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TAIPAN

FORESIGHT COURAGE PROFITS

INSIDE:

Three birds of summer:

Why shysters, politicians, and carpetbaggers bode well for the U.S. economy in 2001

by J. Christoph Amberger

One benefit of tightened belts and dire economic outlooks is that people go back to basics. Stop playing around. Do what they do best. And that's why I, for one, remain cautiously bullish on the markets of 2001.

After all, in the first weeks of January there were three prominent examples of celebrity dilettantes returning to their core competencies.

The way they were

Take Maryland's number-one ambulance chaser, Peter Angelos. After spending untold millions running the most expensive and least impressive baseball franchise in the U.S., he's back to what he does best: extorting money from corporations.

Sure, neither the National Cancer Institute nor the American Health Foundation has found any evidence of increased risk of brain cancer in mobile phone users.

But the guy who helped win *US$4.2 billion* in damages from the tobacco industry is apparently planning to launch a number of claims against handset manufacturers, mobile network operators and fixed-line phone companies. Angelos is now on the team of a Maryland neurologist who filed a US$800 million lawsuit against handset maker Motorola Inc., claiming that his use of cell phones caused a malignant brain tumor.

(Unfortunately, the suit didn't mention if the time he spent frying his brain was accumulated driving his wife's SUV at 48 mph in the fast lane of the Jones Falls Expressway while yakking with his golf buddy…)

Public servants

But Angelos is not alone in returning to his roots. Rainbow warrior Jesse Jackson reminded us that some of the core competencies of populist politicos—like impregnating female staff members—have been neglected since the Monica Mambo in 1999.

And the Clintons departing from a vandalized and cleaned out White House reaffirmed something every motel manager in the greater Little Rock metropolitan area knows: when the carpetbaggers leave, count the towels and replace the ashtrays and the TV remote.

Out in the real world, back to basics means coming down from those flights of fancy you've allowed yourself be talked into against your better judgment. Like adding an Internet educational division to a company dealing in fat-free candy bars. (My colleague Adam Lass has the AMBI story for you on **www.247profits.com/Archive/2000/4/27-47509.html)**

Back to basics means reassessing your business strategy in light of the changed market… and cutting down on cost, staff, even entire sectors of

(over, please...)

TAIPAN

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your business. Which is what companies as diverse as Amazon and DaimlerChrysler are doing as we speak. Business plans that depended on online "community building" for profitability in the distant future are finally being redrawn to reflect the prime mandate of entrepreneurship in the here and now: *You can only operate at a level "once-removed" from the direct generation of revenues.*

Over the rainbow

Luckily, most U.S. companies are probably in the best shape ever to deal with rationalization. That's because of technology.

You see, the recent spate of lamentations, contrition and wailing about the Bubble Market of yesteryear is obscuring a critical fact: at the foundations of the high-flying Net stocks was an unprecedented amount of real investment and real technology spending.

Just wrap your mind around this: of the US$200 billion spent worldwide over the last few years on immunizing technology against Y2K bugs, more than US$100 billion was spent in the United States alone. <u>That's roughly Finland's total 1999 GDP!</u> And that's US$365 per American spent on repairs and preparations—not counting consumer spending on "replacing" that non-compliant VCR and toaster oven.

(Sure, experts can't agree if US$10 or US$41 billion—including US$2.1 billion on extra staff—is the amount that businesses and governments may have wasted on needless upgrades or replacements since 1995. But who's counting…)

The U.S. government alone spent US$8.5 billion to update and repair its computers, while setting up an elaborate monitoring system for each major "at risk" industry, from nuclear power plants to hospitals. One in every five government computer systems was found to be outdated or redundant. Others were replaced ahead of schedule with faster, more productive ones. Which left both the government and the corporate sector at the highest technological efficiency levels ever.

(The result: the Social Security Administration, prematurely declared dead-on-arrival at the year 2000, was able to send out concise compilations of every working American's gross lifetime Social Security wages by last September! The IRS is shaking 50% of taxpayers down via electronic filings. And even my local Motor Vehicles Administration now allows me to renew my tags online… without having to deal with a surly nincompoop skulking behind a 286 desktop computer.)

Software makers flooded the market with programs that promised to catch hidden problems and fix them. The phone industry spent a whopping US$3.6 billion to make sure systems were compliant.

The gift that keeps on giving

But technology has a tendency to create its own demand. Remember that first VCR you bought? The five-pack of blank tapes you reserved for taping the last episode of *Cheers* and used again and again for about two years? Today, you can buy a prerecorded video of this season's blockbuster movie at your local supermarket… and it's cheaper than a bucket of artificially "butter flavored" popcorn at the multiplex! (Looking at the tapes piling up in my den, I think we have more movies at home now than our favorite rental place did back in '89…)

That's because new technology sparks additional spending… on software, upgrades, peripherals… and entertainment! (There's a reason AOL nabbed Time Warner!)

Hair of the dog

And there's another positive indicator: while the Consumer Confidence Index dropped to 1996 levels in January…indicating growing pessimism about business and employment conditions… another phenomenon points out that American consumers will be getting over their New Year's resolution of curbed spending