do so. Idea Integration is an e-business solutions provider, offering services including strategy consulting, creative design, Web branding, and development and implementation of e-business software applications. Net proceeds of the IPO, which were not estimated in the preliminary document, will be used to repay Modis $30 million in debt under the reorganization plan. The funds will also be used for general corporate purposes, including hiring personnel, strategic acquisitions, and working capital. Robertson Stephens is set to lead a group of underwriters participating in the stock sale.

Idea Integration (NASDAQ-IDEA proposed) is an e-business consulting practice. The unit specializes in the design and development of applications for online business, but it also offers its clients a variety of other services including strategy consulting, creative design, and Web branding. Idea Integration has performed work on behalf of clients such as Hewlett-Packard, Merrill Lynch, Qwest Communications, and Time Warner Telecom. The company has offices in the UK and the US. Idea had $168.2 million in sales in 1999, and generated $14.6 million in income. Idea Integration for the six months ended June 30, posted net income of $2.2 million on revenues of $113.3 million. We expect this business to generate in excess of $250 million in revenue this year, with 40% plus gross margins.

Modis Professional Services is a provider of information technology and specialized staffing services. The company's information technology business (65% of total revenues) consists of IT solutions/projects and IT consulting services. The professional business segment, Prolianz, consists of accounting, engineering, legal, scientific, and outplacement services. Modis has more than 260 offices throughout North America, Europe, and Latin America. The company has more than 10,000 IT consultants. In November of 1999, Modis announced plans to spin off its e-business consulting unit and separating its professional staffing and IT businesses. Earnings estimates have ratcheted down due to a slowdown in IT staffing, and increased investments in Modis' e-business consulting unit and Beeline.com.

Modis started operations in 1996. Revenues grew from $89 million in 1993 to $2.4 billion in 1997 as the company pursued an aggressive acquisition strategy. In 1998, Modis sold its commercial staffing business to focus on information technology and professional staffing markets. In 1999, tight labor markets and Y2K- related spending freezes stalled out growth. Overall demand has not rebounded as expected, and Modis is experiencing trouble transitioning its own workforce to the changed work requirement of the Internet projects. The stock has been on a death spiral all year, and is trading at 52-week lows.

Recent Results

Modis Professional Services reported second quarter EPS of $0.13 versus $0.27 last year. The IT segment (65% of Modis' revenue in the quarter) was down from last year. The Professional segment was up nearly 11% helped by the accounting group. The near term earnings outlook continues to appear sluggish. Revenues decreased 7.4% to $464 million in the second quarter. The IT segment decreased 15%. The professional services segment (Prolianz) increased 10.6% to $163 million. Gross margins were 29.3% versus 27% last year. Operating margins were 5.7% versus 8.8% last year, but held flat sequentially. SG&A improved to 20.8% (up 490 basis points). Idea Integration (Modis' Internet consulting business) revenues improved 15% to $61 million, with gross margins of 46%, up 300 basis points from the first quarter. The consensus earnings estimate for 2000 is now $0.52, suggesting that MPS is trading at 12x earnings. Modis has 96.4 million shares outstanding for a current market value of about $600 million.

Company Update

Sara Lee to Carve Out Then Split-Off Coach

Sara Lee Corporation (NYSE: SLE) revealed that it plans to offer 7.38 million shares of Coach, Inc. in an IPO. After the offering, Coach will have 42.4 million shares of common stock outstanding, of which Sara Lee will own 35 million (82.6% of the outstanding shares). Coach expects the shares to price in the range of $14 - $16 per share. At $15 per share, the net proceeds of the offering would be about $99 million. Coach plans on using the proceeds to repay a portion of the note payable to Sara Lee. Before the IPO, Coach will undergo an equity restructuring which will result in Coach's recording $190,000 of long-term debt. Coach will trade on the NYSE; its proposed symbol is "COH". Currently, Sara Lee plans to offer its stockholders the opportunity to exchange Sara Lee common stock for Coach common stock, in a tax-free split-off within 18 months after the offering.

Coach, Inc. designs, manufactures, markets and sells primarily premium leather handbags and accessories for men and women. Third-party suppliers as well as Coach-operated manufacturing facilities manufacture Coach products. Coach's primary product offerings include handbags (56% of net sales), men's and women's accessories (11%), business cases (7%), luggage and travel accessories (5%), personal planning products (3%), leather outerwear, gloves and scarves (2%). Licensing accounts for the balance of the revenues. With the company's licensing partners, Coach also offers watches (through Movado), footwear (through Jimlar), furniture (through Baker Knapp & Tubbs) and eyewear (through Signature Eyewear) under the Coach brand name. The company markets products via company operated retail stores (106 in the US), direct mail catalogs, e-commerce website (coach.com), factory stores (63 in the US), and via selected upscale department and specialty retailer locations (1,400 in the US) and international department, retail and duty free shop locations (175 outlets in 18 countries). Coach operates 2 manufacturing facilities, 3 warehouses, distribution, and product development centers, 106 US retail stores, 63 US factory stores and 2 retail locations in the UK.

Sara Lee Corporation is a global conglomerate that manufactures and markets brand-name products for consumers throughout the world. Sara Lee has operations in more than 40 countries, markets branded products in more than 140 countries, and has 30,000 trademark registrations. Sara Lee seeks to build leadership brands in consumer packaged goods categories. Sara Lee operates in five areas: Sara Lee Foods, Coffee and Tea, Household and Body Care, Foodservice, and Branded Apparel.

Sara Lee Foods consists of Sara Lee Packaged Meats and Sara Lee Bakery. The packaged meats division, the largest processed meats company in the world, processes and sells pork, poultry and beef products to supermarkets, warehouse clubs, national chains and institutions throughout the US, Europe and Mexico. The unit offers smoked sausage, bacon, hot dogs, breakfast sausage, breakfast sandwiches, premium deli and luncheon meats, ham, turkey, and packaged lunch combinations. Sara Lee Bakery produces fresh and frozen baked and specialty items. Its core products are frozen and fresh pies, cheesecakes, pound cakes and specialty breads and bagels. These products are sold through supermarkets, foodservice distributors, bakery-deli and direct channels throughout the US, UK, France, Mexico, Australia and numerous Asia-Pacific countries.

The Coffee and Tea Business has a significant presence in Western and Central Europe and in Australia. In the coffee market, the company's products include Douwe Egberts (its European flagship brand), Maison du Cafe, Marcilla and Merrild. The company's tea brands include Pickwick, Hornimans, Suenos de Oro, and Paradise. The division also offers coffee and dispensing equipment through its Douwe Egberts Coffee Systems equipment in Europe and its Superior Coffee and Foods business in the US. The Coffee and Tea business also manufactures rice products and snack and nut products.

Household and Body Care is composed of four primary core categories: shoe care (led by Kiwi products); body care items (led by the Sanex brand but also including Duschdas, Badedas and Monsavon and baby care products sold under the Zwitsal, Fissan and Proderm names); insecticides (sold internationally under the Catch, Bloom, Vapona and Ridsect brand names); and air fresheners (led by the Ambi-Pur brand, Zendium and Prodent oral care products, and Biotex and Neutral specialty detergents). Body care items and insecticides are marketed principally in Europe as well as into the Asia-Pacific and Latin America markets. These products are sold through a variety of retail channels including supermarkets. Sara Lee Direct Selling distributes a wide range of products (cosmetics, fragrances, jewelry, toiletries, apparel and nutritional supplements) through a global network of independent sales representatives.

Sara Lee Foodservice is conducted principally under the PYA/Monarch name. PYA/Monarch is the leading foodservice distributor in the southeastern United States and the fourth largest full-line foodservice company in the United States. This business distributes dry, refrigerated and frozen foods, paper supplies and foodservice equipment to institutional and commercial foodservice customers. Recently, Sara Lee announced that it will sell PYA/ Monarch to Royal Ahold for $1.57 billion in cash. Management plans to use the after-tax proceeds of $1.2 billion either to reduce debt, repurchase shares and/or for acquisitions. The sale comes after Sara Lee’s May announcement that it would IPO up to 20% of PYA/Monarch and Coach then divest the balance within 18 months.

Sara Lee’s Branded Apparel line of business includes the Intimates and Accessories, Knit Products and Legwear businesses. Sara Lee Intimates includes bras, panties and shapewear. These are distributed under a variety of brand names. Distribution channels for intimate apparel range from department and specialty stores to warehouse clubs and mass-merchandise outlets for some of the value-priced brands. Coach is Sara Lee’s Accessories division. Sara Lee Knit Products involves the sourcing, manufacturing and distribution of men's, women's and children's underwear and activewear (T-shirts, fleecewear and other jersey products for casualwear) Sara Lee Legwear products consist of a wide variety of branded, packaged consumer products, including pantyhose, stockings, combination panty and pantyhose garments, tights, knee-highs and socks, many of which are available in both sheer and opaque styles.

As Sara Lee increased in size and scope, the company became more cumbersome to manage. Historically, the corporation relied on vertical integration in various manufacturing processes to assure a readily available product source that met quality standards. The emergence of alternative sources of competitively priced manufacturing products, particularly in the apparel industry, has allowed the corporation to purchase manufactured goods from a number of suppliers and decrease the corporation's reliance on its own manufacturing facilities. In September 1997, the corporation announced a restructuring program to reduce its ownership of low-return assets and focus resources on top-line growth. By the end of fiscal 1999, Sara Lee had sold or closed more than 100 facilities and entered into 30 outsourcing agreements. Sara Lee has also divested a number of non-core businesses, including its international tobacco operations. Earlier in 2000, management announced that the company is going to refocus Sara Lee by spinning off or divesting several businesses. Sara Lee will now operate around three main divisions. These are Food and Beverage (47% of sales), Intimates & Underwear (41%), and Household Products (12%). The original 2000 plan included the sale of Champion (athletic apparel) and of International Fabrics division (textile supplier) plus the divestiture of Coach and PYA/ Monarch through two carve-outs and spin/split-offs. Management also announced other changes. First, Sara Lee will reduce SG&A expenses by becoming more centralized. Next, the company will reduce its currency hedging activities, which were very expensive. Lastly, management plans to lower the company’s corporate tax rate of about 24%. However, even after the restructuring, Sara Lee still remains a large conglomerate of three apparently unrelated divisions. Although the company has simplified its operations, they still are not that transparent.

Company Update

Sybron to Spin Off its Dental Unit

Sybron International Corp. (NYSE: SYB) is spinning off its dental business by way of a pro rata, tax free distribution to its shareholders of the outstanding shares of Sybron Dental Specialties (SDS) common stock. SDS owns Pinnacle Products and Sybron Dental Management, which own the companies that operate Sybron International's dental business. Sybron International will retain its laboratory business but will not retain any shares of SDS stock. Sybron International has received a private letter ruling from the IRS to the effect that, for federal income tax purposes, the distribution will be tax free to Sybron International and its shareholders. After the distribution and upon shareholder approval, Sybron International plans to change its name to Apogent Technologies. The tentative date for the distribution is November 1, 2000.

Sybron Dental Specialties operates three business segments: Professional Dental, Orthodontics, and Infection Control Products. The company will manufacture and sell dental products. These include filling and impression materials, waxes, dental equipment, orthodontic appliances, and infection control products. SDS sells all of its products domestically and internationally. The company sells its products through dental distributors (professional dental, orthodontic and infection control) and directly (orthodontic). The company competes against a variety of companies, including GC America, 3M Corporation, Dentsply International, Espe GmgH & Co, and Ivoclar. SDS has applied for approval to list its stock on the NYSE and will trade under the symbol "SYD". Initially, SDS will incur additional debt to reduce the amount of Sybron's debt. SDS will outstanding floating rate debt of about $375 million (so an increase in interest rates may adversely affect the company). SDS will also pay Sybron International a dividend of $178.1 million to settle all intercompany loans. International sales accounted for 42% of the company's net sales for the first six months ended March 31, 2000.

Apogent Technologies will continue to own subsidiaries in the four segments of Sybron International's laboratory products group: Laboratory and Life Sciences, Clinical and Industrial, Diagnostics and Microbiology, and Laboratory Equipment. The Laboratory and Life Sciences group sells reusable and disposable plastic products as well as packaging and storage products. Products in the Clinical and Industrial business segment include microscope slides, glass tubes and vials, stains and reagents for clinical testing, and precision and coated glass. Products in the diagnostics and microbiology business segment are used for testing, measuring and monitoring various medical conditions. Through the Laboratory Equipment group, the company sells heating, stirring and temperature control apparatus. Laboratory and Life Sciences, Clinical and Industrial, Diagnostics and Microbiology, and Laboratory Equipment accounted for 24%, 16%, 16% and 9% of all of Sybron International's 1999 net sales, respectively. Sybron sells its products through distributors (most products from Labware and Life Science, Clinical and Industrial, and Laboratory Equipment) and directly (mostly Diagnostics and Microbiology). The company competes with Corning, Millipore Corp, Knittel Glaser, Elkay Products, Becton Dickinson, and Meridian Diagnostics. The company plans to trade under the symbol "AOT".

Financials

For the six months ended March 31, 2000, SDS had revenues of $201.7 million, an increase of $13.2 million (7%) from the same period in 1999. Additionally, net income increased by $4.3 million (21%) to $24.7 million. For the nine months ended June 30, 2000, the laboratory business experienced an increase of revenues of $119.7 million (23%) in revenues to $635.4 million. The division's operating income also increased by 23% ($29.3 million) to $155.8 million. For the dental business over the same nine months, revenues and operating income increased by $21.6 million (8%) and $8.2 million ($12 million) to $306.7 million and $79.7 million, respectively.

Company Update

Verizon Wireless Files for $5 billion IPO

On August 24th, Verizon Wireless, the wireless unit of Verizon Communication (NYSE:VZ) filed for an IPO, which could be one of the biggest stock debuts ever. In April, AT&T Wireless floated a tracking stock that raised $10.6 billion. At $5 billion, the proposed Verizon Wireless deal would rank as the third largest IPO in U.S. history behind AT&T Wireless and United Parcel Service (which have provided less than stellar returns). The filing did not specify the number or price of Class A common shares. The IPO is expected to take place by year-end, and is being handled by Goldman Sachs and Merrill Lynch. Other telecom firms are pursuing IPOs as a way to highlight the fast growing cellular phone units. Baby Bell SBC Communication and BellSouth recently formed a joint venture to combine their U.S. wireless operations. The yet to be named company plans to go public.

Formed when Bell Atlantic bought GTE, **Verizon Communications** is the #1 local phone company in the US and the #2 telecom services provider, behind AT&T. Verizon has 63 million local-access lines in 31 US states. Verizon Wireless, the company's joint venture with Vodafone, is the #1 US wireless provider, with 25 million mobile phone customers and 4 million paging customers nationwide. Outside the US, Verizon affiliates serve 6 million wireless customers and operate 4 million local access lines. And, Verizon has 4 million US long-distance customers. Verizon has 2.756 billion shares outstanding for a current market cap of $118 billion. Pro forma 2000 revenues will be approximately $62 billion.

Verizon Wireless is the #1 mobile phone operator in the US, Verizon Wireless' nationwide network uses both analog and CDMA (code division multiple access) digital technology to serve more than 25 million mobile phone customers (versus 14 million for AT&T) and about 4 million paging clients. The company began operations in 2000 when Bell Atlantic and Vodafone Group combined their US wireless assets, including their PrimeCo partnership. The new company gained GTE's US wireless operations when Bell Atlantic bought GTE to form Verizon Communications. Services also include Internet access. Verizon Communications owns 55% and Vodafone owns 45% of the partnership. The unit generated revenue of $13.5 billion last year. The unit generated revenues of about $7.3 billion through the first six months of this year.

Recent Results

On August 8h, Verizon Communications reported its first quarter as a combined entity. The company also provided pro-forma historical financials and set new growth and earnings targets for 2000. In addition, Verizon announced a joint venture with NorthPoint Communications (NPNT) whereby the companies would merge their respective DLS operations into a “new NorthPoint”. This entity would be 55% owned by Verizon and 45% by NorthPoint shareholders and continue to trade as a separate listed security under the NorthPoint name. Verizon will also contribute $800 million in cash, which will be used to fund $450 million of NorthPoint’s capital expenditures and operations and $350 million will be distributed to current NorthPoint shareholders.

For Q2, Verizon reported EPS of $1.79 a share and adjusted EPS of $0.72 per share, up 7.5% from $0.67 normalized in Q299. Verizon’s pro-forma adjusted revenues totaled $16.6 billion in Q2 (7.4% growth year over year). Data revenue grew 32% year over year, domestic wireless grew 19%, and international revenue increased 10.2%. Domestic wireless telecom revenue grew 4.8%. Adjusted EBITDA of $7.0 billion was up 8.0% year over year and resulted in an EBITDA margin of 42.3%, up from 42% in Q299 and 42.2% in Q100.

Verizon issued revised guidance for the merged companies’ results going forward to account for several items (Merger related dilution from FCC concession, the deconsolidation of Genuity-GENU) , the formation of Verizon Wireless and additional goodwill from Airtouch property close, and the recent combinations of one point Communications and NorthPoint. Verizon expects to post 2000 EPS of $2.90 to $2.94, which excludes the impact of one-time pension settlement gains.

ANNOUNCEMENT CALENDAR

Company	Symbol	Announced Date	Spin-Off	Symbol	Type
3COM	COMS	09/13/99	PALM COMPUTING	PALM	CO/SP
AMERICAN ONLINE	AOL	07/06/00	AOL LATIN AMERICA	AOLA	CO
AMERICAN SOFTWARE	AMSWA	01/25/00	AMQUEST		
APOLLO GROUP	APOL	03/28/00	PHOENIX ONLINE		TR
ACTUANT	ATU	01/27/00	APW Ltd.	APW	
AT&T	T	12/06/99	WIRELESS GROUP	AWE	TR
AUTONATION	AN	05/25/99	AUTONATION.COM		TR
		08/02/99	ANC RENTAL CORP.	ANCX	SP
AVISTA	AVA	01/21/00	INTERNET BILLING		
AZTEC	AZTC	03/30/00	PCSI		CO/SP
VERIZON	VZ	04/10/00	GENUITY	GENU	CO
BELLSOUTH	BLS	04/05/00	WIRELESS UNIT		CO
		03/29/00	LATIN WIRELESS		IPO/TR
BRE PROPERTIES	BRE	03/16/00	VELOCITYHSI	VHSI	SP
CABLEVISION	CVC	12/22/99	RAINBOW PROGRAMMING		TR
CABLETRON	CS	02/10/00	SPLIT INTO 5 COMPANIES		
CABOT CORP.	CBT	07/9/99	CABOT MICROELECTRONICS	CCMP	CO/SP
CENDANT	CD		MOVE.COM	MOV	TR
CENTRAL GARDEN & PET	CENT	03/20/00	LAWN AND GARDEN DISTRIBUTION		SP
CHRONIMED	CHMD	03/13/00	MEDGENESIS	MDGN	SP
CIBER CORP.	CBR	03/01/00	ENTERPRISE SOLUTIONS		SP
CMGI	CMGI	12/17/99	ALTA VISTA	ALTA	CO
COMDISCO	CDO	06/17/99	PRISM		CO
			VENTURE FUND TRACKER		TR
COMPUTER HORIZONS	CHRZ	10/18/99	eB NETWORKS		CO
CONSOLIDATES STORES	CNS	01/27/00	KBKIDS.COM		CO
COPART	CPRT	12/17/99	INTERNET BUSINESS		SP
CYBER-CARE	CYBR	02/29/00	AIR RESPONSE		SP
DAISYTEK	DZTK	09/21/99	PFSWEB	PSWB	CO/SP
DAMARK	DMRK		CLICKSHIP DIRECT		
DELIA’S	DLIA		iTURF	TURF	CO/SP
DELUXE	DLX	01/31/00	eFUNDS	EFDS	CO/SPLIT
DIAGEO PLC	DEO	06/22/00	BURGER KING		CO
DUN & BRADSTREET	DNB	12/15/99	MOODY’S		
EATON CORP.	ETN	02/24/00	AXCELIS TECHNOLOGIES	ACLS	CO
EMC Corp.	EMC	05/31/00	MCDATA	MCDT	CO
FISHER SCIENTIFIC	FSH	03/08/00	ALCHEMATRIX		CO
FLUOR	FLR	06/08/00	MASSEY ENERGY		SP
GLOBAL CROSSING	GBLX	04/19/00	GLOBAL CENTER		IPO/TR
GLOBAL CROSSING	GBLX	05/23/00	ASIA GLOBAL CROSSING	ACGX	CO
GREAT LAKES CHEMICAL	GLK	09/20/99	OSCA	OSCA	CO
HEWLETT-PACKARD	HWP	03/02/99	AGILENT TECHNOLOGIES	A	CO/SP
iGATE	IGTE	03/07/00	MULTIPLE UNITS		CO
ICN PHARMACEUTICALS	ICN	06/15/00	RIBAPHARM	RIBA	CO
			INTERNATIONAL OPERATIONS		CO
INTELLIGROUP	ITIG	11/04/99	SERANOVA	SERA	SP
INTERPOOL	IPX	08/09/99	MICROTECH AND POOLSTAT		SP
JC PENNEY	JCP	05/18/99	ECKERD DRUG CHAIN		TR
KANSAS CITY SOUTHERN IND.	KSU	02/03/98	STILWELL FINANCIAL	SV	SP
KROLL O’GARA	KROG	04/18/00	SPLIT UP		SP
LASON	LSON	12/20/99	E-COMMERCE		
LUCENT	LU	03/01/00	AVAYA	AV	SP
LUCENT	LU		MICROELECTRONICS		SP

ANNOUNCEMENT CALENDAR

Company	Symbol	Announced Date	Spin-Off	Symbol	Type
METHODE ELECTRONICS	METHA	02/23/00	STRATOS LIGHTWAVE	STLW	CO/SP
MILLER	MLR	05/13/99	ROADONE		SP
MIM CORP.	MIMS	01/20/00	INTERNET PHARMACY		
MODIS PROF. SERVICES	MPS	11/09/99	IT DIVISION / SOLUTIONS UNIT		SP/CO
MOTOROLA	MOT	06/27/00	PROPEL		CO
NATIONAL DATA	NDC	12/21/99	eCOMMERCE		SP
NETWORK ASSOCIATES	NETA	01/31/00	INTERNET DIVISION		
NEW YORK TIMES	NYT	01/28/00	NEW YORK TIMES DIGITAL		CO/TR
NORTHERN STATES	NSP	03/29/00	NRG ENERGY	NRG	CO
PLAYBOY ENTERPRISES	PLA	09/28/99	PLAYBOY.COM	PBYI	CO
PSINET	PSIX	03/28/00	INTERDOT.NET		CO
PTEK HOLDINGS	PTEK	10/28/99	E RESEARCH TECHNOLOGY		CO
RPC	RES	01/14/00	CHAPARRAL BOAT DIVISION		SP
SARA LEE	SLE	05/30/00	COACH	COH	CO
			PYA-MONARCH	PYA	CO
SOUTHERN COMPANY	SO	04/17/00	SOUTHERN ENERGY		CP
SPX CORP.	SPW	06/05/00	INRANGE TECHNOLOGY	INRG	CO
STAPLES	SPLS	09/15/99	STAPLES.COM	SDOT	TR
ST. JOE COMPANY	JOE	10/27/99	FLORIDA EAST COAST IND.	FLA	SP
SYBRON INTERNATIONAL	SYB	04/24/00	SYBRON DENTAL SPECIALTIES		SP
SYMANTEC	SYMC	06/10/99	INTERNET TOOLS SOFTWARE		CO
THERMO ELECTRON	TMO	01/31/00	THERMO FIBERTEK	TFT	CO/SP
TITAN CORP	TTN	12/29/99	CAYENTA	CYTA	CO/SP
TRANSACTION SYSTEMS ARCHITECTURE	TSAI	06/02/00	INSESSION TECHNOLOGY	INSX	CO
TRIARC	TRY	06/22/00	SNAPPLE BEVERAGE		CO
TYCO	TYC	03/10/00	TYCOM	TCM	CO
VIACOM	VIA.B	05/06/99	BLOCKBUSTER	BBI	CO/SPLIT
	VIA.B		MTVi		CO
UCAR	UCAR	04/18/00	GRAFTECH	GRAF	CO
WALMART	WMT	01/07/00	ONLINE BUSINESS		CO
WESTERN RESOURCES	WR	03/29/00	WESTAR ENERGY		SP
XEROX	XRX	04/27/00	CONTENTGUARD		CO
Ziff-Davis	ZD		ZDNET	ZDZ	SP

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

FOREIGN CALENDAR

Company	Symbol	Announced Date	Spin-Off	Symbol	Type
ALCATEL	ALA	05/04/00	CABLE AND COMPONENTS		
CANAL PLUS	CNPLY		CANAL NuMEDIA		CO
DEUTSCHE TELEKOM	DT	01/25/00	DEUTSCHE TELEKOM MOBILENET		CO
IDS INTELLIGENT DETECTIONS SYSTEMS	ISD	12/14/00	GEO COMMERCE / CADUCEON		SP
MANNESMANN AG	MNNSY	09/23/99	ATECS		CO
MODERN TIMES	MTGNY	04/18/00	METRO		SP
NATIONAL POWER	NP	11/17/99	INTERNATIONAL POWER UNIT		
NOVO NORDISK	NVO	09/09/99	ENZYMES AND HEALTHCARE		CO
PENINSULAR & ORIENTAL	LSE; PO	02/03/00	PRINCES CRUISES		SP
REUTERS	RTR, RTRSY		INSTINET		CO
REUTERS	RTR, RTRSY		GREENHOUSE FUND		CO
ROCHE	ROHHY	12/06/99	GIVAUDAN		SP
SCOTTISH POWER	SPI.N	09/17/99	TELECOMMUNICATIONS		CO
THIESSEN KRUPP	THAG	11/ /99	STEEL OPERATION		CO

Fresh Spin-Off Situations

Cadence Design Systems to Carveout Tality in IPO

On August 31st, Tality Corp. said it planned to sell 12.75 million shares of Class A common stock in an estimated range of $10 to $12. Tality, a unit of Cadence Design Systems (NYSE:CDN), designs electronic systems and computer chips used in mobile phones. The firm expects to raise about $126.8 million in net proceeds from the initial public offering, according to an amended prospectus filed with the Securities and Exchange Commission. A group of underwriters, led by Goldman, Sachs & Co., has the option to buy about 1.913 million more shares if the offering is over-subscribed. After the IPO there will be 14.9 million Class A common shares outstanding in the company. Tality has applied to have its Class A shares trade on the NASDAQ under the symbol "TLTY". Post spin, there will be about 85.5 million shares outstanding, suggesting a potential market value of $940 million based on the midpoint of the IPO range. Cadence will retain an approximate 83% interest in Tality. The ownership ratio is .267 based on Cadence's 264 million shares outstanding. This implies that there is about $3 of Tality embedded in each Cadence share (about 14% of Cadence's current $21.75 price). The transaction is intended to bring greater strategic focus to the new Tality and enable recruitment of key personnel, while continuing to leverage Cadence's ability to deliver design solutions to customers.

Cadence is the world's leading provider of electronic design automation (EDA) software, which is used to design semiconductors and the intricate electronic systems used in telephones, fax machines, and other devices. Design, consulting, and other services account for about 55% of Cadence's sales. The company, which generates about half of its sales outside the US, offers design services at centers in Canada, Japan, the UK, and the US. Cadence's controversial pay-up-front business model and fierce competition in the EDA market have undercut sales growth, so it is using acquisitions to bolster its market lead. Cadence has the leading market share in several segments. The company has a dominant market share and technology position in the back-end of the design process, specifically in Physical Verification, Place and Route, Layout, Floor Planning, System Level Design, and the PCB (printed circuit boards) business. The company competes with Synopsys and Mentor Graphics.

Tality offers engineering design services for complex electronic systems, subsystems, and integrated circuits. Its services span the development process from mechanical and industrial design to prototyping, systems verification, and testing. Tality, which boasts more than 1,000 design engineers across the globe, primarily targets communications-related markets. Clients include Alcatel, Conexant Systems, Lucent, and Sony. Customers outside the US account for nearly 55% of sales. The IPO-hopeful claims it is the world's largest independent electronics design services provider, with over 1,000 engineers located at 14 design sites in the United States, Canada, the United Kingdom and India. **Tality brought in net revenue of $90.3 million for the six months ended July 1 and posted a net loss of $4.3 million**.

Recent Results Cadence

Cadence reported second quarter diluted EPS of $0.08 on revenues of $299 million. Bookings were strong with its book to bill in excess of 1. Diluted EPS including amortization of acquired intangibles of $20 million came to $0.02. Product revenue totaled $140 million, a 19 percent increase year over year. Total services revenue was $80 million, a 7% increase year over year. North America contributed 57% of total revenues and Europe 24%, with Japan and the rest of Asia comprising the remainder. Ending cash for the quarter was $120 million. Cadence used $68 million in cash was used during the quarter to buy back 3.4 million shares of stock. DSOs declined to 70 days from 75 days in the previous quarter.

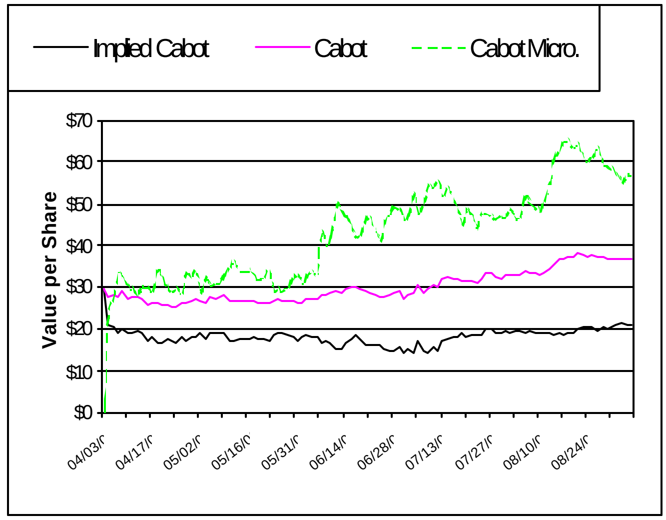
Cadence Design Systems (CDN)

Price (9/5/00)	$20 11/16	LT Liability % of Capital	2.5%
52 Week Range	$25 - $9	Dividend/Yield	None
Shares Outstanding	$264 M	EPS 1999A	$0.31
Market Value	$5.46 B	Options	AMEX
Book Value (June 00)	$3.51 /Share	Fiscal Year	December

Fresh Spin-Off Situations

Cabot to Spin-Off Cabot Microelectronics

On September 29th, Cabot (NYSE: CBT) will complete the spin-off of its Cabot Microelectronics unit (NASDAQ: CCMP). Shareholders of record September 13th, will be entitled to receive approximately .28 shares of Cabot Microelectronics for every one share of Cabot owned. The 19 million shares currently being distributed will increase Cabot Micro's float four-fold from 4 million shares. Cabot estimates that their will be 68 million Cabot Corp's shares entitled to receive the distribution (19/68=.279). Presently, Cabot Corp trades at $37 and Cabot Micro trades at $57 per share which means each Cabot Corp share has $16 embedded of Cabot Micro ($57*.28=$16). This implies that Cabot Corp's stub is worth only $21 per share post spin.



The Spin-Off

Cabot Microelectronics is the world's top maker of slurries used in chemical mechanical planarization (CMP). CMP is a polishing process which improves the yield and smooths out the surface of a silicon wafer as it goes through the semiconductor manufacturing process. CMP enables integrated circuit (IC) manufacturers to produce smaller, faster, and more complex devices. Cabot Microelectronics' CMP slurries consist of liquids containing abrasives and chemicals that aid in the CMP polishing process. The company also makes slurries for polishing the substrates and magnetic heads used in hard disk drives.

Cabot estimates that the sales of CMP slurries has grown at an average annual compound rate of 60% since 1997. Cabot Micro enjoys about an 80 percent market share for slurries. Cabot Microelectronics is expected to generate sales of $175 million in FY: Sept 2000 vs $97.7 million (on a pro forma basis) in 1999, an 80% growth rate. While this growth rate may be difficult to sustain, CMP slurries has grown at an average annual compound rate of 60% since 1997. Also during the spring roadshow, management indicated they believe approximately 20 to 25% of all chips made today use the CMP process (which requires slurries). They expect that percentage to double over the next four years. Assuming that the spring quarter was a fluke and that Cabot Micro will grow at a more modest growth rate of 40% (below its 3 year average), Cabot Micro's 2001 price-to-sales would be 5.3X ($246/23 m =$10.71, $57/$10.71=5.3). If Cabot, however maintains its 3 year average of 60%, then Cabot Micro's price-to-sales ratio would be a more modest 4.7X (280/23 m =$12.17, $57/ $12.17=4.68). In addition, with new 300mm wafers being introduced (which require more slurries), our best guess would be that their growth rate continues north of 50%.

About Cabot Corp.

Cabot, Headquartered in Boston**,** is the world's #1 producer of carbon black. A by-product of oil refining, carbon black is used primarily as a reinforcing and pigmenting agent in tires and printing. Cabot also produces fumed silica, which is an anti-caking, thickening, and reinforcing agent. Other products include thermoplastic concentrates, tantalum (for electronics), ink-jet colorants, and drilling fluids. The company serves markets that include the automotive, cosmetics, defense, oil and gas, and printing industries. Cabot operates 39 plants located in 23 countries.

Valuation

Currently, Cabot Corp trades at $37 and is currently expected to earn $2.35 in FY2001, implying a 2001 P/E multiple of 16x. Cabot, at initial look may not seem that attractive. If we back out Cabot Micro's implied value and assume that Cabot Corp. will trade around $21 per share, and then back out Cabot Micro's potential 2001 earnings contribution of $0.51 per Cabot share we derive a new Cabot Corp. 2001 earnings estimate of $1.84. This new earnings estimate implies that Cabot Corp is trading at a more modest earnings multiple of 11.4x.

LNG Proceeds	$	680
Cost Basis	$	167
Taxable Gain	$	513
Misc. Expense		19
Net Taxable Gain	$	494
Tax rate 36%		177.84
After Tax Gain		$316
Add back Cost Basis	$	167
Total cash received		$483

Recently, on July 13th, Cabot announced the sale of its LNG subsidiary that imports and distributes liquefied natural gas in the Northeast US. The sale is expected to net approximately $483 million ($7.10 per Cabot Corp. share) and close by FY end September 2000. **Now what does Cabot do with the cash?** They have publicly stated that they would either buy back stock, pay down debt or make an acquisition. Cabot Corp. has approximately $513 million in debt ($348 L/T, $56 Current L/T, $109 N/P) and about 68 million shares outstanding. We suspect that they may choose to pay down some debt and perhaps initiate a stock buyback. Let's assume Cabot were to pay down $128 million in debt (25%) and buyback $300 million in stock. Assuming that they can buy back Cabot stock at $25 per share they could reduce their outstanding shares by 12 million shares or 17.6% (68-12=56 m). This would still leave them $55 million in excess cash. From an earnings perspective, Cabot's 2001E estimate of $1.84 increase to $2.24 implying an earnings multiple of 9X or 11X (depending on a $21 or $25 per share value). If we apply an earnings multiple of 12x 2001 adjusted estimate of $2.24, we value Cabot at $26.88 (2.24*12=26.88) or about 28% more than current levels.

Cabot / Cabot Micro.

Cabot (CBT)		617-345-0100	Cabot Micro. (CCMP)		630-375-6631
Current Price	$ 36.88		Current Price | 01-EPS est.	$ 57.00	$1.82 | 31.3X
Shares Out (000)	68,000		Shares Out / Float	23,500	4,510
Market Cap. (000)	$ 2,507,500		Market Cap. (000)	$ 1,339,500	
Enterprise Value	$ 2,967,500		Enterprise Value	$ 1,361,695	
2000E Sales	$ 1,575,000		2000E Sales | Price /Sales	$ 175,000	7.65 X
Book Per Share	$ 10.15		Book Value | Price /Book	$ 2.73	20.86 X
Insider / Inst. Held	44%	62%	Insider / Inst. Held	86%	18%
Short Int. / ratio	0.68	2.931	Short Int. / ratio	0.805	3.779
52 Week Range	$17.93 - $38.43		52 Week Range	$22 - $69.31	

Cabot ownership of Cabot Micro.		With Cabot Micro. | multiple		Without CCMP per share | multiple	
Shares owned (000)	18,990	Price-to-Sales	$23.16 | 1.59 X	Price-to-Sales	$20.58 | 1.01 X
Ratio Per Cabot share	0.2793	Price-to-Book	$10.15 | 3.63 X	Price-to-Book	$9.38 | 2.23 X
Value Per Cabot share	$15.91	Price/Earnings	$2.35 | 15.69 X	Price/Earnings	$1.84 | 11.37 X
Cabot Stub Value	$20.95	Price/EBITDA	$5.2 | 7.09 X	Price/EBITDA	$4.79 | 4.37 X
Economic Interest	81%	Enterpr./EBITDA	8.39 X	Enterpr./EBITDA	5.79 X

Cabot Relationship with Cabot Micro.			Cabot / Cabot Micro. Spread Relationship	
Intend to Spin	Yes		40 Day Average	$ 17.44
IRS Tax Free Ruling	Yes		40 Day Variance	$ 1.36
Record Date / Distr. Date	9/13/00	9/29/00	40 Day St. Dev.	$ 1.17
Cabot Micro. IPO Date / Price	4/4/00	$20	40 Day Correlation	0.80
IPO-Lockup Expires	10/1/00			
Shares to Distribute / Float	4.2 X			

Notes: FY September

Sales estimates our for FY2000.
Earnings estimates our for FY 2001.
Enterprise to EBITDA our based on 12 months trailing EBITDA and $513 million in Debt.

Fresh Spin-Off Situations

IMS Health Distributes Synavant

August 31st, IMS Health (NYSE: RX) completed the distribution of its pharmaceutical relations (CRM) and direct marketing unit. Synavant (NASDAQ:SNVT) was formed when IMS HEALTH combined its Strategic Technologies and Clark-O'Neill divisions into a single unit. IMS HEALTH shareholders of record July 28th, received one share of Synavant common stock for every 20 shares of IMS Health common on August 31st. IMS Health remains in the S&P 500, but Synavant has been excluded. Based on IMS Health’s share count of 297 million, Synavant has an estimated 14.8 million shares outstanding. Shares began trading Regular Way on September 1st at $9 ¼ and have a current market cap of $138 million. Initially, When Issued trading commenced on August 30th, Synavant opened at $12 ½ with just over 660 thousand shares trading hands.

Synavant is headquartered in Atlanta, GA, and has offices in 23 countries. Synavant serves the pharmaceutical industry by developing and selling pharmaceutical relationship management solutions. On July 19, 2000, Synavant announced a strategic alliance with Siebel, a provider of eBusiness application software. The companies intend to jointly develop, market and sell pharmaceutical and healthcare related versions of Siebel's eBusiness software applications.

Synavant reported 1999 pro-forma revenues of $202 million and EBITDA of $21.5 (10.6 margin). Pro forma 2000 revenues for the first six months through June were $93.2 million vs $95.4 million in 1999. For the third quarter, which ends on September 30th, 2000, the company expects to report pro forma revenues between $41 million and $45 million. Pro forma EBITDA should be between a loss of $4.5 million and a loss of $2.0 million.

IMS Health is the leading worldwide provider of pharmaceutical market data and informational services in over 100 countries with a commanding market share around 90%. IMS Health competes with National Data in the US, but there is no global competitor of IMS Health’s scale. IMS Health is a back door play on the pharmaceutical industry. Revenues for 2001 are forecasted at about $1.4 billion up 13% (Post-Spin) and EBIT margins should remain strong (around 31%). Free cash flow is expected to come in around $200 million in 2000, or about $0.67 per share, implying a free cash flow multiple of 28x ($19/.67=28x).

IMS Health’s management credibility has eroded significantly since IMS Health’s ill fated attempt to merge with TriZetto Group, an internet start-up. The merger, announced in March of this year faced significant shareholder opposition which management eventually succumbed to. Instead the merger was restructured where TriZetto will acquire Erisco, a division of IMS Health and a provider of payor-based IT solutions. Also, IMS Health has a history of aggressive accounting which has been a concern for potential investors in the past, however, the sale of Erisco and the Spin-Off of Synavant should create greater earnings transparency going forward. IMS Health also boasts recurring revenues estimated north of 70%, which should also help the transparency issue.

IMS Health controls 61% of Cognizant Technology Solutions (NASDAQ: CTSH), which has an estimated value of $1.78 per IMS Health Share. The company specializes in e-business and application management. Cognizant employs more than 2,400 computer science and engineering professionals globally and at its eight development centers in India.

IMS Health Post-Split	Earnings Forcast - Calendar	
Current price $19.19	2000	2001
Revenues	$1,255.40	$1,418.60
Operating Margins	31.00%	31.50%
Interest Expense	$20.71	$20.71
Pre-Tax Income	$368.48	$426.16
Tax Rate	32%	32%
Net-Income	$250.56	$289.79
Shares Out. (Diluted)	297.4	290
EPS	$0.84	$1.00
EPS Multiple	23	19

Fresh Spin-Off Situations

Lucent to Spin Off Avaya to Shareholders

On August 31st, Lucent Technologies said it would spin off its $8 billion Avaya unit, which provides technology for operator call centers and corporate campuses, by paying a special stock dividend to its shareholders. Lucent (NYSE-LU) said in March it would separate the slower-growing unit, which serves large corporations, so it could focus on its faster-growing optical, data networking and wireless businesses. **Lucent shareholders of record on Sept. 20 will receive one share of Avaya common stock for every 12 shares of Lucent common stock held.** The Avaya shares will be distributed on Sept. 30, which will mark the completion of the Avaya spin-off. Lucent said it had received a ruling from the Internal Revenue Service that the Avaya dividend to shareholders qualifies as tax-free for federal income tax purposes, except to the extent that cash is received in lieu of fractional shares. The new unit will take over sales of phone equipment, cabling and local area network equipment to businesses. Revenues from those products grew just 4% last quarter. **The company will start trading on the New York Stock Exchange under "AV" on October 2. We expect that Avaya will not be included in the S&P 500 going forward. This coupled with the large distribution ratio (1:12) could contribute to significant selling pressure post spin.**

The number of Avaya shares to be distributed will be based on the number Lucent shares outstanding on Sept. 20. As of Aug. 30, Lucent had about 3.3 billion shares outstanding. Based on this number, **Avaya will have about 275 million shares outstanding.** Lucent has been trying to restructure its operations in an effort to rebuild investor confidence and jump-start growth after failing to keep up with demand for fiber optic equipment. In July the company cut its profit outlook through the end of the year because its efforts to boost fiber optic production were more difficult and time-consuming than originally expected.

Avaya makes communication systems and software (two-thirds of sales) that integrate voice and data for large enterprises, including government agencies and nearly 80% of the *FORTUNE* 500. Its customer contact center systems incorporate various media, such as e-mail, Web site access, chat rooms, and interactive voice response systems. The company also offers services (one-quarter of sales) including consulting, outsourcing, and support, and makes networking systems and software. Avaya (formerly Lucent EN) was formed in February 2000 and contains the operations of several Lucent acquisitions. Avaya will compete against other large telecommunications equipment makers like Alcatel, Nortel Networks and Siemens AG.

Avaya is a leading provider of communication systems and software, offering voice, converged voice and data, customer relationship management, messaging, multi-service networking and structured cabling products and services. Multi-service networking products are products that support network infrastructures which carry voice, video, video and data traffic over any of the protocols supported by the Internet on local area and wide area data networks. A structured cabling system is a flexible cabling system designed to connect phones, workstations, personal computers, local area networks and other communications devices within a building or across one or more campuses. Avaya is a worldwide leader in sales of messaging and structured cabling systems and an U.S. leader in sales of enterprise voice communications and call center systems. **In fiscal 1999, Avaya had revenue of**

$8.3 billion and net income of about $300 million. Sales for the nine months ended June 30 were $5.6 billion (down 3.5%) and net income was $179 million. Revenues within the U.S. decreased 6.3% to $4.7 billion, while sales outside the U.S. improved 8.7% to $1.09 billion (21% of revenues). Gross margin was flat at 44.4%.

In connection with the separation from Lucent, Avaya is engaging in a comprehensive review of all operations. Based on this review, Avaya expects to begin implementing a company-wide restructuring in the fourth quarter of fiscal 2000, with the aim of improving the profitability and business performance as a stand-alone company. After the plan is finalized, **Avaya expects to record charges in connection with this plan of $700 to $800 million in the fourth quarter of 2000**. In addition, the company expects to incur one-time expenses in the fourth quarter in connection with the spin in the range of $100 to $150 million.

In fiscal 1999, Avaya accounted for approximately 11% of Lucent's assets, 6% of Lucent's net income and 21% of Lucent's total revenue. Avaya's industry (enterprise voice communications systems) is characterized by a relatively low growth rate, as compared to the rate of growth in the overall communications market. Prior to the distribution, **Lucent intends to give Avaya a parting gift in the form of $700 million in short-term debt** under a commercial paper program.

Lucent Technologies is North America's leading maker of telecom equipment and software. Lucent also makes integrated circuits and telecommunications power systems and is a major supplier to the personal communications services market. Technology developed by Bell Laboratories provides the basis for many of Lucent's products, but the company has become a force in the broadband (voice, data, and video) networking market through acquisitions. Most of Lucent's customers are telecom providers like AT&T (12% of sales). Lucent has been pitted against chief rivals Cisco Systems and Nortel Networks Corp. in a battle to supply telephone companies, Internet service providers and large corporations with sophisticated equipment that can handle increasingly large volumes of data and voice traffic. Lucent recently reorganized its optical networking unit and announced plans to spin off its microelectronics unit (in the first quarter of 2001), which makes optical components and semiconductors. The remaining company will retain the Lucent name and focus on optical networking, Internet infrastructure, semiconductors, data and wireless access solutions, and design and consulting services.

Lucent Technologies (LU)

Price (9/5/00)	$42.25	EPS 1999A	$1.13 P/E= 37x
52 Week Range	$84 – 40	EPS 2000E FC Cons.	$1.13 P/E= 37x
Shares Outstanding	3.3 B	Dividend/Yield	$0.08/0.18%
Market Value	$140 B	Fiscal Year	September

Fresh Spin-Off Situations

MCSi to Carveout Zengine in IPO

On August 22nd, Zengine (ZNGN: Proposed), which offers services to help companies launch e-commerce platforms, set its initial public offering at 4.29 million shares of common stock in a projected range of $13 to $15 a share. It expects to raise about $55 million from the IPO, the company said in an amended prospectus filed with the Securities and Exchange Commission. Zengine said it would offer 390,000 shares of the 4.29 million shares to Miami Computer Supply Corp., which partially owns Zengine. The company plans to use the net proceeds from the IPO for working capital, sales and marketing, its service development activities, capital spending and potential acquisitions. William Blair & Co., Friedman Billings Ramsey, E*Offering and Morgan Keegan & Co. Inc. are the underwriters, who have the option to buy 585,000 extra shares in the event of heavy demand. **There will be about 16.5 million shares outstanding after it goes public, giving the company an initial market capitalization of $231 million, based on a median price of $14 per share.** Zengine is offering 26% of itself to new investors.

MCSi (formerly Miami Computer Supply) The company offers products from about 500 manufacturers, including Hewlett-Packard (20% of sales), Lexmark, Canon, Sony, and Sharp. Its products range from laser and copier toner, fax machine supplies, and diskettes to projection and presentation hardware, videoconferencing equipment, and workstation accessories. MCSi's (NASDAQ: MCSI) customers include businesses, governments, and institutions. About a quarter of sales are generated from customers outside of the US. MCSi owns nearly 70% of e-commerce firm Zengine. MCSi would retain about 8.3 million Zengine shares, and their stake would be diluted to 51% with the issuance of new stock. **At the midpoint of the offering range, MCSi's stake would be worth $117.8 million, or roughly $9.34 per MCSi share (31% of MCSi's current $30 ¼ stock price), based on the .667 ratio of ownership.**

Zengine provides outsourced and private-label technologies that help businesses implement and conduct electronic commerce. Its services include Web site user interface design, product content and merchandising, customer relationship management, advertising and sponsorship management, order management and fulfillment, and inventory management, among others. Zengine, which is expanding through technology and marketing alliances, began in 1999 as a division of Miami Computer Supply (now MCSi); MCSi owns 69% of the company. On May 4th, Zengine filed for an IPO with the SEC.

Recent Results

On July 25th, MCSI reported record sales and earnings per share for the second quarter ended June 30th, 2000. The quarter represented MCSi's fifteenth consecutive quarterly earnings per share increase since the Company's November, 1996 IPO. Earnings per share (basic and diluted) rose 32%, to $0.29 compared to $0.22 a year ago. Net sales for the second quarter rose 51%, to $238.6 million versus $158.5 million in the same prior year period. Gross margins in the 2000 second quarter reached 22.1%, up from gross margins of 19.8% for the 1999 second quarter. The increase in gross margins reflects a greater percentage of higher margin audio-visual system projects in the sales mix. Operating income for the second quarter rose 52% to $10.5 million compared to $6.9 million for the same period in the prior year. Net income increased 8%, to $3.7 million from $2.5 million for the same period last year.

For the six months ended June 30, 2000 earnings per share (basic) increased 37%, to $0.59 from $0.43 per share for the comparable period last year, and earnings per share (diluted) 36%, to $0.57 from $0.42 per share for the comparable period last year. Net sales increased 42%, to $444.5 million from $312.4 million for the comparable period in 1999. Gross margins in this period reached a level of 22.6%, a significant increase compared to gross margins of 19.4% for the comparable period last year. Operating income increased 49%, to $20.1 million from $13.4 million for the comparable period last year. Net income increased 47%, to $7.2 million from $4.9 million for the same period last year.

Fresh Spin-Off Situations

SPX to Carve out INRANGE Technologies

Inrange Technologies is going to offer 7.7 million shares of its class B common stock in an IPO. The shares are expected to price in the range of $12 - $14 per share. At a price of $13 per share, the net proceeds from the offering would be approximately $91 million. Inrange is going to use the net proceeds to repay amounts borrowed from SPX Corp (NYSE: SPW), its parent, for recent acquisitions and the remaining amounts for general corporate purposes. After the completion of this offering of Class B common stock, SPX will own about 90.8% of the total shares of Inrange's common stock but will own 100% of the outstanding Class A common stock (75.6 million shares). This represents about 98.0% of the combined voting power of all classes of voting stock. SPX will not distribute its class A shares in the near future. Such a transaction would not qualify as tax free until 2003 because SPX acquired Inrange in 1998. The holders of class A and class B common stock are entitled to five votes and one vote per share, respectively. While class B shareholders have no conversion rights, class A shareholders are convertible into class B shares. Inrange's proposed NASDAQ trading symbol is "INRG".

Inrange designs, manufactures, markets and services switching and networking products for storage, data and telecommunications networks. The company's products provide fast and reliable connections among networks of computers and related devices. Inrange designed its products to be compatible with various vendors' products and multiple communication standards and protocols. The company's key product families are IN-VSN (storage networks), Universal Touchpoint (data networks), and 7-View (telecommunications networks). The company's flagship, the FC/9000 of its IN-VSN product line, is the largest storage network switch available that operates under the Fibre Channel communication standard. The FC/9000 provides a platform from which enterprises can build storage networks where reliability and continuous availability are critical.
The company distributes and supports its products through a direct sales and service operations and indirect channels. During 1999, the company generated approximately 50% of total revenue from the sale of storage networking products, 19% from the sale of data networking products and 14% from the sale of telecommunications networking products. The remaining approximately 17% of the company's total revenue came from consulting services and product support. Customers include Fortune 1000 businesses and other large enterprises that operate large-scale systems where reliability and continuous availability are critical. In the storage networking products market, Inrange's principal competitors for ESCON storage switches is IBM and for channel extension products is CNT. Principal competitors for wave division multiplexing products are IBM/Nortel, Pandatel, Finisar, and ONI. In the Fibre Channel storage area network switch market, competitors include Brocade Communications, IBM, and McData. In the data networking market, the company's principal competitor for its matrix switches is Cornet. Hewlett Packard, Inet, and Tekelec are the company's competitors in the market for telecommunications network management equipment.

Industry

Over the last decade, the volume of information that is transmitted, captured, processed and stored over storage, data and telecommunications networks has increased. The emergence of the Internet and the growth of e-commerce, the increased use of data-intensive applications, the decreasing cost of on-line data storage, and the growth of wireless communication are driving this growth. As a result, enterprises require network management solutions.

According to International Data Corporation, the amount of information that enterprises are storing has approximately doubled annually over the past several years and is projected to increase at a compound

annual growth rate of 82% through 2003. As a result, enterprises are faced with challenges for managing this information and transmitting it at increasingly fast speeds. Storage networks have developed to help meet these needs by permitting several computers to share access to information storage devices. The estimated Fibre Channel market for storage area network hubs and switches will increase from $236 million in 1999 to $2.8 billion by 2003, a compound annual growth rate of 85%.

Data networks consist of computers connected to each other for the purpose of sharing information and applications. Two common types of data networks are local area networks (networks of computers that are located in a small area) and wide area networks (networks of computers that are dispersed geographically). As the demands for speed and reliability of data networks have increased, these networks have become more complex, yet managing the networks is still largely a manual task, requiring personnel to be present at geographically dispersed network sites to run management tools. Inrange is targeting enterprises that are looking for products that will permit centralized network management, which would reduce the amount of time their personnel must devote to maintaining their networks. The market for enterprise data network management products in 2000 is estimated to about $1.8 billion, essentially unchanged from 1999.

The introduction of additional value-added services, the transition from analog to digital traffic, and the increase in telecommunications network traffic have all increased the complexity of telecommunications networks. All of these factors increase the need for better network management and diagnostic systems that test and monitor these networks without impacting their performance. Estimates have the market for telecommunications network management products growing from approximately $1.8 billion in 1999 to $3.1 billion in 2003, representing a compound annual growth rate of 15%.

SPX Corp is comprised of four business segments. The Technical Products and Systems segment primarily includes operations that design, manufacture and market fire detection systems, data networking equipment (INRANGE), broadcast antennas and automated fare collection systems. Major customers are computer manufacturers and users, construction contractors, municipalities and TV and radio broadcasters. The Industrial Products and Services segment includes operations that design, manufacture and market power transformers, industrial valves, mixers, electric motors, laboratory freezers and ovens, high-pressure hydraulics, industrial furnaces and coal feeders. Major customers include industrial chemical companies, pulp and paper manufacturers, laboratories, and utilities. The Service Solutions segment includes operations that design, manufacture and market a wide range of specialty service tools, equipment and services primarily to the motor vehicle industry in North America and Europe. Major customers are franchised dealers of motor vehicle manufacturers, aftermarket vehicle service facilities, and independent distributors. The Vehicle Components segment includes operations that design, manufacture and market transmission and steering components for light and heavy-duty vehicle markets, principally in North America and Europe. Major customers are vehicle manufacturers and aftermarket private brand distributors. The company has no pure competitors but does compete against a variety of companies, including ABB, Robert Bosch, United Technologies, GE, and Emerson Electric.

Financials

For the six months ended June 30, 2000, SPX reported an increase in revenues of $4.6 million (0.3%) to $1.3 billion over the same period in 1999. Additionally, the company's net income and EPS increase by $5 million (7%) and $0.10 (4%) to $77.5 million and $2.45, respectively. Shares of SPX started the calendar year at $77 13/16. Since then the shares have risen by $91 9/16 (118%) and closed at $169 3/8 on September 6. A large portion of this gain can be attributed to the IPO of Inrange. For the six months ended June 30, 2000, Inrange reported revenues of $81.4 million, a decrease of $4.1 million over the same period last year. The company's net income did increase by $1.6 million to $7.7 million.

Fresh Spin-Off Situations

Ziff Davis Distributes Key3Media Group

On August 18th, Key3Media, (NYSE: KME) a leading producer of information technology tradeshows and conferences, completed an IPO of its shares at $6.00 per share. All of the shares in the offering were sold directly to investors by Key3Media, which will retain all of the proceeds (about $69 million). **Key3Media started trading on the NYSE under the symbol "KME" on Monday, August 21st.** Concurrent with the IPO, Ziff Davis spun off Key3Media to Ziff Davis' shareholders. In the distribution, Ziff Davis shareholders received a dividend of $2.50 in cash and 0.50 share of Key3Media common stock for reach share of Ziff Davis owned. As a result of the IPO and distribution, Key3Media has 65 million shares outstanding. The stock is currently trading at about $7, for a market value of $455 million. Key3Media produced $251.4 million in sales and $26 million in net income in 1999. The company is run by Fred Rosen, former CEO of Ticketmaster. Originally, Ziff Davis tried to sell the Key3Media assets, but apparently could not get an adequate price.

Key3Media owns and produces several large trade shows and conferences for the information technology industry, including the annual COMDEX show held in Las Vegas. In addition to the popular US event, Key3Media puts on about 15 other COMDEX shows in 12 countries. (COMDEX shows account for more than 35% of sales.) Other events include Networld+Interop, Seybold Seminars, and JavaOne. Internet publisher Ziff-Davis spun off the unit to its shareholders in 2000 as part of its reorganization. **Japan's SOFTBANK owns about 56% of Key3Media following the distribution.**

Key3Media signed a credit agreement with Morgan Stanley Dean Witter for a $330 million term loan facility and a $50 million revolving credit facility. In addition, Princes Gate Investors III, LP and related investors have purchased $75 million initial principal amount of Key3Media zero coupon bonds with detachable warrants. As part of the recapitalization, Key3Media has repaid its existing $150 million in external debt and paid $275 million to Ziff-Davis (to enable the payment of the $2.50 per share dividend to ZD common stock).

Nothing is ever simple with Ziff Davis. Once a top media firm focusing on technology, Ziff-Davis sold its businesses and planned to merge into its Internet tracking stock, ZDNet, which it was spinning off as a public company. But that plan has been shelved now that rival CNET Networks has agreed to buy both companies. The company has sold its publishing unit (more than 80 magazines) to investment firm Willis Stein & Partners. It also sold its interest in cable TV channel ZDTV to Paul Allen's Vulcan Ventures in 2000. ZDNet was the online arm of Ziff-Davis, ZDNet operates a Web site offering nearly 30 channels centering on issues such as home computing, technology news, and e-commerce. It also offers access to more than 60 Web sites (including online versions of Ziff-Davis publications such as *PC Magazine* and *Inter@ctive Week*). Ziff-Davis created a tracking stock for ZDNet in 1999 and sold a stake to the public (retaining 84%). Ziff-Davis then liquidated the rest of its businesses, allowing high-tech publisher CNET Networks to buy both firms.

In July, CNET agreed to buy ZDNet. CNET will exchange 0.59 shares for ZDNet's 85 million shares in a purchase transaction expected to close in October, with the Hart-Scott-Rodino waiting period over. The last step for merger approval is shareholder votes, scheduled on October 13th for ZDNet and October for CNET. As a result, holders of Ziff-Davis will own approximately 35% of the combined entity. Softbank, a 50% owner of ZDNet, will own a 17% stake in the combined company. The combined company expects to produce $580 million in revenue in 2001.

Recently Announced Spin-Off Situations

BEI Technologies to Spin-Off OpticNet

On July 24TH, BEI Technologies, Inc. (Nasdaq: BEIQ) announced plans to establish and provide seed capital for a new subsidiary company called OpticNet. The new company plans to develop optical components for the telecommunications market. Dr. Lawrence Wan, BEI Technologies' chief technology officer, will serve as chairman of OpticNet. BEI Technologies developed intellectual property over the past year, which could lend itself to applications in the field of fiber optic telecommunications components. These applications primarily include optical switching. BEI Technologies is no stranger to spin-offs as it was spun-off from BEI Electronics in September 1997.

BEI will establish OpticNet as a new development stage company and own its intellectual property. OpticNet has potential, but it market focus and capital requirements indicate it should become an independent company. **BEI Technologies plans, subject to regulatory approvals, to distribute OpticNet in a taxable dividend to BEI shareholders.** OpticNet shares will be restricted and will not be transferable until they file a registration statement with the SEC in Q4 of this year to register its common stock so that the shares could be traded in the future. BEI Technologies believes the value for tax purposes of the OpticNet shares dividend will be nominal, and BEI intends to pay a cash dividend to its shareholders to help defray some of shareholder's taxes burden.

Management believes the advanced MEMS process capability resident within BEI's SiTek subsidiary, in combination with OpticNet's intellectual property specifically for optical components could have applications in the development of fiber optic telecommunications products. Mr. Dan Joslyn, former president and chief operating officer of Optical Coating Laboratory, has agreed to become president of OpticNet. BEI Technologies and its SiTek subsidiary have agreed to provide OpticNet with the exclusive rights to all SiTek technology, including products and processes, for optical telecommunications products. SiTek will continue to develop advanced MEMS devices for BEI's sensor and motion control businesses.

BEI Technologies, Inc. is a manufacturer of electronic sensors, motors, actuators and motion control products used for factory and office automation, medical and scientific equipment, military, aviation and space systems, and transportation equipment including automobiles, trucks and off-road equipment. The Company's micro-machined quartz GyroChip(R) sensors are used in advanced vehicle stability control systems. BEI also manufactures electronic steering wheel position sensors, seat-memory modules, throttle position and pressure sensors and other devices used in automotive systems. The company provides vital sensory input for the control systems of advanced machinery and automation systems. These sensors, most of which are concerned with physical motion, provide information that is essential to logical, safe and efficient operation of sophisticated machinery. The Company's main product groups may be categorized as traditional sensors and complementary products, micro-machined sensors and engineered subsystems (such as inertial measurement units and trackballs).

BEI Technologies (BEIQ)

Price (9/6/00)	$44 3/4	Debt to Total Capital	45%
52 Week Range	$58 5/8 - $10 1/2	Book/Share	$6.29, 7X
Shares Outstanding	7.18 M	Dividend/Yield	$0.08/0.17%
Market Capitalization	$321 M	2001 FY EPS	$1.43, P/E 31X
Revenue (LTM)	$200 M	Fiscal Year	September

Recently Announced Spin-Off Situations

ECI Telecom to Split into Five Independent Companies

On August 3rd, ECI Telecom **(Nasdaq:ECIL)** announced plans to divide the telecommunications company into five smaller publicly traded companies. In a separate development, German telecommunication operator Deutsche Telekom AG said it had awarded ECI and Siemens AG a contract in the triple-digit millions of euros to supply broadband access technology. Under the terms of the contract, the two companies will provide technology for Deutsche Telekom's T-DSL digital subscriber line technology, which permits high speed Internet access for subscribers. The reorganization plan will create the following new companies: Transport (digital cross connects), Optical Networks, Access, Next Generation Telephony, and Innowave (wireless systems). These are in addition to ECTel, which is already public (Nasdaq:ECTX). The break-up process could take as much as 2 years to complete. **It is expected that Innowave, which produces wireless-broadband equipment, will be the first to go public** (sometime in the first half of 2001). Management believes that the current share price does not reflect the real value of the company. The reorganization is subject to tax rulings, legal opinions and may take much longer than the two years ECI is targeting. We suspect the market will take a wait and see attitude until a more formal timetable is disclosed.

ECI Telecom's equipment expands the capacity of fiber-optic cable, microwave, and satellite networks and provides wireless access, digital subscriber line connection, and Internet protocol telephony. The company, which was founded in Israel, made most of its money selling communications equipment to the Israel military. In 1984, it became one of the first Israeli companies listed on a U.S. exchange. Nearly 45% of sales are to customers in Europe. Clients include AT&T, British Telecommunications, and Deutsche Telekom. ECI, which merged with Tadiran Telecommunications to broaden its product line, has discontinued its wide-area network and Internet software unit, third party equipment reselling business, and automotive components operations. **Israeli industrial giant Koor Industries and its subsidiaries own about a third of ECI.**

ECtel (ECTX) makes it easier for communications service providers to tell where their money is going. The company provides telecommunications businesses (nearly 70% of sales) with tools for monitoring networks, managing data, and preventing fraud and accounting errors. Its Telecommunications Revenue Protection (TRP 360) platform consists of hardware and software components that collect, analyze, and store call information from networks. Government agencies use ECtel's monitoring systems for law enforcement surveillance and intelligence gathering. Customers include the Israeli government, British Telcom, and WorldCom; 52% of sales come from Europe. **ECI Telecom owns 75% of the company.**

Recent Results

Together with the announcement of the reorganization plan, the company released its second quarter financial results. ECI reported weak Q2 results, with EPS declining from $0.61 to $0.40. The weakness stems from slower DCME (voice compression) sales, which experienced a decline from $79 million to $49 million and continued ADSL losses, as ADSL grew 80% sequentially. Q2 revenues increased 17% to $317 million. Gross margin declined from 54.2% to 45.9%. The company has also written a charge of $28.8 million, associated with the acquisition of WinNet (LMDS) and Wave Pacer (ADSL) and a charge of $1.6 million associated with the disposal of Hi-TV. EPS declined from $0.61 to $0.07, however excluding x-items, EPS for the quarter reached $0.40. Management also guided earnings considerably lower for the second half of 2000 and 2001, pointing primarily to an unfavorable product mix.

ECI Telecommunication (ECIL)

Price (9/5/00)	$30 5/8	Book Value (June 00)	$14.50
52 Week Range	$40 – 24	EPS 1999 Actual	$1.82
Shares Outstanding	91 M	IBES Est. 2000	$1.16 P/E= 26x
Market Value	$2.78 B	Revenue 1999	$1.11 B
Free Float	54%	Fiscal Year	December

Recently Announced Spin-Off Situations

Enron to Carveout TNPC in IPO

Through Enron's subsidiary, The New Power Company, TNPC aims to be the first national provider of electricity and natural gas to residential and small business customers. Enron formed the company in 1999 to take advantage of the US's deregulating utility markets. Besides handing over its residential retail business to TNPC, Enron has also recruited IBM to set up an online marketplace and America Online to market its products. To get a jump-start, TNPC is acquiring Columbia Energy's retail energy business. It expects to have more than 325,000 customers in nine states when it launches its full service in New Jersey and Pennsylvania in 2000.

Enron Corp. (NYSE:ENE) affiliate TNPC Inc. anticipates offering 21 million common shares, at between $18 and $20 a share, in its proposed initial public offering, according to a regulatory filed August 25th. TNPC is offering 17.5% of its equity in the stock sale. **The terms of the deal provide the Greenwich, Conn., power provider with a potential market value of $2.28 billion** (based on 120 million shares out post-spin). TNPC, which first filed for the offering on July 14th, registering $400 million of stock, currently estimates the size of the IPO at $483 million. TNPC, which operates through its New Power Co. subsidiary, was formed by Enron in November of 1999. TNPC intends to become the first nationally branded provider of electricity and natural gas to residential and small commercial customers in the U.S.

Enron, which currently holds a 51.6% stake in TNPC, is expected to retain a 42.4% equity interest upon completion of the IPO. In addition to its strategic relationship with Enron, TNPC has entered into a ten-year revenue management and customer care agreement with International Business Machines Corp. (IBM), and a six-year interactive marketing agreement with America Online (AOL). Net proceeds from the IPO are estimated to be approximately $370 million. TNPC plans to use the funds for customer acquisitions, infrastructure development and general corporate purposes. TNPC expects to list its common stock on the New York Stock Exchange under the symbol "NPW." Donaldson, Lufkin Jenrette, Chase HQ, CIBC World Markets, Credit Suisse First Boston, PaineWebber Inc., Salomon Smith Barney and DLJdirect Inc., will underwrite the deal.

Enron is a major international energy company with three main operating units. Transportation & Distribution builds and manages all of Enron's regulated natural gas and power infrastructure in the United States. Wholesale Energy Operations & Services includes Enron's worldwide natural gas and electricity wholesale marketing businesses. Enron Energy Services (EES develops energy products and services for retail customers. Enron also provides fiber optic based wholesale communications. Enron has 5,325 miles of fiber installed and operational and over 9,000 miles under construction. Enron Corp. reported a 26% increase in recurring second quarter-diluted earnings per share, to $0.34 from $0.27 in Q299.

Because of Enron's size, it is unlikely that the carveout will have a meaningful impact on Enron's stock. Enron has 857 million shares outstanding for a current market value of $72 billion. At the proposed IPO price of $19, Enron's stake would be worth about $1 billion (about $1 or so a share).

Enron Corp (ENE)			
Price (9/5/00)	$85	Dividend	$0.50
52 Week Range	$85 – 35	Yield	0.5%
Shares Outstanding	857 M	EPS 99A	$1.18 P/E = 72x
Market Value	$72 B	2000E EPS (First Call)	$1.40 P/E = 60x
Book Value/Share (Mar)	$10.58	Options	Chicago
LT Liability % of Capital	49.1%	Fiscal Year	December

Recently Announced Spin-Off Situations

InfoCure to Spin-Off PracticeWorks

On August 22nd, InfoCure (Nasdaq: INCX) announced that it has filed a registration statement with the SEC in connection with a proposed spin-off of its PracticeWorks operating division to its shareholders. PracticeWorks provides information management technology and services to approximately 38,000 dentists, orthodontists, and oral and maxillofacial surgeons. PracticeWorks will apply for listing on the Nasdaq.

Post spin-off, InfoCure will change its name to VitalWorks, and will concentrate its operations on management information technology and e-health services exclusively for medical practices, including the delivery of its previously announced ASP products. The spin-off is to be completed during the fourth quarter of this year. InfoCure believes that it will receive an opinion of counsel that the distribution should be tax-free to its shareholders. Each InfoCure shareholder will receive a pro rata dividend of PracticeWorks common stock in a ratio to be determined prior to the spin-off. Each company will have a separate and unrelated board of directors and independent management teams. James K. Price will become CEO and Richard E. Perlman will become chairman of PracticeWorks. Frederick L. Fine will become chairman of VitalWorks.

InfoCure is currently reorganizing to facilitate changes in its pricing of practice management software products, its delivery of these products to customers and the scope of its product offerings. During the fourth quarter of 1999, InfoCure acquired five companies that provide dental practice management solutions, increasing InfoCure's number of dental customers by approximately 9,100 practices. **These acquisitions, along with InfoCure's determination that there is a natural segregation of InfoCure's business into medical and dental specialties, have caused InfoCure to divide its business into a medical division and a dental division.**

The **medical division** consists of InfoCure's business for general medical practices and medical specialty practices in the areas of anesthesiology, dermatology and plastic surgery, emergency medicine, oncology, ophthalmology, pathology, pediatrics, podiatry and radiology. The **dental division** consists of the portion of InfoCure's business that serves dental, orthodontics and oral and maxillofacial surgery practices.

As part of the reorganization, InfoCure intends to transfer the assets of its medical division to VitalWorks, a newly formed subsidiary of InfoCure. VitalWorks intends to develop new practice management software applications that can be delivered through the application services provider, or "ASP," delivery model. In the ASP delivery model, VitalWorks would remotely host applications from an offsite central server, which physicians would access over dedicated lines, virtual private networks or the Internet. VitalWorks also intends to offer its new practice management applications through installations directly in physicians' offices as "practice-hosted" systems. VitalWorks intends to target primarily physicians that practice in-groups of 25 or less. VitalWorks also intends to offer Internet solutions that will allow its customers to utilize the Internet to enhance office workflow and conduct business-to-business e-commerce. InfoCure was formed as a public company just over 36 months ago.

Infocure (INCX)

Price (9/7/00)	$3 1/2	Book Value (June 00)	$3.23
52 Week Range	$37 3/8 – 3 1/2	EPS 1999 Actual	($0.14)
Shares Outstanding	34.18 M	IBES Est. 2000	($1.73)
Market Value	$119.64 M	Revenue 1999	$203.63
Free Float	87%	Fiscal Year	December

Recently Announced Spin-Off Situations

Nextel to IPO Nextel International

On August 18th, Nextel, (Nasdaq: NXTL) announced its intention to head in the same strategic direction that has been established by divisions of America Online and AT&T. Nextel International, the global arm of wireless concern Nextel Communications filed to raise $920 million in an IPO of Class A common stock. The company's headquaters will be in Reston, Virginia. Nextel International is expected to trade on the Nasdaq as "NXTI". Nextel International did not indicate the number of shares it plans to offer, or in what price range. Underwriters will include Goldman Sachs, Morgan Stanley Dean Witter, Credit Suisse First Boston, Deutsche Banc Securities, Merrill Lynch and PaineWebber.

Like America Online Latin America (AOLA) and AT&T Latin America, Nextel International is focused on Latin America at present. Nextel International operates in major business centers and transportation corridors of Brazil, Mexico, Argentina and Peru, and has recently expanded wireless coverage in the region by purchasing companies with specialized mobile radio (SMR) licenses in Chile. In addition, Nextel has some significant equity investments in digital wireless communications providers in the Philippines and Japan, as well as an equity interest in Clearnet Communications (NASDAQ: CLNT), a Canadian wireless provider.

The company's operating subsidiaries and affiliates have SMR licenses in markets that cover about 382 million persons, or POPs, of which about 149 million are in Latin America, the company said in an original Form S-1. Nextel International, of Reston, Va, said that its senior management team culls the experience of individuals hailing from AT&T Wireless (AWE), McCaw Cellular Communications and Nextel. Net proceeds will be used to finance network expansion, acquire additional spectrum, working capital needs, debt service requirements or for general corporate purposes. For the year ended Dec. 31, 1999, Nextel International reported operating revenues of $104.5 million, with a net loss of $520.1 million.

Nextel Communications provides a wide array of fully integrated digital wireless communications services throughout the United States, and has built the largest all-digital wireless network in the United States. The Company offers a differentiated, integrated package of digital wireless communications services under the Nextel brand name, primarily to business users. Nextel and Nextel Partners, Inc. currently serve 98 of the top 100 U.S. markets. The Nextel National Network offers a fully integrated wireless communications tool with digital cellular, text/ numeric paging, wireless Internet access. The Company's digital mobile network utilizes a single transmission technology. This digital technology, developed by Motorola, Inc., is referred to as the integrated Digital Enhanced Network, or iDEN, technology. Digital wireless services are implemented as specialized mobile radio services (SMR). SMR is an integration of voice, data, two-way paging, Internet protocol access and video/multimedia into a wireless transport system. This company also sells cellular phones and equipment online. Services are provided to multiple industries.

Nextel (NXTL)			
Price (9/6/00)	$50 1/16	Debt to Total Capital	77%
52 Week Range	$82 15/16 - $30 3/4	Book/Share	$2.55
Shares Outstanding	725.7 M	Dividend/Yield	$0.00/0.00%
Market Capitalization	$38.1 B	2000 FY EPS	($1.52)
Revenue (LTM)	$ 4.2B	Fiscal Year	December

Recently Announced Spin-Off Situations

Pharmacia to IPO Agricultural Unit

On August 30th, Life sciences company Monsanto filed to offer 35 million shares in an initial public offering that could net Pharmacia's (NYSE: PHA) agricultural unit about $744.2 million. The offering price is expected to be between $20 to $25 per share. Goldman Sachs and Salomon Smith Barney will lead the underwriters. J.P Morgan, Morgan Stanley Dean Witter, Bear Stearns and Merrill Lynch also are the underwriters for the offering. Pharmacia & Upjohn merged with Monsanto in early April. After the IPO, Pharmacia will hold 220 million shares of the 255 million shares (86%) in Monsanto. Assuming the IPO price is $22.50, it would imply Pharmacia's stake is worth $3.81 per Pharmacia share (220 m*$22.5= $4,950, $4,950/1.297 billion Pharmacia shares = $3.81).

The agricultural technology company will have an initial market capitalization of more than $5.7 billion, based on an initial price of $22.5 per share, the mid-point of the estimated range. Monsanto will trade on the NYSE under the proposed symbol "MON". Monsanto said it plans to use the proceeds to pay off a substantial portion of commercial paper debt it will assume from Pharmacia. Monsanto intends to pay a dividend.

Monsanto produces herbicides, seeds and related genetic trait products to grow crops with higher yields while controlling weeds, insects and diseases by applying biotechnology, genomics, and molecular breeding technology to herbicides and seeds. Its flagship product, Roundup, is the world's #1 herbicide. Monsanto also produces genetically altered seeds that tolerate Roundup and resist bugs.

Pharmacia was the result of a merger between drugmaker Pharmacia & Upjohn and life sciences giant Monsanto. The merger puts Pharmacia among the world's top drug firms and moves it away from the increasingly unpopular life sciences. The merger created a stronger sales force, a broader product base, and a bigger pipeline. Pharmacia will get about one-third of its sales from Monsanto's agricultural products and two-thirds from drugs (Celebrex, Xanax, Rogaine, Nicorette).

Pharmacia (PHA)			
Price (9/7/00)	$56 11/16	Dividend	$0.12
52 Week Range	$59 3/4 – 32 3/4	Yield	0.85%
Shares Outstanding	1.3 B	EPS 99A	$0.88 P/E = 64.4x
Market Value	$73.6 B	Consensus EPS (First Call)	$1.55 P/E = 36.5x
Book Value/Share	$8.87	Options	Yes
		Fiscal Year	December

Recently Announced Spin-Off Situations

Titan Subsidiary SureBeam Files for IPO

On August 14th, SureBeam Corporation, a subsidiary of the Titan Corporation (NYSE:TTN), announced the filing of a registration statement with the Securities and Exchange Commission for an initial public offering of its Class A Common Stock. Merrill Lynch & Co. and Credit Suisse First Boston are acting as lead managers for the proposed underwriting group.

SureBeam (Nasdaq:SURE proposed) is the leading provider of patented and proprietary electronic pasteurization systems and services for the food industry. The company's electronic food pasteurization process improves food safety, prolongs shelf life and provides disinfestation, without compromising food quality. The SureBeam process is based on electron beam technology that destroys harmful food-borne bacteria such as E-coli, salmonella and listeria and eliminates or renders harmless fruit flies and other pests. SureBeam installs its systems as components of customers' production lines, or charges by the pound to process products sent to its service centers. Customers include Huisken Meats, Cargill, Tyson Foods, and Kraft. Upon completion of the offering, Titan will control about 84% of SureBeam. The company had sales of $14.3 million in 1999. SureBeam hopes to sell 6.7 million Class A shares between $14.50 and $16.50 (raising $127 million). SureBeam will have 55.7 million total shares outstanding post spin comprised of 9.1 million Class A and 46.5 million Class B shares (supervoting 10:1). This suggests a SureBeam market value of $863 based on the midpoint IPO price. Titan will retain 46.5 million Class B (supervoting 10:1) shares representing an 83% economic interest and 98% of the voting power in SureBeam. **The ratio is .866, which means there is $13.42 or SureBeam inside each share of Titan based on the midpoint IPO price.**

Titan Corp. is a supplier of satellite communication systems and information technology services. It provides systems design and engineering services to defense-related government agencies. In addition Titan is adapting technologies developed primarily for defense applications into commercial business products. Its Titan Systems unit (77% of sales) provides computer and communication systems and related services to defense agencies, and its Titan Wireless unit produces and installs satellite ground terminals and communication systems, voice and data modems, and networking systems. The company's emerging technologies group commercializes technology developed for the US government, which accounts for about 75% of sales. Titan generated $406.6 million in revenue in 1999, and earned $31.6 million.

Titan is positioning its application service provider subsidiary **Cayenta (Nasdaq:CYTA proposed)** to become a public company (has filed with the SEC), in line with an overall strategy for all of its commercial businesses. Cayenta hosts proprietary and third-party applications for accounting, billing and collection, contract management, supply chain integration, and enterprise asset management. The company also customizes applications and integrates them with customers' existing systems, and offers business process support such as billing and fulfillment services. Cayenta is growing through acquisitions and has partnerships with such industry leaders as IBM, SAP, and Sun Microsystems. Titan controls 78% of the company. Cayenta produced roughly $40 million in sales in 1999. The underwriters will try to sell 6.5 million Class A shares of Cayenta to the public at $12 to $14 a share. This implies a market value of $438 million based on the 33.68 million shares post-offering shares outstanding. There will be two classes of stock. Class A common stock will have 13.03 million shares outstanding and Class B shares will have 20.650 million out. Each share of Class B is entitled to ten votes per share and is convertible at any time into one share of Class A common stock. Titan will retain all of the Class B common, which will represent more than 61% of the outstanding common stock and more than 94% of the voting power in Cayenta. **Based on Titan's 53.74 million shares outstanding, there is approximately $5 per share of implied value embedded in each share of Titan (ratio is .385), or roughly 20% of Titan's current price of $24.25 a share**. Titan hopes to complete the two IPO carveouts by the end of this year. These transactions will isolate the value of its operations and also provide outside capital to fund accelerated growth in each business. The combined value of the two proposed IPOs is $18.42 per Titan share, suggesting the stub is being valued at $5.83 per share.

Recently Announced Spin-Off Situations

Ultramar Diamond Shamrock to IPO Logistics

On August 14th, Ultramar Diamond Shamrock (NYSE: UDS) filed a proposed offering of 4,000,000 Common Units representing (22.5%) **limited partner interests in Shamrock Logistics, LP, a Delaware limited partnership**. The IPO is expected to raise $80 million in proceeds excluding an over allotment option of 600K units. All of the units to be sold our by Shamrock Logistics, LP. Goldman Sachs, Dain Rauscher Wessels, A.G. Edwards, Lehman Brothers and PaineWebber will be the managing underwriters for the offering.

Shamrock Logistics has been formed to acquire, own and operate most of Ultramar Diamond Shamrock Corporation's crude oil and refined product pipeline, terminating and storage assets that support its refining and marketing operations located in Texas, Oklahoma, Colorado, New Mexico and Arizona. The 4,000,000 common units are entitled to receive distributions of operating cash of $0.60 per quarter, or $2.40 annually. Shamrock Logistics assets will include 510 miles of crude oil pipelines, including approximately 31 miles jointly owned with third parties. Shamrock Logisitics will also own three major crude oil storage facilities with a total storage capacity of approximately 2.1 million barrels and approximately 2,820 miles of refined product pipelines which include approximately 1,970 miles jointly owned with third parties. Shamrock Logistics will own ten refined product terminals, one of which is jointly owned, with a total storage capacity of approximately 2.5 million barrels.

Operating Performance
EBITDA was approximately $58.7 million in 1999. EBITDA for the six months ended June 30, 2000, was approximately $27.2 million, a 3% decrease from EBITDA, of $28.1 million for the six months ended June 30, 1999. In 1999, Shamrock logisitcs, transported an average of 284,828 barrels per day through the company's crude oil pipelines, an average of 302,390 barrels per day over refined product pipelines and handled 161,340 barrels per day through refined product terminals.

Ultramar Diamond Shamrock Corp. is an independent refiner and marketer of high-quality refined products and convenience store merchandise in the central, southwest and northeast regions of the United States, and eastern Canada. The company operates six refineries in the United States and Canada with a total throughput capacity of 682,000 barrels per day and has over 5,000 branded retail gasoline/convenience merchandise stores, the majority of which are branded Diamond Shamrock, Ultramar, Beacon or Total. In the Northeast, the company operates a retail home heating oil businesses that sells heating oil to approximately 250,000 households.

Recent Acquisition
Ultramar Diamond Shamrock announced on August 31st that it completed the purchase of Tosco's Avon refinery. The 168,000 barrel per day (bpd) plant is located in the San Francisco Bay area. Ultramar Diamond Shamrock's west coast operations include a 135,000 bpd refinery in Wilmington, CA,. near the port of Long Beach, and a network of approximately 413 company-branded outlets. The acquisition of the Avon refinery complements this system and allows them to pursue aggressively a high volume, low price retail strategy. The acquisition will also serve as a platform for continued growth throughout the West Coast.

Financial Summary
For the first six months of 2000, Ultramar Diamond Shamrock reported, revenues of $7.6 billion and net income of $197.6 million or $2.27 per diluted share, compared to $64.4 million or $0.74 per diluted share for the first six months of 1999. EBITDA totaled $510.6 million compared to $303.8 million for the first six months of last year. Ultramar Diamond Shamrock had 87 million diluted shares outstanding as of June 30th.

Announced Foreign Spin-Off Situations

Psion Says it Will Float Symbian

On August 8th, British handheld computer-maker Psion PLC said it would float Symbian, its industry alliance to create wireless devices using its EPOC operating system. The IPO which some analysts have said could be worth up to £5 billion sterling (euro 8.36 billion) was now the preferred option but would wait until the market was right and good progress was made in establishing volume products. **This is not expected until late next year at the earliest.**

Symbian includes shareholders Psion (28%); mobile phone powers Nokia, Motorola, and Ericsson (21% each); and electronics giant Matsushita (9%). Venture partners and licensees, including Philips Electronics and Sony, use the company's EPOC operating system as the brains for handheld devices such as mobile phones and minicomputers to surf the Net, receive faxes, and perform transactions. EPOC is the #3 operating system for handheld mobile devices, behind Palm's system and Microsoft's Windows CE.

Psion's (PON_LN) computers are the best-selling in Europe (60% of the market), where Psion generates the majority of its sales. Based in London and and listed on the London Stock Exchange, Psion PLC designs and manufactures handheld computers and PC Cards. Revenues in 1999 were $231 million and net income totaled $5.4 million. The company's Symbian joint venture with Nokia, Motorola, Ericsson, and Matsushita is boosting the number of handheld devices using Psion's EPOC operating system (#3 after Palm OS and Microsoft's Windows CE). Together, the electronics alliances heavyweights make 85% of the world's mobile phones. Psion also produces PC modem cards and industrial handheld computers. Founder and Chairman David Potter and his family own 20% of Psion. Top rival Palm has formed an alliance with Symbian in a direct challenge to Windows CE.

Psion reported first-half pre-tax profits of £3 million in the first half of 2000. Japan's Sony signed up with Symbian charges licensees $5 to $10 for every machine they make using its platform - the lower price for souped-up Internet-ready smartphones and the higher price for more powerful palmtop computers called communicators. Psion said sales at its Connect division, which makes card modems, were set to fall before the rollout of products using Bluetooth, a new radio-based system of linking computers and devices without cables in a more efficient way than infrared. Bluetooth products are set to be launched early next year with volume shipments expected in the second half of 2001.

Psion (PON-London)

Price (9/7/00)	£8.10	Dividend	£0.20
52 Week Range	£15.00 – £1.75	Yield	0.08%
Shares Outstanding	397 M	EPS 99A	£0.01
Market Value	£3.2 B	Consensus EPS (First Call)	£0.03 P/E = 270x
Book Value/Share	£0.27	Fiscal Year	December

Potential Spin-Off Situations

Novell To Restructure

On August 15th, Novell Inc., (Nasdaq: NOVL), a software maker which connects computer networks is pondering an announcement planning to spin-off some of its businesses. One of the divisions the company may spin-off is its Internet content distribution software division, which includes a program that speeds the delivery of web content. Compaq and Dell Computer Corp. license the software. The company is also looking at divesting its Internet-based directory management software division, potentially followed by its NetWare operating system for server computers. Management stated that, while no specific time horizon is eminent for the potential spin-offs, they are eager to look and consider any and all opportunities to increase shareholder value.

Novell, Inc. produces networking and related communications, document management, GroupWare solutions and Internet related software; and provides related software consulting, custom applications software programming and online file distribution and content delivery services. NetWare ™ systems software manages and controls the sharing of data across a variety of environments, including computer workgroups, departmental networks, business-wide information systems, intranets and the Internet. The company manufactures PCOX/ONE ™ and PCOX/ MULTI™ for single-station terminal emulation. NetWare 5250 Gateway™ is for LAN-to-IBM gateways. Other applications include Internet publishing, Internet caching and SQL data integration software. The company also developed Wolf Mountain™, fault-tolerant clustering software for data center management. Novell sells its products and services to multiple industries.

The company also provides Net services software that delivers services to secure and power all types of networks - the Internet, intranets, and extranets; wired to wireless; corporate and public, across leading operating systems. Novell's Net service software provides the foundation for one Net, a single global network that supports new applications and forms of business. Worldwide channel, consulting, education and technical support programs, along with strategic alliances, combine Novell Net services software with third-party products and services to form complete Net solutions.

In response to declining sales and profits, the company announced it is cutting about 900 jobs or 16% of its staff to reduce costs. After the cuts, the company will have about 4,600 employees. Novell said that it would take "additional steps" in its fourth quarter to lower operating costs. The company expects the cost reductions to save about $45 million per quarter, beginning in its first quarter (starting November 1).

Novell (NOVL)			
Price (9/7/00)	$11 1/8	Dividend	$0.00
52 Week Range	$44 9/16 – $7 7/8	Yield	0%
Shares Outstanding	324.8 M	EPS 99A	$0.55 P/E = 20x
Market Value	$3.6 B	Consensus EPS (First Call)	$0.23 P/E = 49.4x
Book Value/Share (Mar)	$4.29	Options	Yes
		Fiscal Year	October

Potential Spin-Off Situations

Targeted Genetics Puts Spin on the Back Burner

Targeted Genetics (Nasdaq: TGEN), which develops gene-based medicines, has been in discussions with venture capitalists about the possibilities of spinning off its cell therapy division into an independent company. The company stated that it has taken a serious look at all possibilities and has decided that a spin-off would be most suitable, but probably not at this time. Targeted genetics is planning on focusing on gene therapy, a still controversial area within biotechnology. This idea was highlighted in August with the group's purchase of Genovo in an all share deal worth roughly $90 million. Management believes that a spin-off or a partnership with another company would possess the opportunity for additional investments within this specific technological field.

TGEN's platform technologies consist of synthetic and viral gene delivery systems and targeted cytotoxic T-lymphocytes (CTLs). Current programs focus on inherited genetic diseases such as cystic fibrosis and hemophilia A, cancer and infectious diseases. Several products already are in clinical developments, in order to access and develop novel, proprietary and innovative therapeutics for these diseases. Incorporated in 1989 as a wholly owned subsidiary of Immunex Corporation, it now has two lead products in clinical trials, tgAAV-CF, for treating cystic fibrosis and tgDCC-E1A for treating cancer. Additionally, the Company has ongoing pre-clinical product development activities in the areas of hemophilia, rheumatoid arthritis, cardiovascular disease and HIV vaccines. Targeted genetics is also conducting pre-clinical experiments to assess the potential for delivery of genes to other target cells using AAV vectors, such as those of the cardiovascular system, joints, and the liver.

The Company has also entered into a joint venture with Elan International Services, Ltd., named Emerald Gene Systems, Ltd., that will develop enhanced gene delivery systems based on a combination of Targeted Genetics' gene delivery technologies and Elan's drug delivery technologies.

Targeted Genetics (TGEN)			
Price (9/7/00)	$13 3/16	Dividend	$0.00
52 Week Range	$28 – $1 1/4	Yield	0.0%
Shares Outstanding	36.45 M	EPS 99A	($0.84)
Market Value	$480 M	Consensus EPS (First Call)	($0.35)
Book Value/Share (Mar)	$0.43	Options	Yes
		Fiscal Year	December

Potential Spin-Off Watch List

Parent	Symbol	Potential Spin-Off	Report Date
Able Telecom	ABTE	Broadband Networks	Mar-00
American Standard	ASD	Medical System Group	Aug-99
Arel Communications	ARLCF	ArelNet	May-00
AT & T	T	Cable Tracker	May-00
Autozone	AZO	Internet Sales Unit	May-00
Best Buy	BBY	E-Commerce Subsidiary	Dec-99
British Telecommunications	BTY	Internet Business	March-00
Bright Station	BSTN	4 units	June-00
Carolina Power & Light	CPL	Interpath Communications	May-00
Delphi Automotive	DPH	High Tech supplier business	April-00
Degussa-Huels		Dental Unit	June-00
Dupont	DD	Life Sciences	April-99
Elcor	ELK	Cybershield	April-00
eToys	ETYS	Babycenter Unit	Sept-99
eToys	ETYS	eToys Europe	May-00
France Telecom	FTE	Itineris	Mar-00
Hilton Group Plc.	HLTGY	Betting and Gambling Business	Mar-00
Interpublic Group	IPG	Zentropy	Jan-00
JC Penney	JCP	Eckerd Drug Chain	June-00
Kingfisher	KJF	Internet Units	April-00
Kmart	KM	Bluelight.com	Mar-00
Litton	LIT	Electronics Division	April-00
Novell	NOVL	Internet Content Division	Sept-00
Omnicom Group	OMC	Career Mosaic	Jan-00
Phillip Morris	MO	Kraft	July-00
Reuters	RTRSY	Web Security Financial Network	Mar-00
Reuters	RTRSY	Instinet	Jan-00
Reynolds and Reynolds	REY	Document Services	May-00
Quest	Q	Cyber.Solutions	August-00
SBC Communications	SBC	Wireless Tracking Stock	Jan-00
Tandy	TAN	RadioShack.com	July-99
Targeted Genetics	TGEN	Cell Therapy Division	Sept-00
United Technologies	UTX	Fuel Cell Division	April-00
U.S. Plastics Lumber	USPL	Environmental Services Unit	Jan-00
Westell Technologies	WSTL	Conference Plus	Jan-00
WorkFlow Management	WORK	iGetSmart	June-00
WorldCom	WCOM	Consumer and Wholesale	August-00

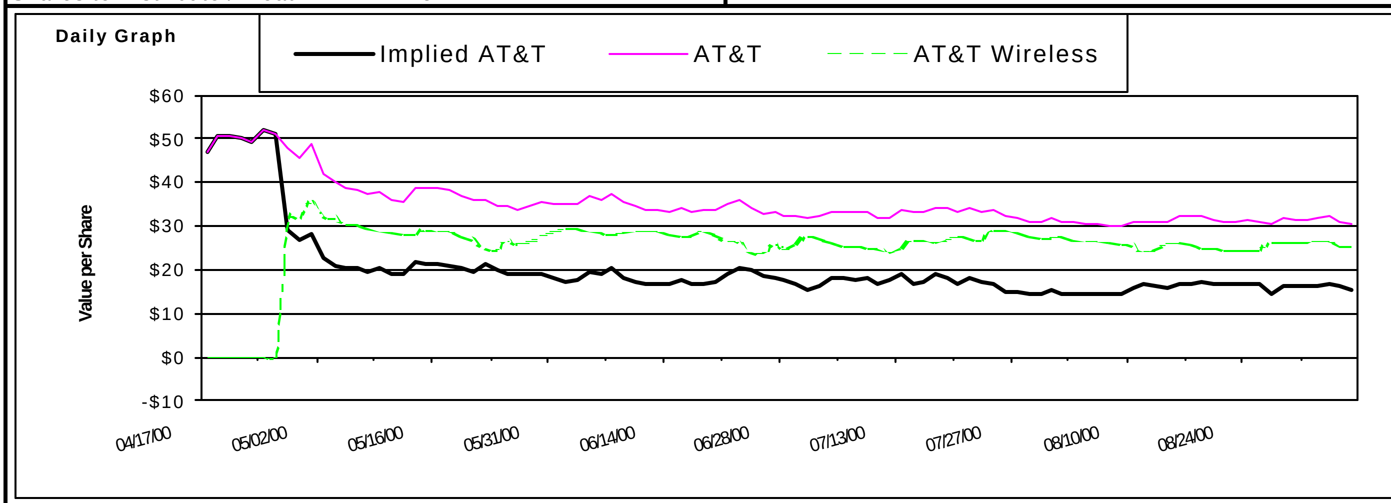
Valuation Snapshot

AT&T / AT&T Wireless

<table>
<tr><th>AT&T (T)</th><th></th><th>212-387-5400</th><th>AT&T Wireless (AWE)</th><th></th><th>425-580-8349</th></tr>
<tr><td>Current Price</td><td>$ 30.56</td><td></td><td>Current Price | 00-EPS est.</td><td>$ 25.50</td><td>$0.058 | 439.6X</td></tr>
<tr><td>Shares Out (000)</td><td>3,278,000</td><td></td><td>Shares Out / Float</td><td>2,310,000</td><td>360,000</td></tr>
<tr><td>Market Cap. (000)</td><td>$100,183,875</td><td></td><td>Market Cap. (000)</td><td>$ 58,905,000</td><td></td></tr>
<tr><td>Enterprise Value (000)</td><td>$157,478,875</td><td></td><td>Enterprise Value</td><td>$ 58,905,017</td><td></td></tr>
<tr><td>Sales 12 Month Trailing (000)</td><td>$ 64,661,000</td><td></td><td>TTM Sales | Price /Sales</td><td>$ 8,976,000</td><td>6.56 X</td></tr>
<tr><td>Book Per Share</td><td>$ 0.03</td><td></td><td>Book Value | Price /Book</td><td>[redacted]</td><td></td></tr>
<tr><td>Insider / Inst. Held</td><td>1%</td><td>37%</td><td>Insider / Inst. Held</td><td>84%</td><td>9%</td></tr>
<tr><td>Short Int. / ratio</td><td>47.074</td><td>2.385</td><td>Short Int. / ratio</td><td>19.332</td><td>4.457</td></tr>
<tr><td>52 Week Range</td><td>$29.62 - $61</td><td></td><td>52 Week Range</td><td>$23.56 - $36</td><td></td></tr>
</table>

<table>
<tr><th>AT&T ownership of AT&T Wireless</th><th></th><th>With AT&T Wireless</th><th></th><th>Without AT&T Wireless</th><th></th></tr>
<tr><td>Shares owned (000)</td><td>1,950,000</td><td>Price-to-Sales</td><td>1.55 X</td><td>Price-to-Sales</td><td>$16.98 | 0.9 X</td></tr>
<tr><td>Ratio Per AT&T share</td><td>0.5949</td><td>Price-to-Book</td><td>941.51 X</td><td>Price-to-Book</td><td>[redacted]</td></tr>
<tr><td>Value Per AT&T share</td><td>$15.16</td><td>Price/Earnings</td><td>17.22 X</td><td>Price/Earnings</td><td>$1.74 | 8.84 X</td></tr>
<tr><td>AT&T Stub Value</td><td>$15.39</td><td>Price/EBITDA</td><td>4.73 X</td><td>Price/EBITDA</td><td>$6.45 | 2.38 X</td></tr>
<tr><td>Economic / Voting Interest</td><td>84% / 84%</td><td>Enterpr./EBITDA</td><td>7.44 X</td><td>Enterpr./EBITDA</td><td>4.87 X</td></tr>
</table>

AT&T Relationship with AT&T Wireless			AT&T / AT&T Wireless Spread Relationship		
Intend to Spin	Yes / Split-off	Tracking	40 Day Average	$	16.14
IRS Tax Free Ruling	Not necessary		40 Day Variance	$	1.40
Record Date / Distr. Date	[redacted]		40 Day St. Dev.	$	1.18
AT&T Wireless IPO Date / Price	4/27/00	$29.5	40 Day Correlation		0.34
IPO-Lockup Expires	10/23/00				
Shares to Distribute / Float	5.4 X				



AT&T Corporation provides voice, data and video communications services to large and small businesses, consumers and government entities. AT&T's primary lines of business are business services, consumer services, broadband services and wireless services. In addition, AT&T's other lines of business include network management and professional services through AT&T Solutions and international operations and ventures. In June 2000, AT&T completed the acquisition of MediaOne Group. With the addition of MediaOne's 5 million cable subscribers, AT&T becomes the country's largest cable operator, with about 16 million customers on the systems it owns and operates, which pass nearly 28 million American homes.

AT&T Wireless Group is one of the largest wireless service providers in the United States. Including its partnership markets, AT&T Wireless Group had over 12 million total subscribers as of December 31, 1999. AT&T Wireless Group focuses on revenue growth through the retention and expansion of its subscriber base. AT&T Wireless Group seeks to do this by providing new and innovative services that distinguish it from its competitors. Examples include pricing plans that simplify customer choice, such as AT&T Digital One Rate service, and bundled offerings of communications products and services that target specific customer groups.

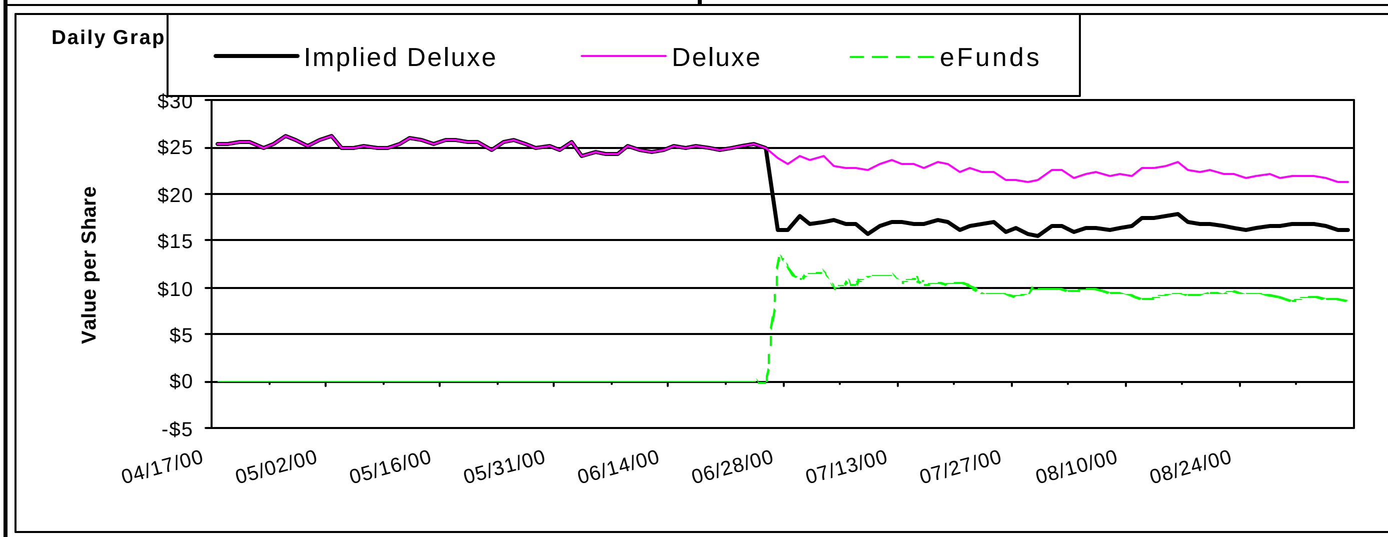
Valuation Snapshot

Deluxe / eFunds

Deluxe (DLX)		651-483-7111	eFunds (EFDS)			651-483-7111
Current Price	$ 21.31		Current Price | 00-EPS est.	$	8.69	$0.22 | 39.4X
Shares Out (000)	67,700		Shares Out / Float		46,250	6,250
Market Cap. (000)	$1,442,856		Market Cap. (000)	$	401,797	
Enterprise Value	$1,469,523		Enterprise Value	$	327,897	
Sales 12 Month Trailing	$1,640,850		TTM Sales | Price /Sales	$	301,000	1.33 X
Book Per Share	$ 7.35		Book Value | Price /Book	$	5.99	1.44 X
Insider / Inst. Held	18%	64%	Insider / Inst. Held		88%	5%
Short Int. / ratio	0.444	1.495	Short Int. / ratio		0.739	4.06
52 Week Range	20.75 - $36.68		52 Week Range		$8.25 - $14	

Deluxe ownership of eFunds		With eFunds		Without eFunds	
Shares owned (000)	40,000	Price-to-Sales	0.88 X	Price-to-Sales	0.81 X
Ratio Per Deluxe share	0.5908	Price-to-Book	2.9 X	Price-to-Book	4.24 X
Value Per Deluxe share	$5.13	Price/Earnings	8.13 X	Price/Earnings	6.49 X
Deluxe Stub Value	$16.17	Price/EBITDA	3.91 X	Price/EBITDA	3.13 X
Economic Interest	86%	Enterpr./EBITDA	3.99 X	Enterpr./EBITDA	3.44 X

Deluxe Relationship with eFunds			Deluxe / eFunds Spread Relationship		
Intend to Spin	Yes/Split		40 Day Average	$	16.59
IRS Tax Free Ruling	Pending		40 Day Variance	$	0.25
Record Date / Distr. Date	[redacted]	Oct/Nov	40 Day St. Dev.	$	0.50
eFunds IPO Date / Price	6/26/00	$13	40 Day Correlation		0.54
IPO-Lockup Expires	10/1/00				
Shares to Distribute / Float	6.4 X				



Deluxe Corporation is a provider of integrated risk management, electronic transaction services and paper payments to the financial services and retail industries. The Company's operations are conducted by the Company and 25 subsidiaries. Durir 1999, the Company classified its operations into four business segments: Paper Payment Systems, Electronic Payment Solutions, Professional Services and Government Services.

eFunds is a provider of electronic payment processing services and Internet electronic funds transfer software transaction services. Developer of electronic funds transfer software called Connex(tm); credit card management software, Select(tm); an direct banking software, Architect(tm). The company also provides data processing services. The software runs on Tandem and IBM mainframes. Products and services are provided to financial institutions, grocers, the government and the retail industry.

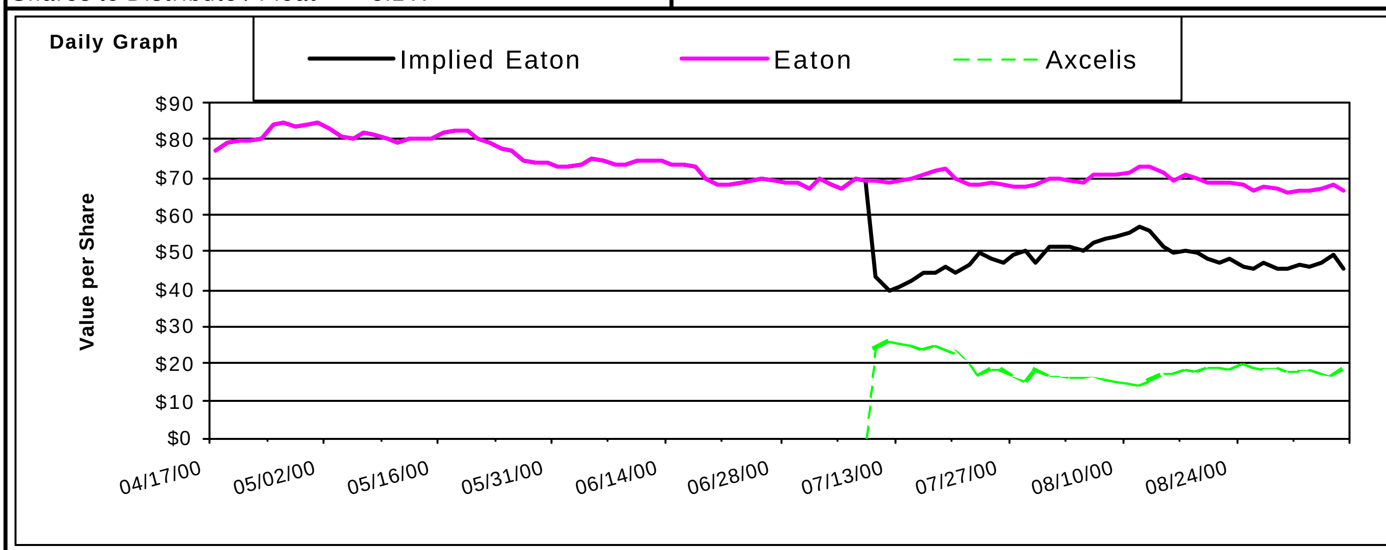
Valuation Snapshot

Eaton / Axcelis

Eaton (ETN)		216-523-5000	Axcelis (ACLS)			978-232-4000
Current Price	$ 66.38		Current Price | 00-EPS est.	$	18.69	$1.12 | 16.6X
Shares Out (000)	72,700		Shares Out / Float		95,500	15,500
Market Cap. (000)	$4,825,463		Market Cap. (000)	$	1,784,656	
Enterprise Value	$7,755,463		Enterprise Value	$	1,513,256	
Sales 12 Month Trailing	$9,066,000		TTM Sales | Price /Sales	$	548,000	3.26 X
Book | Cash Per Share	$ 40.67	$-3.3	Book Value | Price /Book	$	3.08	6.06 X
Insider / Inst. Held	11%	68%	Insider / Inst. Held		84%	[redacted]
Short Int. / ratio	0.587	1.302	Short Int. / ratio		0.171	0.109
52 Week Range	$60 - $98.18		52 Week Range		$13.75 - $30	

Eaton ownership of Axcelis		With Axcelis		Without Axcelis	
Shares owned (000)	80,000	Price-to-Sales	0.53 X	Price-to-Sales	$117.16 | 0.39 X
Ratio Per Eaton share	1.1004	Price-to-Book	1.63 X	Price-to-Book	$37.28 | 1.22 X
Value Per Eaton share	$20.56	Price/Earnings	9.09 X	Price/Earnings	$6.06 | 7.55 X
Eaton Stub Value	$45.81	Price/EBITDA	3.78 X	Price/EBITDA	$16.56 | 2.76 X
Economic / Voting Interest	83% / 84%	Enterpr./EBITDA	6.09 X	Enterpr./EBITDA	5.48 X

Eaton Relationship with Axcelis			Eaton / Axcelis Spread Relationship		
Intend to Spin	Yes / Split-off		40 Day Average	$	48.58
IRS Tax Free Ruling	Pending		40 Day Variance	$	12.96
Record Date / Distr. Date	[redacted]	4-Qtr-00	40 Day St. Dev.	$	3.60
Axcelis IPO Date / Price	7/10/00	$22	40 Day Correlation		0.06
IPO-Lockup Expires	[redacted]				
Shares to Distribute / Float	5.2 X				



Eaton Corporation is a global manufacturer of highly engineered products that serve industrial, vehicle, construction, commercial, aerospace and semiconductor markets. Principal products include hydraulic products and fluid connectors, electrical power distribution and control equipment, truck drivetrain systems, engine components, ion implanters and a wi variety of controls.

Axcelis Technologies, Inc. is a leading producer of ion implantation equipment used in the fabrication of semiconductors. The ion implantation process provides a means for introducing charged ions into the surface of a silicon wafer in order to form the active components of a semiconductor. The Company also produces dry strip, photostabilization and rapid thermal processing equipment, which is used in semiconductor manufacturing primarily before and after the ion implantation process.

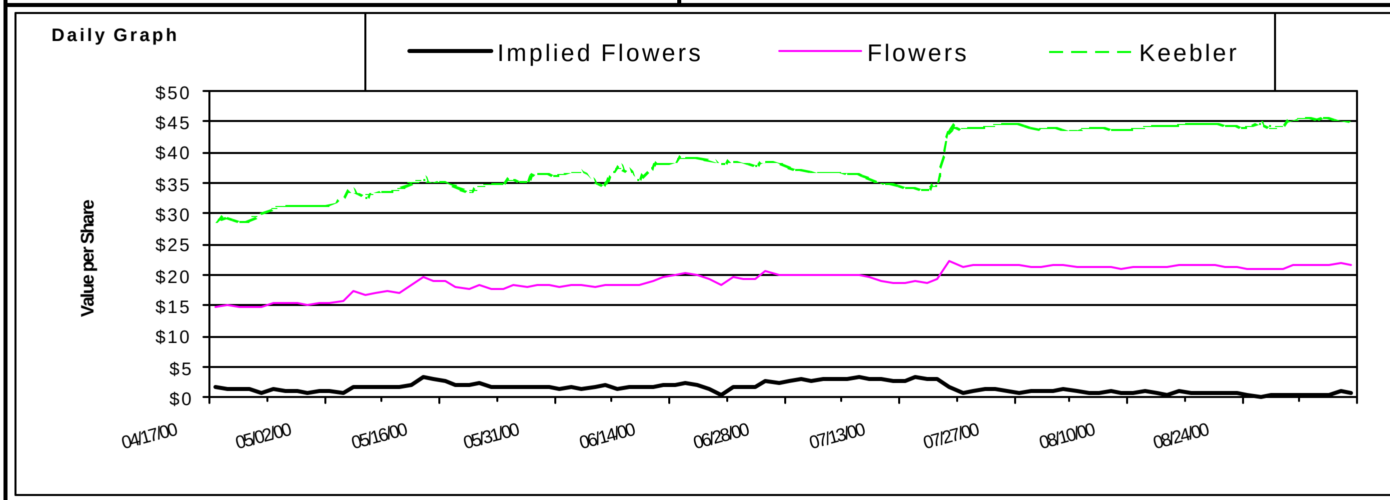
Valuation Snapshot

Flowers / Keebler

Flowers (FLO)		912-226-9110	Keebler (KBL)		630-833-2900
Current Price	$ 21.75		Current Price | 00-EPS est.	$ 45.13	$1.834 | 24.6X
Shares Out (000)	100,000		Shares Out / Float	84,300	38,200
Market Cap. (000)	$2,175,000		Market Cap. (000)	$ 3,804,038	
Enterprise Value	$3,618,800		Enterprise Value	$ 4,179,078	
Sales 12 Month Trailing	$4,288,480		TTM Sales | Price /Sales	$ 2,697,320	1.41 X
Book | Cash Per Share	$ 5.44	$0.01	Book Value | Price /Book	$ 5.74	7.85 X
Insider / Inst. Held	14%	49%	Insider / Inst. Held	74%	43%
Short Int. / ratio	2.463	3.755	Short Int. / ratio	3.075	4.652
52 Week Range	11.68 - $23.25		52 Week Range	$21.75 - $46.18	

Flowers ownership of Keebler		With Keebler		Without Keebler	
Shares owned (000)	46,100	Price-to-Sales	0.51 X	Price-to-Sales	$15.91 | 0.05 X
Ratio Per Flowers share	0.4610	Price-to-Book	4 X	Price-to-Book	$2.79 | 0.33 X
Value Per Flowers share	$20.8	Price/Earnings	31.12 X	Price/Earnings	$-0.14 | -6.46 X
Flowers Stub Value	$0.94	Price/EBITDA	4.86 X	Price/EBITDA	$0.51 | 0 X
Economic / Voting Interest	55% / 55%	Enterpr./EBITDA	8.1 X	Enterpr./EBITDA	17.78 X

Flowers Relationship with Keebler		Flowers / Keebler Spread Relationship	
Intend to Spin	Sell	40 Day Average	$ 1.12
IRS Tax Free Ruling	[redacted]	40 Day Variance	$ 0.53
Record Date / Distr. Date		40 Day St. Dev.	$ 0.73
Keebler IPO Date / Price		40 Day Correlation	0.94
IPO-Lockup Expires			
Shares to Distribute / Float	1.2 X		



Flowers Industries, Inc. is a holding company that owns all of the outstanding common stock of Flowers Bakeries, Inc. and Mrs. Smith's Bakeries, Inc., and owns a majority of the outstanding common stock of Keebler Foods Company. The Company is one of the largest nationally branded producers and marketers of a full line of baked foods in the United States. The products of the Company's three segments include Flowers Bakeries' fresh breads and rolls, Mrs. Smith's Bakeries' fresh and frozen baked desserts, snacks, breads and rolls, as well as Keebler's cookies and crackers.

Keebler Foods Company is a cookie and cracker manufacturer. Keebler markets a majority of its products under well-recognized brands such as KEEBLER, CHEEZ-IT, CARR'S and FAMOUS AMOS. The Company is a licensed supplier of Girl Scout cookies and produces cookies, crackers, custom-baked products for several markets. The Company also manufactures a variety of custom-baked products for other marketers of branded food products. In addition, the Company is a manufacturer o retail branded ice cream cones and a major producer of retail branded piecrusts. The Company produces custom-baked products for other marketers of branded food products.

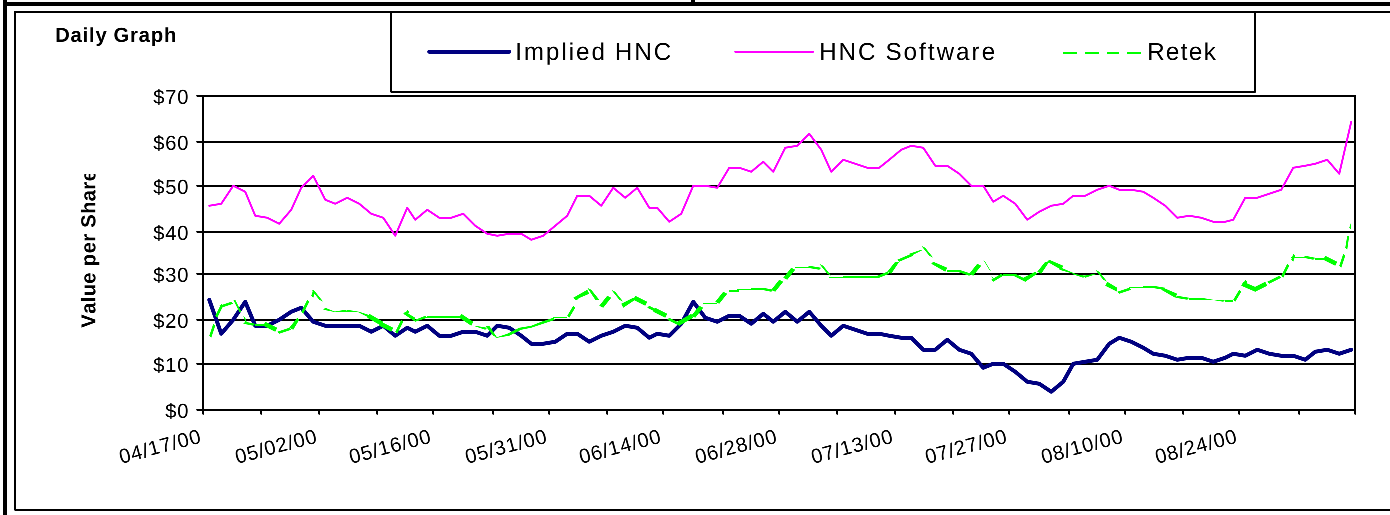
Valuation Snapshot

HNC Software / Retek

HNC Software (HNCS)		858-546-8877	Retek (RETK)			630-833-2900
Current Price	$ 64.75		Current Price | 00-EPS est.	$	41.38	$-0.564 | 0X
Shares Out (000)	32,000		Shares Out / Float		46,967	6,967
Market Cap. (000)	$2,072,000		Market Cap. (000)	$	1,943,260	
Enterprise Value	$1,888,200		Enterprise Value	$	3,259,710	
Est. 2000 Sales	$ 272,000		Est. 2000 Sales| Price/Sales	$	84,900	22.89 X
Book | Cash Per Share	$ 13.93	$3.75	Book Value | Price /Book	$	2.51	16.46 X
Insider / Inst. Held	25%	93%	Insider / Inst. Held		87%	12%
Short Int. / ratio	1.066	2.994	Short Int. / ratio		2.499	9.839
52 Week Range	$34.62 - $130		52 Week Range		$15 - $122.81	

HNC Software ownership of Retek		With Retek		Without Retek	
Shares owned (000)	40,000	Price-to-Sales	7.62 X	Price-to-Sales	$5.84 | 2.22 X
Ratio Per HNC Software share	1.2500	Price-to-Book	4.65 X	Price-to-Book	$10.78 | 1.2 X
Value Per HNC Software share	$51.71	Price/Earnings	[redacted]	Price/Earnings	$0.26 | 49.73 X
HNC Software Stub Value	$13.03	Price/EBITDA	549.6 X	Price/EBITDA	[redacted]
Economic / Voting Interest	85% / 85%	Enterpr./EBITDA	500.85 X	Enterpr./EBITDA	

HNC Software Relationship with Retek			HNC Software / Retek Spread Relationship		
Intend to Spin	Yes		40 Day Average	$	11.74
IRS Tax Free Ruling	Yes		40 Day Variance	$	7.36
Record Date / Distr. Date	9/15/00	9/29/00	40 Day St. Dev.	$	2.71
Retek IPO Date / Price	11/18/99	$15	40 Day Correlation		0.86
IPO-Lockup Expires	5/15/00				
Shares to Distribute / Float	5.7 X				



HNC Software Inc. is a business-to-business software company that develops, markets, licenses and supports predictive software solutions for various service industries, including companies in the insurance, financial services, telecommunications, e-commerce, and retail industries. The Company's predictive software solutions help service industry companies manage and optimize their customer relationships. By analyzing high volumes of customer transactions in real-time, the Company's predictive solutions help companies shift the decision-making process from a retrospective to prospective basis. The increasing conduct of e-business over the Internet increases the demand for analysis of large volumes of real-time information, which the Company's products provide. Electronic customer interaction is necessary to manage and respond to customer activity and expectations in all markets.

Retek Inc. provides Internet-based, business-to-business software solutions for retailers and their trading partners. The Company's software offers a retail-focused solution that incorporates technology that can predict customer demand and behavior, which the Company refers to as predictive technology. The Company's software solutions enable retailers to use the Internet to communicate and collaborate efficiently with their suppliers, distributors, wholesalers, logistics providers, brokers, transportation companies, consolidators and manufacturers.

Valuation Snapshot

Limited / Intimate Brands

Limited (LTD)			614-415-7000	Intimate Brands (IBI)			614-415-6900
Current Price	$	21.44		Current Price | 00-EPS e	$	19.31	$1.079 | 17.8X
Shares Out (000)		445,306		Shares Out / Float		475,200	80,784
Market Cap. (000)	$	9,546,247		Market Cap. (000)	$	9,177,300	
Enterprise Value	$	9,612,147		Enterprise Value	$	10,084,040	
Sales 12 Month Trailing	$	9,726,970		TTM Sales | Price /Sales	$	4,645,270	1.98 X
Book Per Share	$	4.92		Book Value | Price /Bool	$	1.22	15.79 X
Insider / Inst. Held		26%	71%	Insider / Inst. Held		85%	14%
Short Int. / ratio		17.224	16.739	Short Int. / ratio		1.318	2.45
52 Week Range		$14.43 - $25.87		52 Week Range		$14 - $24.18	

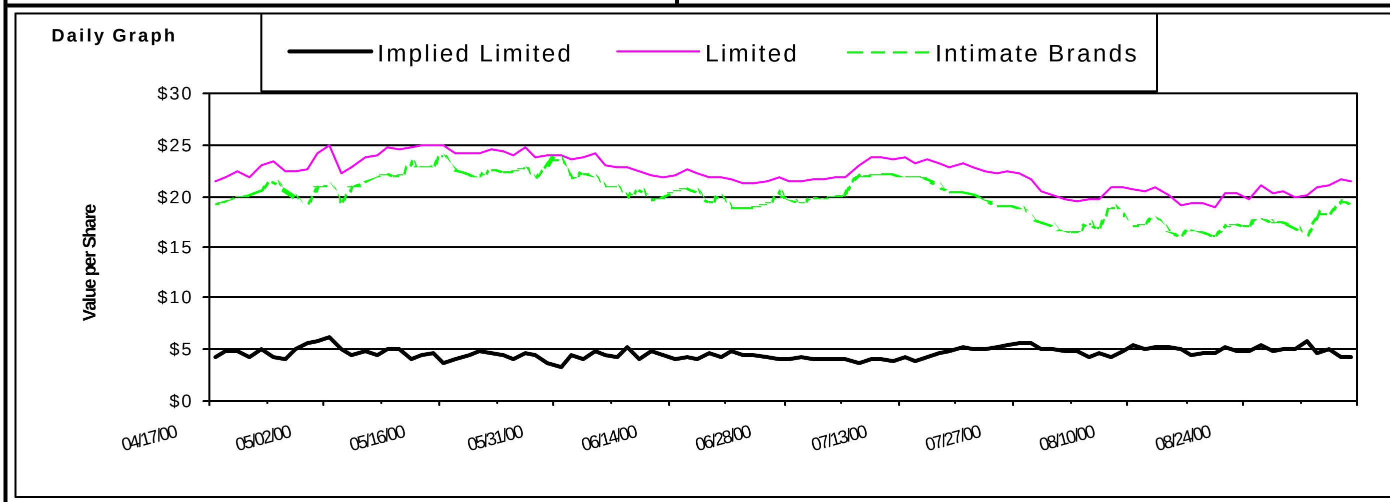
Limited ownership of Intimate Brands	
Shares owned (000)	394,416
Ratio Per Limited share	0.8857
Value Per Limited share	$17.1
Limited Stub Value	$4.33
Economic / Voting Interes	83% / 83%

With Intimate Brands | multiple	
Price-to-Sales	$21.84 | 0.98 X
Price-to-Book	$4.92 | 4.36 X
Price/Earnings	$1.189 | 18.03 X
Price/EBITDA	$2.44 | 8.78 X
Enterpr./EBITD/	8.85 X

Without IBI per share | multiple	
Price-to-Sales	$11.41 | 0.37 X
Price-to-Book	$3.83 | 1.12 X
Price/Earnings	$0.23 | 18.56 X
Price/EBITDA	$0.37 | 11.59 X
Enterpr./EBITDA	10.56 X

Limited Relationship with Intimate Brands	
Intend to Spin	NO
IRS Tax Free Ruling	[redacted]
Record Date / Distr. Date	
Intimate Brands IPO Date	
IPO-Lockup Expires	
Shares to Distribute / Floa	4.9 X

Limited / Intimate Brands Spread Relationship		
40 Day Average	$	4.86
40 Day Variance	$	0.18
40 Day St. Dev.	$	0.42
40 Day Correlation		0.96



The Limited, Inc. is principally engaged in the purchase, distribution and sale of women's and men's apparel, women's intimate apparel and personal care products. The Company operates an integrated distribution system that supports its retail activities. These activities are conducted under various trade names, primarily through its retail stores and catalogue businesses. Merchandise is targeted to appeal to customers in various market segments that have distinctive consumer characteristics.

Intimate Brands, Inc. is principally engaged in the purchase, distribution and sale of intimate and other women's apparel and personal care products. The Company's retail activities are conducted under two brand names, Victoria's Secret and Bath & Body Works, and its overall business is conducted through an integrated retail approach, which includes stores, catalogue and Internet. Merchandise is targeted to appeal to customers in various market segments that have distinctive consumer characteristics. The Company's retail distribution channels offer lingerie, hosiery, swimwear, beauty products and specialty gif items. In addition, the Company's catalogue offers women's apparel, shoes and accessories. Intimate Brands also operates Gryphon Development, Inc., which creates, develops and sources a substantial portion of the bath and personal care products sold by the Company.

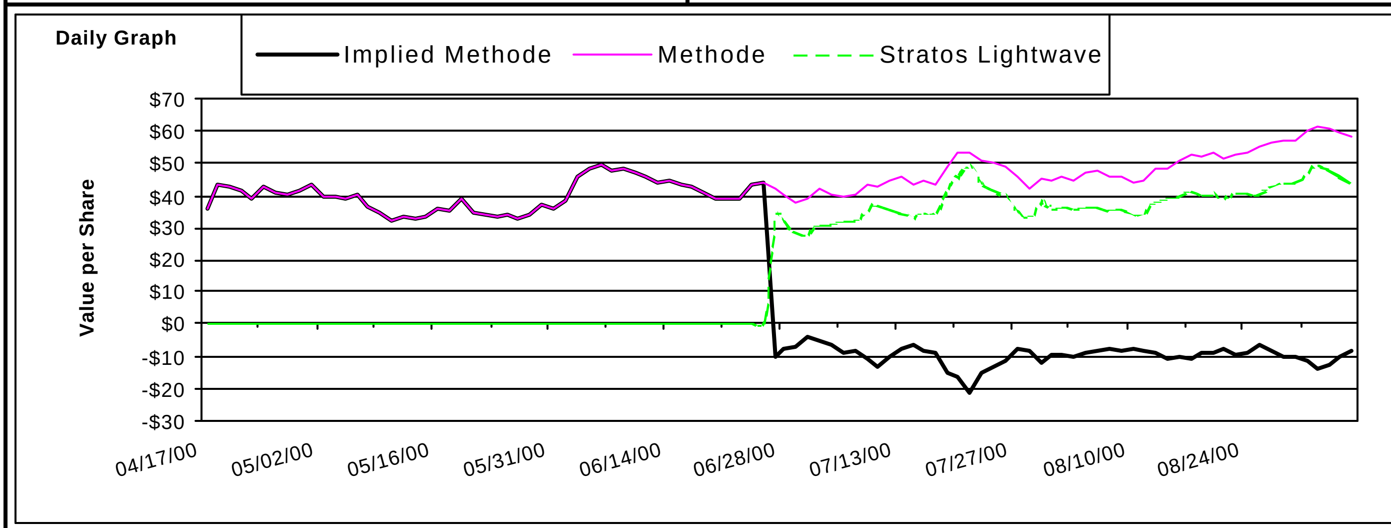
Valuation Snapshot

Methode / Stratos Lightwave

Methode (METHA)		708-867-9600	Stratos Lightwave (STLW)		708-867-9600
Current Price	$ 58.31		Current Price | 00-EPS est.	$ 43.81	$0.22 | 199.1X
Shares Out (000)	35,500		Shares Out / Float	64,092	10,063
Market Cap. (000)	$2,070,094		Market Cap. (000)	$ 2,808,031	
Enterprise Value	$1,850,194		Enterprise Value	$ 2,626,581	
Sales 12 Month Trailing	$ 422,000		TTM Sales | Price /Sales	$ 71,785	39.12 X
Book Per Share	$ 13.18		Book Value | Price /Book	$ 3.03	14.47 X
Insider / Inst. Held	33%	67%	Insider / Inst. Held	86%	6%
Short Int. / ratio	0.496	0.728	Short Int. / ratio	5.062	1.755
52 Week Range	$13.5 - $66.43		52 Week Range	$26 - $56.12	

Methode ownership of Stratos Lightwave		With Stratos Lightwave		Without STLW per share | multiple	
Shares owned (000)	54,029	Price-to-Sales	4.91 X	Price-to-Sales	$9.86 | 0 X
Ratio Per Methode share	1.5219	Price-to-Book	4.42 X	Price-to-Book	$8.57 | 0 X
Value Per Methode share	$66.68	Price/Earnings	49.42 X	Price/Earnings	$0.84 | 0 X
Methode Stub Value	$-8.36	Price/EBITDA	34.75 X	Price/EBITDA	$1.5 | 0 X
Economic Interest	84%	Enterpr./EBITDA	31.06 X	Enterpr./EBITDA	[redacted]

Methode Relationship with Stratos Lightwave			Methode / Stratos Lightwave	Spread Relationship
Intend to Spin	Yes		40 Day Average	$ (10.17)
IRS Tax Free Ruling	Pending		40 Day Variance	$ 8.60
Record Date / Distr. Date	[redacted]	Dec-00 /April-01	40 Day St. Dev.	$ 2.93
Stratos Lightwave IPO Date	6/27/00	$21	40 Day Correlation	0.92
IPO-Lockup Expires	12/23/00			
Shares to Distribute / Float	5.4 X			



Methode Electronics, Inc is engaged in the manufacture of electronic components and devices that connect, control and convey electrical energy, pulse and signal including connectors, automotive components, interconnect devices, printed circuits, and curre carrying distribution systems. Components and devices manufactured by the Company are used in the production of electronic equipment and other products with applications in the automotive, computer, voice and data communications equipment, industria military and aerospace, and consumer electronics industries. The Company's products are sold primarily to original equipment manufacturers (OEMs) and also to independent distributors.

Stratos Lightwave develops, manufactures and sells optical subsystems and components for high data rate networking, data storage and telecommunication applications. Optical subsystems convert electronic signals into optical signals and back into electronic signals. There optical subsystems are designed for use in local area networks (LANs), storage area networks (SANs), metropolitan area networks (MANs), wide area networks (WANs) and central office networking in telecommunication markets.

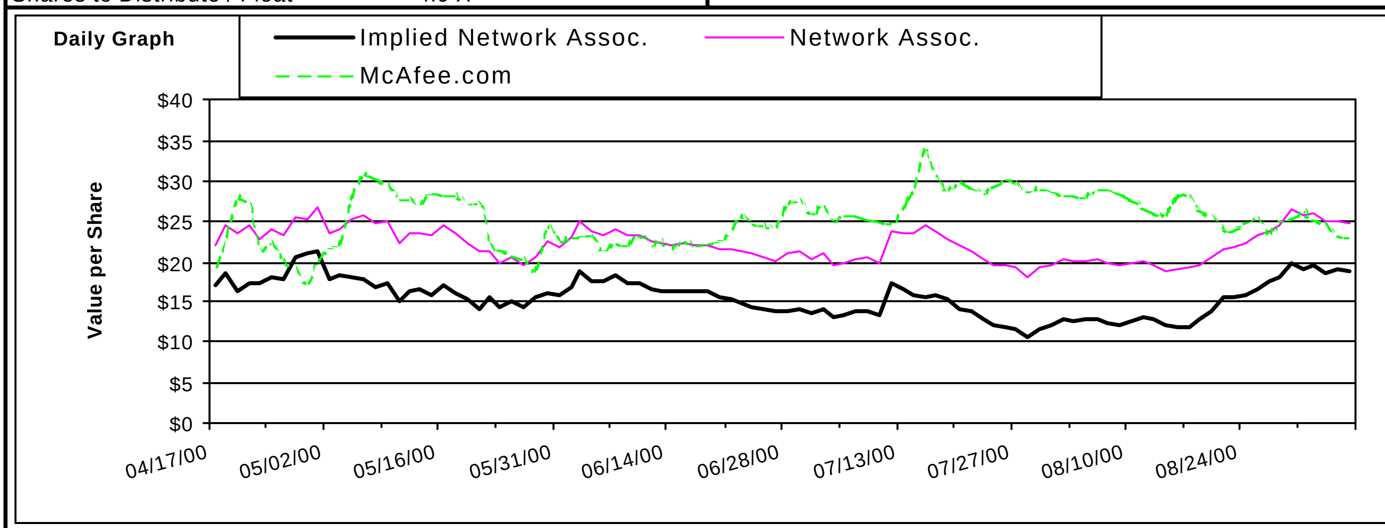
Valuation Snapshot

Network Assoc. / McAfee.com

Network Assoc. (NETA)	408-988-3832		McAfee.com (MCAF)	408-572-1500	
Current Price	$ 24.63		Current Price | 00-EPS est.	$ 22.88	$-0.53 | 0X
Shares Out (000)	139,200		Shares Out / Float	43,500	7,400
Market Cap. (000)	$3,427,800		Market Cap. (000)	$ 995,063	
Enterprise Value	$3,015,153		Enterprise Value	$ 921,663	
Sales 12 Month Trailing	$ 891,000		TTM Sales | Price /Sales	$ 48,000	20.73 X
Book | Cash Per Share	$ 4.91	$5.23	Book Value | Price /Book	$ 1.52	15.01 X
Insider / Inst. Held	3%	53%	Insider / Inst. Held	81%	15%
Short Int. / ratio	3.094	1.704	Short Int. / ratio	0.398	2.707
52 Week Range	16.25 - $37.18		52 Week Range	$15.56 - $63.75	

Network Assoc. ownership of McAfee.com		With McAfee.com | multiple		Without MCAF per share | multiple	
Shares owned (000)	36,100	Price/Sales-F00	$6.4 | 3.84 X	Price/Sales-F00	$6.05 | 3.08 X
Ratio Per Network Assoc. share	0.2593	Price-to-Book	$4.91 | 5.02 X	Price-to-Book	$4.51 | 4.13 X
Value Per Network Assoc. share	$5.93	Price/Earnings	$0.96 | 25.65 X	Price/Earnings	$1.09 | 17.03 X
Network Assoc. Stub Value	$18.69	Price/EBITDA	[redacted]	Price/EBITDA	[redacted]
Economic / Voting Interest	83% / 94%	Enterpr./EBITDA	[redacted]	Enterpr./EBITDA	[redacted]

Network Assoc. Relationship with McAfee.com			Network Assoc. / McAfee.com Spread Relationship	
Intend to Spin	[redacted]		40 Day Average	$ 14.56
IRS Tax Free Ruling	[redacted]		40 Day Variance	$ 6.97
Record Date / Distr. Date	[redacted]	[redacted]	40 Day St. Dev.	$ 2.64
McAfee.com IPO Date / Price	12/2/99	$12	40 Day Correlation	-0.37
IPO-Lockup Expires	6/1/00			
Shares to Distribute / Float	4.9 X			



Networks Associates, Inc. is a leading supplier of security and availability solutions for e-business. The Company is organized into four product groups based on its product suites: McAfee, which primarily markets the McAfee Active Virus Defense product suite; Sniffer Technologies, which primarily markets the Sniffer Total Network Visibility product suite; PGP Security, which primarily ma the PGP Total Security Defense product suite; and Magic Solutions, which primarily markets the Magic Total Support Desk product suite. The four individual product suites form the Company's single Net Tools mega suite. In addition to the product groups, the Company includes myCIO, a wholly owned subsidiary and a business applications service provider.

McAfee.com Corporation provides online PC management products and services for consumers. Through its web site at www.McAfee.com, the Company allows consumers to secure, repair, update and upgrade their PCs. The Company encourages consumers to become paid subscribers to its main product, McAfee Clinic, which gives them access to all the centers on its web site. These centers consist of the McAfee Clinic, Anti-Virus Center, Firewall/Security Center, PC Checkup Center, Shopping Center, Download Center and Support Center.

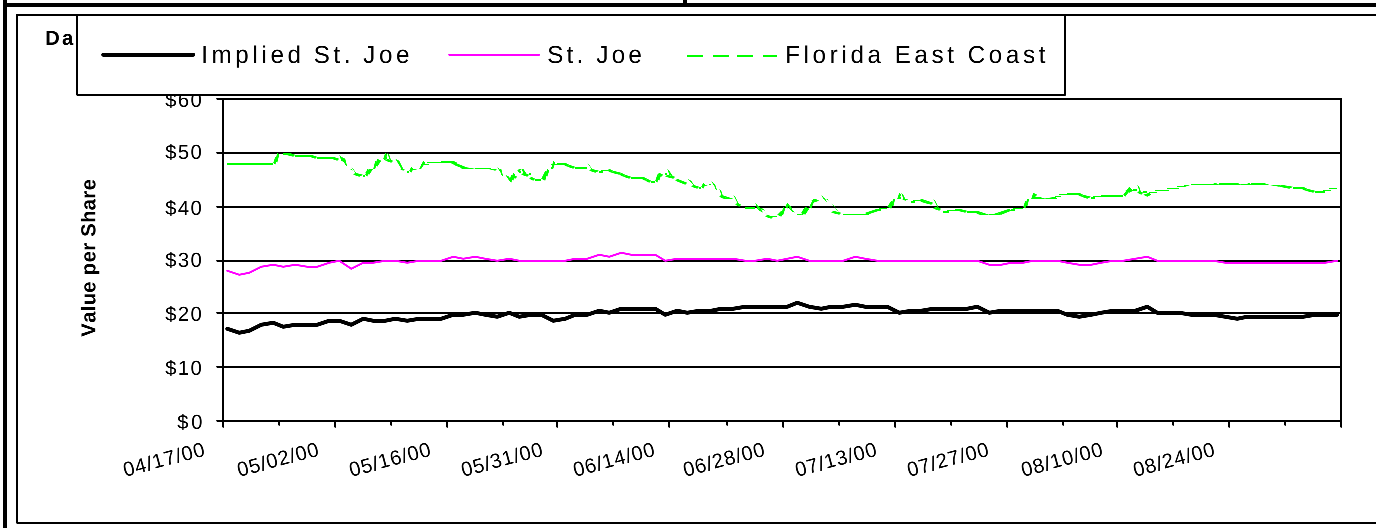
Valuation Snapshot

St. Joe / Florida East Coast

St. Joe (JOE)		904-396-6600	Florida East Coast (FLA)		904-829-3421
Current Price	$ 29.69		Current Price | 00-EPS	$ 43.44	$1.04 | 41.7X
Shares Out (000)	87,074		Shares Out / Float	36,313	16,704
Market Cap. (000)	$2,585,004		Market Cap. (000)	$ 1,577,362	
Enterprise Value	$2,667,204		Enterprise Value	$ 1,588,772	
Sales 12 Month Trailing	$ 831,300		TTM Sales | Price /Sale	$ 282,180	5.59 X
Book Per Share	$ 10.50		Book Value | Price /Boc	$ 20.43	2.12 X
Insider / Inst. Held	61%	25%	Insider / Inst. Held	74%	28%
Short Int. / ratio	0.149	3.465	Short Int. / ratio	0.033	2.538
52 Week Range	20.06 - $31.37		52 Week Range	$29.62 - $51	

St. Joe ownership of Florida East Coast		With Florida East Coast | multiple		Without FLA per share | multiple	
Shares owned (000)	19,609	Price-to-Sales	$9.54 | 3.1 X	Price-to-Sales	$6.3 | 3.15 X
Ratio Per St. Joe share	0.2252	Price-to-Book	$10.5 | 2.83 X	Price-to-Book	$5.9 | 3.37 X
Value Per St. Joe share	$9.78	Price/Earnings	$1.325 | 22.41 X	Price/Earnings	$1.09 | 18.24 X
St. Joe Stub Value	$19.9	Price/EBITDA	$2.09 | 14.19 X	Price/EBITDA	$1.16 | 17.01 X
Economic / Voting Interes	53% / 54%	Enterpr./EBITDA	14.65 X	Enterpr./EBITDA	18.5 X

St. Joe Relationship with Florida East Coast			St. Joe / Florida East Coast Spread Relationship		
Intend to Spin	Yes		40 Day Average	$	20.08
IRS Tax Free Ruling	Pending		40 Day Variance	$	0.26
Record Date / Distr. Date	[redacted]		40 Day St. Dev.	$	0.51
Florida East Coast IPO D	[redacted]	$0	40 Day Correlation		0.06
IPO-Lockup Expires	[redacted]				
Shares to Distribute / Floa	1.2 X				



The St. Joe Company provides a broad range of real estate services to meet both residential and commercial real estate needs. The Company is one of the few real estate operating companies to have assembled the range of real estate, financial, marketing and regulatory expertise to take a large-scale approach to real estate development and services. The Company conducts primarily all its business in six operating segments. These are Community Residential Development; Residential Real Estate Services; Commercial Real Estate Development and Services; Forestry; Land Sales; and Transportation. In 1999, the Company started a hospitality development group.

Florida East Coast Industries Inc. is a holding company engaged, through four wholly-owned subsidiaries, in rail and trucking operations, real estate (ownership, development and management) and telecommunications (dark fibe and broadband capacity sales). The Company's subsidiaries are Florida East Coast Railway, International Transit, Inc., Gran Central Corporation and EPIK Communications Incorporated.

Implied Value of Stubs

Parent Company	Symbol	Price	Carve-Out / Holding	Symbol	09/08/00 Price	Ratio (1)	Intend To Spin (6)	Economic % owned (7)	Embedded Value (2)	Residual Stub Value (3)	Date Updated
Alpine Group	AGI	$ 6.38	Superior Telecom	SUT	$ 8.63	0.695		51.70%	$ 6.00	$ 0.38	12/31/99
Alliance Semiconductor	ALSC	$ 22.13	Broadcom	BRCM	$ 238.56	0.011		0.23%	$ 2.72		
			Chartered Semiconductor	CHRT	$ 78.25	0.050		1.59%	$ 3.89		
			Chartered Semiconductor-S	CSM *	$ 0.45	0.498		0.00%	$ 0.23		
			United Microelectronics-S	2303 *	$ 2.98	7.884		3.14%	$ 23.48		
			Vitesse Semiconductor	VTSS	$ 90.44	0.020		0.52%	$ 1.79		
									$ 32.11	$ (9.99)	
American Home Products	AHP	$ 52.88	Immunex	IMNX	$ 47.63	0.221		54.10%	$ 10.52	$ 42.35	06/14/00
Motion Corp.	MTNT	$ 11.38	XM Satellite Radio	XMSR	$ 43.69	0.279		22.13%	$ 12.21	$ (0.83)	03/03/00
American Software	AMSWA	$ 4.81	Logility	LGTY	$ 3.63	0.514		83.70%	$ 1.86	$ 2.95	02/14/00
AT&T	T	$ 30.56	AT&T Wireless	AWE	$ 25.50	0.595		84.42%	$ 15.17		04/20/00
			Cablevision	CVC	$ 67.13	0.016		30.06%	$ 1.06		
									$ 16.23	$ 14.33	
AXA Financial	AXA	$ 73.69	Donaldson Lufkin & Jenrette	DLJ	$ 88.56	0.390		64.50%	$ 34.58	$ 39.10	03/30/00
Banco Santander Spain	STD	$ 10.56	Santander Bancorp	SBP	$ 11.94	0.032		80.00%	$ 0.38	$ 10.18	05/25/99
ePresence	EPRE	$ 7.94	Switchboard.com	SWBD	$ 8.38	0.436		41.36%	$ 3.65	$ 4.29	03/01/00
Barnes and Noble	BKS	$ 19.75	Barnesandnoble.com	BNBN	$ 4.75	0.837		40.56%	$ 3.98	$ 15.77	03/21/00
Bowne	BNE	$ 10.38	Edgar Online	EDGR	$ 4.97	0.027		8.67%	$ 0.14	$ 10.24	03/15/00
BrookTrout	BRKT	$ 35.25	Interspeed	ISPD	$ 11.50	0.616		55.81%	$ 7.08	$ 28.17	03/15/00
Cabletron	CS	$ 36.38	Efficient Networks	EFNT	$ 55.00	0.064		21.85%	$ 3.50	$ 32.87	03/01/00
Cabot	CBT	$ 36.88	Cabot Micro Electronics	CCMP	$ 57.00	0.271	Y	82.98%	$ 15.44	$ 21.44	03/15/00
Cadence	CDN	$ 22.03	Tality	TLTY	$ 11.00	0.267		82.96%	$ 2.94	$ 19.09	09/05/00
Canadian Pacific	CN	$ 27.69	Pancanadian Petroleum	TSE:PCP	US$ 22.78	0.683		86.72%	$ 15.56	$ 12.12	08/31/00
Cell Genesys	CEGE	$ 28.13	Abgenix	ABGX	$ 74.06	0.075		12.55%	$ 5.55	$ 22.58	03/22/00
Cerner	CERN	$ 42.00	CareInsite	CARI	$ 23.06	0.390		18.83%	$ 8.99	$ 33.01	06/16/99
Chris-Craft	CCN	$ 80.63	BHC Communications	BHC	$ 156.50	0.427		80.36%	$ 66.89	$ 13.73	03/30/00
Citizens Communications	CZN	$ 16.13	Electric Lightwave	ELIX	$ 13.19	0.158		82.05%	$ 2.09	$ 14.04	03/31/00
Cohesion Technology	CSON *	$ 11.50	Boston Scientific	BSX	$ 18.31	0.086			$ 1.58		
			Pharming N.V.	PHAR *	$ 12.60	0.099			$ 1.25		
									$ 2.83	$ 8.67	
Comverse Technology	CMVT	$ 93.69	Ulticom	ULCM	$ 60.97	0.214		87.33%	$ 13.08	$ 80.61	04/05/00
Data Broadcasting	DBCC	$ 4.22	MarketWatch.com	MKTW	$ 11.81	0.077		49.91%	$ 0.91	$ 3.31	06/30/00
Delia's	DLIA	$ 2.63	iTurf	TURF	$ 1.75	0.652	Y	55.26%	$ 1.14	$ 1.48	03/15/00
Deluxe	DLX	$ 21.31	eFunds	EFDS	$ 8.69	0.591	Y	86.49%	$ 5.13	$ 16.18	05/16/00
DTE Energy	DTE	$ 36.69	Plug	PLUG	$ 44.25	0.094		30.99%	$ 4.18	$ 32.51	03/31/00
Disney (Walt)	DIS	$ 41.50	Disney Internet Group	DIG	$ 14.88	0.052		72.00%	$ 0.77	$ 40.73	12/31/99
Dixons PLC	DXNS.L	£ 2.42	Freeserve	FRE.I	£ 3.15	0.475		85.55%	£ 1.5	£ 0.92	01/00/00
Donaldson Lufkin & Jenrette	DLJ	$ 88.56	DLJ Direct	DIR	$ 8.25	0.624		84.25%	$ 5.15	$ 83.41	03/30/00
Eaton	ETN	$ 66.38	Axcelis tech.	ACLS	$ 18.69	1.100	Y	83.77%	$ 20.56	$ 45.81	06/16/00
eCom Ventures	ECMV	$ 1.31	Envision Development	EDV	$ 12.31	0.473		46.67%	$ 5.82	$ (4.51)	01/00/00
ECI Telecom	ECIL	$ 32.06	Ectel	ECTX	$ 22.25	0.134		76.07%	$ 2.99	$ 29.07	09/05/00
EMC	EMC	$ 99.31	McData	MCDT	$ 98.50	0.043	Y	87.26%	$ 4.20	$ 95.11	08/02/00
Enron	ENE	$ 83.88	Azurix	AZX	$ 4.56	0.056		35.00%	$ 0.25		09/05/00
			TNPC	NPW	$ 19.00	0.134		82.51%	$ 2.55		09/05/00
									$ 2.80	$ 81.07	

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
6) Company has announced intent to distribute shares of carve-out to parent shareholders.
7) Parents economic ownership value of carve-out. This column does not include consideration for voting rights.

Implied Value of Stubs

Parent Company	Symbol	Price	Carve-Out / Holding	Symbol	09/08/00 Price	Ratio (1)	Intend To Spin (6)	Economic % owned (7)	Embedded Value (2)	Residual Stub Value (3)	Date Updated
Flowers Ind.	FLO	$ 21.75	Keebler	KBL	$ 45.13	0.462		54.80%	$ 20.85	$ 0.90	03/31/00
First Albany	FACT	$ 17.50	Mechanical Tech.	MKTY	$ 12.25	1.515		34.00%	$ 18.56	$ (1.06)	01/00/00
Ford	F	$ 25.88	Hertz	HRZ	$ 26.19	0.077		81.00%	$ 2.01	$ 23.87	05/25/99
Gartner Group	IT	$ 13.25	Jupiter Communications	JPTR	$ 20.06	0.056		24.43%	$ 1.12	$ 12.13	04/07/00
Global Crossing	GBLX	$ 34.50	Asia Global	ACGX	$ 15.00	0.000		0.00%	$ -		
			Storage Networks	STOR	$ 108.75	0.006		5.88%	$ 0.69		
			GlobalCenter	GCTR	$ 17.00	0.286		80.24%	$ 4.85		06/16/00
									$ 5.55	$ 28.95	
Great Lakes Chemical	GLK	$ 32.19	OSCA	OSCA	$ 16.00	0.154		60.00%	$ 2.47	$ 29.72	05/10/00
HNC Software	HNCS	$ 64.75	Retek	RETK	$ 41.38	1.486	Y	85.17%	$ 61.49	$ 3.26	08/07/00
ICN Pharmaceuticals	ICN	$ 28.75	Ribapharm	RIBA	$ 14.00	1.573		87.40%	$ 22.02	$ 6.73	09/06/00
IDT	IDTC	$ 40.94	Net2Phone	NTOP	$ 31.75	0.692		48.26%	$ 21.96	$ 18.98	03/20/00
iGate Capital	IGTE	$ 6.94	Mascot	MSCT *	$ 7.49	0.485		88.89%	$ 3.63	$ 3.30	06/12/00
IMS Health	RX	$ 20.00	Cog Tech Solutions	CTSH	$ 35.38	0.047		78.86%	$ 1.68		03/30/00
			Gartner Group	IT	$ 13.25	0.023		7.92%	$ 0.30		03/30/00
Intermedia	ICIX	$ 30.69	Digex	DIGX	$ 72.88	0.686		62.20%	$ 49.98	$ (19.29)	03/20/00
Kushner-Locke	KLOC	$ 1.88	USSearch.com	SRCH	$ 1.84	0.751		55.20%	$ 1.38	$ 0.49	03/20/00
Limited	LTD	$ 21.44	Intimate Brands	IBI	$ 19.31	0.886		83.00%	$ 17.11	$ 4.33	05/31/00
Loews	LTR	$ 80.13	Diamond Offshore Drilling	DO	$ 46.13	0.674		86.49%	$ 31.09		03/31/00
			CNA Insurance	CNA	$ 39.50	1.533		51.62%	$ 60.56		03/31/00
									$ 91.65	$ (11.53)	
Loral	LOR	$ 7.44	Globalstar	GSTRF	$ 9.94	0.175		42.44%	$ 1.74	$ 5.70	03/31/00
Maxxam	MXM	$ 22.13	Kaiser Aluminum	KLU	$ 5.50	7.143		62.97%	$ 39.29	$ (17.16)	03/20/00
Mechanical Tech.	MKTY	$ 12.25	Plug	PLUG	$ 44.25	0.403		31.00%	$ 17.84	$ (5.59)	03/30/00
Medical Manager (new)	MMGR	$ 44.19	CareInsite	CARI	$ 23.06	1.392		69.00%	$ 32.09	$ 12.09	03/23/00
Motorola	MOT	$ 35.50	Next Nevel Communications	NXTV	$ 53.63	0.030		80.23%	$ 1.60	$ 33.90	06/22/00
PSINet	PSIX	$ 16.00	Xpedior	XPDR	$ 6.25	0.254		80.00%	$ 1.59	$ 14.41	06/20/00
Methode Electronics	METHA	$ 58.31	Stratos Lightwave	STLW	$ 43.81	1.570	Y	86.43%	$ 68.80	$ (10.49)	06/05/00
Nabisco Group Holdings	NGH	$ 28.31	Nabisco	NA	$ 53.69	0.658		80.79%	$ 35.31	$ (7.00)	03/20/00
National City	NCC	$ 22.00	National Processing	NAP	$ 12.13	0.142		88.19%	$ 1.73	$ 20.27	03/22/00
Navarre	NAVR	$ 2.34	Net Radio	NETR	$ 1.75	0.216		50.99%	$ 0.38	$ 1.96	03/20/00
Network Associates	NETA	$ 24.63	McAfee	MCAF	$ 22.88	0.259		85.21%	$ 5.92	$ 18.71	12/31/99
News Corp	NWS	$ 53.31	Fox Corp	FOX	$ 28.63	0.639		83.01%	$ 18.28	$ 35.03	03/31/00
Xcel Energy	XEL	$ 25.75	NRG Energy	NRG	$ 28.00	0.441		83.97%	$ 12.34	$ 13.41	05/31/00
Osicom	FIBR	$ 47.63	NetSilicon	NSIL	$ 24.00	0.822		56.60%	$ 19.73	$ 27.90	03/20/00
PepsiCo	PEP	$ 43.19	Pepsi Bottling Group	PBG	$ 29.69	0.040		40.00%	$ 1.20	$ 41.99	03/20/00
PICO Holdings	PICO	$ 13.94	Hyperfeed Technologies	HYPR	$ 4.25	0.833		75.52%	$ 3.54	$ 10.40	03/20/00

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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.
6) Company has announced intent to distribute shares of carve-out to parent shareholders.
7) Parents economic ownership value of carve-out. This column does not include consideration for voting rights.

Implied Value of Stubs

Parent Company	Symbol	Price	Carve-Out / Holding	Symbol	09/08/00 Price	Ratio (1)	Intend To Spin (6)	Economic % owned (7)	Embedded Value (2)	Residual Stub Value (3)	Date Updated
Ralcorp Holdings	RAH	$ 13.75	Vail Resorts	MTN	$ 19.25	0.148		22.00%	$ 2.84	$ 10.91	03/21/00
Ralston Purina	RAL	$ 23.00	DuPont	DD	$ 42.13	0.052		1.42%	$ 2.19		03/21/00
			Interstate Bakeries	IBC	$ 17.56	0.099		43.18%	$ 1.73		03/21/00
			Conoco	COC	$ 27.88	0.024		1.18%	$ 0.67		03/21/00
									$ 4.59	$ 18.41	
Reuters	RTRSY	$ 120.00	Tibco Software	TIBX	$ 102.00	0.485		60.06%	$ 49.45	$ 70.55	05/04/00
RSL	RSLC	$ 4.06	DeltaThree	DDDC	$ 6.56	0.357		73.77%	$ 2.34	$ 1.72	03/21/00
Sabre Group	TSG	$ 28.00	Travelocity	TVLY	$ 15.00	0.260		70.00%	$ 3.89	$ 24.11	05/31/00
Sea Containers	SCR.a	$ 28.13	Orient Express Hotels	OEH	$ 22.69	1.130	Y	67.64%	$ 25.63	$ 2.49	08/07/00
Seagate Technology	SEG	$ 60.19	Veritas Software	VRTS	$ 123.13	**0.467**		32.99%	$ 57.50		03/21/00
			SanDisk	SNDK	$ 86.50	0.046		16.09%	$ 4.00		03/21/00
			Gadzoox Networks	ZOOX	$ 10.31	0.023		25.45%	$ 0.24		03/21/00
									$ 61.74	$ (1.55)	
SPX Corp.	SPW	171.375	Inrange Tech.	INRG	$ 13.00	2.392		90.76%	$ 31.10	$ 140.27	09/05/00
Stilwell Financial	KSU	$ 50.06	DST Systems	DST	$ 101.22	0.092		32.00%	$ 9.28	$ 40.79	03/20/00
St. Joe	JOE	$ 29.69	Florida East Coast	FLA	$ 43.44	0.225	Y	54.00%	$ 9.78	$ 19.91	03/21/00
Synovus	SNV	$ 19.88	Total Systems	TSS	$ 16.69	0.580		80.70%	$ 9.68	$ 10.19	03/21/00
Toronto-Dominion	TD	$ 28.56	TD Waterhouse Group	TWE	$ 20.63	0.521		0.00%	$ 10.74		03/24/00
			Knight-Trimark	NITE	$ 31.31	0.015		8.51%	$ 0.45		03/24/00
									$ 11.20	$ 17.36	
Telephone & Data Systems	TDS	$ 119.38	U.S. Cellular	USM	$ 73.69	1.155		80.91%	$ 85.15		01/12/00
			VoiceStream	VSTR	$ 116.19	0.366		14.00%	$ 42.47		01/12/00
			Vodafone	VOD	$ 41.59	0.044			$ 1.84		01/12/00
									$ 129.45	$ (10.08)	
Time Warner	TWX	$ 81.06	Time Warner Telecom	TWTC	$ 64.56	0.046		51.00%	$ 2.96	$ 78.10	05/25/99
Titan	TTN	$ 25.31	Cayenta	CYTA	$ 13.00	0.385		61.32%	$ 5.00	$ 20.31	09/05/00
			Surebeam	SURE	$ 15.00	0.866		83.41%	$ 12.99		09/05/00
									$ 17.99	$ 7.32	
Tribune	TRB	$ 36.38	AOL	AOL	$ 56.00	0.023		0.23%	$ 1.28	$ 35.09	03/10/00
TRW	TRW	$ 40.25	Wireless Inc.	WLSS	$ 9.00	0.047		13.50%	$ 0.42		06/20/00
			E Sync Networks	ESNI	$ 4.00	0.025		40.00%	$ 0.10		06/20/00
			Celera Genomics	CRA	$ 104.31	0.004		1.00%	$ 0.44		06/20/00
			RF Micro Devices	RFMD	$ 40.88	0.187		13.68%	$ 7.62		06/20/00
									$ 8.59	$ 31.66	
TYCO	TYC	$ 58.50	TYCOM	TCM	$ 42.38	0.264		89.12%	$ 11.17	$ 47.33	05/03/00
Ucar	UCR	$ 13.56	Graftech	GRAF	$ 16.50	0.560		82.79%	$ 9.23	$ 4.33	07/05/00
UnitedGlobalCom	UCOMA	$ 39.50	United Pan-Europe Comm.	UPCOY	$ 24.56	1.839		61.00%	$ 45.18	$ (5.68)	06/29/00
* UCOMA information is updated to reflect Liberty Media Purchase											
USA Networks	USAI	$ 22.63	Ticketmaster-Online	TMCS	$ 23.00	0.066		61.00%	$ 1.51		05/25/99
			Hotel Reservation Networks	ROOM	$ 36.50	0.056		68.00%	$ 2.05		03/20/00
									$ 3.56	$ 19.07	
Utilicorp	UCU	$ 26.19	Quanta Services	PWR	$ 47.00	0.214		36.00%	$ 10.06	$ 16.13	05/31/00
Viacom	VIA	$ 63.00	Blockbuster	BBI	$ 9.75	0.096		83.24%	$ 0.93		07/05/00
			Infinity Broadcasting	INF	$ 35.75	0.463		64.20%	$ 16.55		06/21/00
									$ 17.48	$ 45.52	
Wackenhut	WAK	$ 14.69	Wackenhut Corrections	WHC	$ 9.50	0.821		55.00%	$ 7.80	$ 6.89	08/31/00
Western Resources	WR	$ 20.06	Protection One	POI	$ 1.75	1.573		85%	$ 2.75	$ 17.31	04/06/00
			Oneok - Common	OKE	$ 34.44	0.047		11%	$ 1.62		01/00/00
			Oneok-Preferred	OKE	$ 39.44	0.146		34%	$ 5.75		04/06/00
									$ 10.12	$ 9.95	
Williams	WMB	$ 47.19	Williams Communications	WCG	$ 28.38	0.899	Y	85.31%	$ 25.50	$ 21.69	03/21/00
Verizon	VZ	$ 43.63	Genuity	GENU	$ 8.06	0.007		9.13%	$ 0.05	$ 43.57	06/28/00

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.
6) Company has announced intent to distribute shares of carve-out to parent shareholders.
7) Parents economic ownership value of carve-out. This column does not include consideration for voting rights.

Spin-Off Calendar by Date

Parent	Symbol	Listed Options	Spin-Off	Symbol	Listed Options	Date Announced	Spin-Off Date	Report Date	Tax Exempt	Ratio
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	Y	06/02/99	07/20/99	August		CO
IDT	IDTC	Y	Net2Phone	NTOP		05/14/99	07/29/99	August		CO
Intermedia	ICIX		Digex	DIGX			07/30/99	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	Blockbluster Entertainment	BBI	Y	05/06/99	08/12/99	September	Y	CO
Limited	LTD	Y	Limited Too	TOO	Y	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
Snyder Communications	SNC	Y	Ventiv Health	VTIV		06/23/99	09/28/99	September	Y	1:3
BrookTrout Inc.	BRKT	Y	Interspeed Inc.	ISPD		06/18/99	09/24/99	October		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	October		CO
Gencorp	GY	Y	Omnova Solutions	OMN		12/17/98	10/01/99	October	Y	1:1
HRPT Properties	HRP	Y	Senior Living	SNH		12/24/98	10/12/99	September	N	1:10
Navarre	NAVR	Y	Net Radio	NETR	N	03/03/99	10/14/99	April		CO
Watts Industries	WTS	Y	CIRCOR International	CIR		12/15/98	10/19/99	November	Y	1:2
Harcourt General	H	Y	Neiman Marcus	NMG.B		05/17/99	10/22/99	November	Y	3:10
Snyder Communications	SNC	Y	circle.com	CRCM		05/12/99	10/29/99	September		TR .25:1
Tenneco	TEN	Y	Tenneco Packaging	PTV		07/21/98	11/05/99	November	Y	1:1
Harris Corp.	HRS	Y	Lanier Worldwide	LR		04/14/99	11/05/99	November		1:1
Microsoft	MSFT	Y	Expedia	EXPE		09/23/99	11/10/99	December		CO
Hewlett-Packard	HWP	Y	Agilent Technologies	A		03/02/99	11/18/99	December		CO/SP
Disney	DIS	Y	Go.com	GO		07/12/99	11/18/99	December		TR
HNC Software	HNCS		Retek	RTEK			11/18/99	December		CO
RSL Corp.	RSLC		DeltaThree	DDDC		05/03/99	11/23/99	December		CO
Allegheny Teledyne	ALT	Y	Teledyne Technologies	TDY		01/19/99	11/30/99	December	Y	1:7
			Water Pik Technologies	PIK					Y	1:20
Daisytek	DZTK		PFSweb	PFSW		09/21/99	12/02/99	December		CO
Metamor Worldwide	MMWW	Y	Xpedior	XPDR		10/18/99	12/16/99	November		CO
Crane	CR	Y	Huttig	HBP		06/21/99	12/17/99	December	Y	1:4.5
Schlumberger	SLB	Y	Sedco Forex (Merger)	RIG		07/12/99	12/31/99	Jan-00	Y	1:5
Graphics Packaging	GPK	Y	Coorstek	CRTK		06/15/99	01/04/00	Jan-00	Y	1:4
Technology Solutions	TSCC	Y	eLoyalty	ELOY		03/31/99	2/16/00	Feb-00	Y	1:1
USA Networks	USAI	Y	Hotel Reservations Network	ROOM		11/01/99	02/25/00	Mar-00		CO
3Com	COMS	Y	Palm	PALM	Y	09/14/99	03/02/00	Feb-00		CO
Banyan	BNYN	Y	Switchboard.com	SWBD		11/11/99	03/02/00	Jan-00		CO
AMR Corp.	AMR	Y	Sabre Group Holdings	TSG	Y	12/14/99	03/15/00	Mar-00	Y	.7:1
Olsten Corp.	OLS	Y	Gentiva Health Services	GTIV		08/18/99	03/16/00	Nov-99	N	1:4
Ashland Inc.	ASH	Y	Arch Coal	ACI		10/6/00	03/27/00	April-00	N	1:.2458
First Union Real Estate	FUR		Impark	IPK		01/24/00	03/28/00	April-00		1:20
Ralston Purina	RAL	Y	Energizer Holdings	ENR		06/10/99	04/01/00	April-00	Y	1:3
US Bancorp	UBAN	N	Three Rivers Bancorp	TRBC		07/12/99	04/01/00	April-00	Y	1:2
Baxter Int.	BAX	Y	Edwards Lifesciences	EW		07/12/99	04/03/00	April-00	Y	1:5
Cabot Corp.	CBT		Cabot Micro-Electonics	CCMP		07/29/99	04/04/00	April-00	Y	CO
Comverse Technology	CMVT	Y	Ulticom	ULCM		01/19/00	04/05/00	April-00		CO
Weatherford	WFT	Y	Grant Prideco Drilling	GRP		07/21/99	04/14/00	April-00		1:1
AT&T	T	Y	Wireless Group	AWE		12/06/99	04/27/00	April-00	Y	CO-TR
C-Cube	CUBE	Y	C-Cube Semiconductor	CUBE		10/27/99	05/03/00	May-00	N	1:1
BCE	BCE	Y	Nortel Networks	NT		01/31/00	05/02/00	Feb-00	N	SP
Northern States Power	NSP	Y	NRG Energy	NRG		03/29/00	05/31/00	June-00		CO

Spin-Off Calendar by Date

Parent	Symbol	Listed Options	Spin-Off	Symbol	Date Announced	Record Date	Spin-Off Date	Report Date	Tax Exempt	Ratio
SGI	SGI	Y	Mips Technology	MIPS	02/26/99		06/20/00	June-00		.135:1
Hewlett-Packard	HWP	Y	Agilent	A	03/02/99		06/02/00	June-00	Y	.37:1
iGate	IGTE		Mascot	MSCT	03/07/00		06/12/00	April-00		CO
Great Lakes Chemical	GLK	Y	OSCA	OSCA	09/20/99		06/15/00	July-00		CO
Deluxe Corp.	DLX	Y	eFunds	EFDS	01/31/00		06/26/00	June-00		CO/SP
Methode Electronics	METHA	Y	Stratos Lightwave	STLW	02/23/00		06/26/00	June-U		CO/SP
Ford	F	Y	Visteon	VC	04/14/00		06/28/00	June-00	Y	1:7.637
Verizon	VZ	Y	Genuity	GENU	04/10/00		06/28/00	May-00		CO
AutoNation	AN	Y	ANC Rental Corp.	ANCX	08/02/99		06/30/00	June-00	Y	1:8
Delta Woodside	DLW		Duck Head	DHA	02/09/99	06/19/00	06/30/00	July-00	Y	1:10
			Delta Apparel	DLA	02/09/99	06/19/00	06/30/00	July-00	Y	1:10
Orckit	ORCT		Tioga Technologies	TIGA	02/10/00	06/28/00	07/03/00	July-00	Y	1:1
Intelligroup	ITIG		Seranova	SERA	11/04/00	05/12/00	07/06/00	July-00	Y	1:1
Daisytek	DZTK		PFSweb	PFSW	09/21/99	06/19/00	07/07/00	July-00	Y	.81:1
Eaton	ETN	Y	Axcelis Technologies	ACLS	02/24/00		07/10/00	July-00		CO/SP
Kansas City Southern Ind.	KSU	Y	Stilwell Financial	SV	02/03/98	6/28/00	07/12/00	July-00	Y	2:1 | 1:2
3Com	COMS	Y	Palm	PALM	09/14/99	07/11/00	07/27/00	July-00	Y	1.5:1
TYCO	TYC	Y	Tycom	TCM	03/10/00		07/27/00	August-00		CO
Atuant	ATU	Y	APW Ltd	APW	01/27/00		07/31/00	August-00	Y	1:1
America Online	AOL	Y	America Online Latin	AOLA	07/06/00		08/07/00	August-00		CO
EMC	EMC	Y	McData	MCDT	05/31/00		08/09/00	August-00		CO/SP
Sea Containers	SCR.A		Orient Epxpress Hotels	OEH			08/10/00	Augusr-00		CO/SP
BRE Properties	BRE		VelocityHSI	VHSI	03/16/00	08/07/00	08/15/00	August-00	N	1:5
Ziff-Davis	ZD		Key3Media	KME			08/21/00	Sept-00		1:2
IMS Health	RX	Y	Synavant	SNVT	03/28/00	07/28/00	09/01/00	Sept-00	Y-Opinion	1:20
HNC Software	HNCS		Retek	RETK		09/15/00	09/29/00	August-00	Y	~1:1.30
Cabot Corp.	CBT		Cabot Micro-Electonics	CCMP	07/29/99	09/13/00	09/29/00	Sept-00	Y	1:3.7
Lucent	LU	Y	Avaya	AV	03/01/00	09/20/00	09/30/00	Sept-00	Y	1:12
SPX	SPW	Y	Inrange Technologies	INRG	06/05/00		Sept/Oct	Sept-00		CO
Dun & Bradstreet	DNB	Y	Moody's		12/15/99		09/30/00	Sept-00	Y	1:2
Apollo Group	APOL		Phoenix Online		03/28/00		Oct-00	May-00	Y	CO/TR
Comdisco	CDO	Y	Ventures		12/22/99		Oct-00	Dec-99	Y	CO-TR
ICN Pharmaceuticals	ICN		Ribapharm	RIBA	06/15/00		Oct-00	Sept-00		CO
Titan	TTN	Y	Surebeam	SURE	08/14/00		Oct-00	Spt-00		CO
Global Crossing	GBLX		Asia Global Crossing	ACGX			Oct-00	Sept-00		CO
Global Crossing	GBLX	Y	Global Center		04/19/00			May-00	Y	CO/TR
Modis Professional	MPS	Y	IdeaIntegration	IDEA				Sept-00		CO
Titan	TTN	Y	Cayenta		12/29/99			December		CO
Central Garden	CENT		Lawn and Garden Dist.		03/20/00		Delayed			SP
Chronimed	CHMD		MEDgenesis	MDGN	03/13/00	06/16/00	Pending	August-00		1:3
National Data	NDC	Y	eHealth & eCommerce		12/21/99		Nov-00	Jan-00		SP
RPC	RES		Chaparral Boat Unit		01/14/00			Feb-00		SP
Comdisco	CDO	Y	Prism		06/17/99					CO
UCAR	UCR	Y	Graftech	GRAF	04/18/00		Delayed	August-00		CO
Cablevision	CVC	Y	Rainbow Programming		12/22/99		4th qtr-00	Jan-00	Y	TR
Sybron International	SYB		Sybron Dental Specialties		04/24/00	11/01/00		May-00	Y	SP
Avista	AVA	Y	Internet Billing		01/27/00		4th qtr-00	Feb-00		
Miller Industries	MLR	Y	RoadOne		05/13/99			June-99	P	SP
Eaton	ETN	Y	Axcelis Technologies	ACLS	02/24/00		4th qtr-00	July-00		SPLIT
Deluxe Corp.	DLX	Y	eFunds	EFDS	01/31/00		4th qtr-00	June-00		SPLIT
AT&T	T	Y	AT&T Wireless	AWE			4th qtr-00			SPLIT

Spin-Off Calendar by Date

Parent	Symbol	Listed Options	Spin-Off	Symbol	Date Announced	Spin-Off Date	Report Date	Tax Exempt	Ratio
Cabletron	CS	Y	4 Unit break up				Mar-00		
Interpool	IPX	N	Microtech and Poolstat		08/09/99				SP
St. Joe	JOE	Y	Florida East Coast	FLA	10/27/99		Nov-99		CO
PTEK Holdings	PTEK	Y	E Research Technologies		10/28/99				CO
Computer Horizons	CHRZ	Y	eB Networks – Softech		10/18/99	2001	Dec-99		CO
Modis Professional	MPS	Y	Prolianz	PRO	11/09/99		Dec-99		SP/CO
Hewlett Packard	HWP	Y	Deep Canyon		01/01/00		Feb-00		
Thermo Electron	TMO	Y	Thermo Fibertek	TFT	01/31/00	4th qtr-00	Feb-00		SP
Ciber	CBR	Y	Enterprise Solutions		03/01/00		Mar-00		SP
Cyber-Care	CYBR		Air Response		02/29/00		Mar-00		SP
DAMARK	DMRK	Y	ClickShip Direct		02/16/00		Mar-00		SP
GETGO.COM	GTGO		GETGO USA		02/29/00		Mar-00		SP
Aztec	AZTC		PCSI		03/30/00		April-00		CO
Verizon	VZ	Y	Verizon Wireless		04/04/00		April-00		CO
Bellsouth	BLS	Y	Latin Wireless		03/29/00		April-00	Y	CO/TR
			Domestic Wireless		04/05/00		April-00		CO
PSINet	PSIX	Y	Interdot.net		03/28/00	4th qtr-00	April-00		CO
Western Resources	WR	Y	Electric Utility		03/29/00		April-00		SP
Fisher Scientific	FSH		Alchematrix		03/08/00	2001	May-00		CO
Kroll-O'Gara	KROG		Break-Up		04/18/00	Dec/Jan-01	May-00		
Southern Company	SO	Y	Southern Energy		04/17/00		May-00		CO
Xerox	XRX	Y	Contentguard		04/26/00		May-00		CO
SARA LEE	SLE	Y	Coach		05/30/00	4th-qtr-00	June-00		CO
SARA LEE	SLE	Y	PYA-Monarch		05/30/00	SOLD	June-00		CO
Transaction Sys. Arch.	TSAI		Insession Technologies		06/02/00		June-00		CO
Fluor	FLR		Massey Energy		06/08/00		July-00		SP
ICN Pharmaceuticals	ICN		International Operations		06/15/00		July-00		CO
Lucent	LU	Y	Microelectronics Unit				July-00		
Motorola	MOT		Propel		06/27/00		July-00		CO
Triarc	TRY		Snapple Beverage Group		06/22/00		July-00		CO
Diageo	DEO		Burger King		06/22/00		July-00		CO
Ceridian	CEN		Arbitron		07/18/00		August-00		SP
Computer Associates	CA		Software and Services		08/07/00		August-00		CO
ESS Technologies	ESST		ViAlta		07/20/00	2001	August-00		CO
Marshall & ilsley	MI		Metavante		07/13/00		August-00		CO
Qualcomm	QCOM		Semiconductor Business		07/25/00		August-00		CO
Reliant	REI		Energy Business		07/27/00		August-00		CO/SP
Saks	SKS		Saks Fifth Ave Enterprises		07/19/00	1st half-01	August-00		1:3
BEI Technologies	BEIQ		OpticNet		08/24/00		Sept-00		
Cadence Design	CDN		Tality	TLTY			Sept-00		
ECI Telecom	ECIL		Multiple Break Up		08/03/00		Sept-00		
Infocure	INCX		Practice Works		08/22/00		Sept-00		
Nextel	NXTL		Nextel International	NXTI	08/18/00		Sept-00		
Pharmacia	PHA		Monsanto	MON	08/30/00		Sept-00		
Ultramar Diamond Shamrock	UDS		Shamrock Logistics		08/14/00		Sept-00		
MCSi	MCSI		Zengine	ZNGN	08/22/00		Sept-00		

Foreign Spin-Off Calendar by Date

Parent	Symbol	Spin-Off	Symbol	Date Announce	Spin-Off Date	Report Date	Tax Exempt	Ratio
Zurich Allied	ZUAN	PSP Swiss Property	PSPN		03/07/00	Mar-00		SP
Siemens	SIEG_GR	Infineon	IFX		03/13/00	Mar-00		CO
Lycos	LCOS	Lycos Europe	LCY		03/22/00	April-00		CO
Deutsche Telekom	NYSE: DT	T-Online	NM: TQI	03/27/00	04/17/00	April-00		CO
Toys-R-Us	TOY	Toys-R-Us Japan	7645_JP	03/20/00	04/25/00	April-00		CO
Commerzbank	CBK_GR	Comdirect	COM_GR		06/05/00	June-00		CO
Prudential	LSE: PRU	Egg	EGG			June-00		CO
France Telecom	NYSE; FTE	Wanadoo	DOO		07/19/00	July-00		CO
Vivendi	Paris: EX	Vivendi Environment	Paris: VIE		07/19/00	August-00		CO
IDS Intelligent Detect. Sys.	TSE: ISD	GeoCommerce		02/24/00		Mar-00		
IDS Intelligent Detect. Sys.	TSE: ISD	Caduceon		02/24/00		Mar-00		
Penninsular and Oriental	LSE: PO	Princess Cruises		02/24/00	4th-qtr-00	Mar-00		SP
Roche		Givaudan Fragrances		12/06/99	2000	Jan-00		
Novartis		Syngenta			4th-qtr-00	April-00		SP
Nycomed Amersham		APbiotech		08/07/00	4th-qtr-00	August-00		CO
Scottish Power	SPI.N	Telecommunications		09/17/99	2000	Oct-99		CO
IDS	IDS	B2B Commerce / Medical		12/14/99		Mar-00		SP
National Power	NP	International Business		11/17/99	2000	Dec-99		SP
Deutsche Telekom	DT	Deutsche Telecom Mobile		01/25/00	Delayed			CO
Novartis	NVTSY	Agrochemical Business			2000	April-00		SP
Alcatel	ALA	Cable and Components		04/04/00	2000	May-00		IPO
Alcatel	ALA	Fiber Optics		07/27/00	2000	August		TR
Modern Times	MTGNY	Metro		04/18/00	2000	May-00		1:1
Reuters	RTRSY	Greenhouse Fund			2000	May-00		CO
Novo Nordisk	NVO.N	Enzymes and Health Care		09/09/99	2001	Nov-99		SP
United Pan-Europe	UPCOY	Chello Broadband	CHLO	03/21/00	2001	June-00		CO
Psion	PON_LN	Symbyan		08/08/00	2001	Sept-00		CO

Delayed Spin-Off's

Parent	Symbol	Listed Options	Spin-Off	Symbol	Date Announced	Spin-Off Date	Report Date	Tax Exempt	Ratio
New York Times	NYT	Y	New York Times Digital	TCD	01/28/00	Delayed	Feb-00	Y	CO/TR
Staples	SPLS	Y	Staples.Com	SDOT	09/15/99	Delayed	Oct-99	Y	CO-TR
CMGI	CMGI	Y	Altavista	ALTA	12/17/99	Delayed	Jan-00		CO
Playboy	PLA		Playboy.com	PBYI	09/28/99	Delayed			CO
Nordstrom	JWN	N	Internet Unit		08/26/99	Delayed			CO
MIM Corp.	MIMS		Internet Pharmacy		01/20/00	Delayed	Feb-00		CO
Lason	LSON	Y	E-Commerce		12/20/99	Delayed	Jan-00		
American Software	AMSWA	Y	Amquest		01/25/00	Delayed	Feb-00		CO
Copart	CPRT	Y	Internet Business		12/17/99	Delayed	Jan-00		SP
Good Guys	GGUY		Good Guys.com		01/05/00	Delayed	Feb-00		CO
WalMart	WMT	Y	Online Business		01/07/99	Delayed	Feb-00		CO
Viacom	VIA.B	Y	MTVi		02/11/00	Delayed	Mar-00		CO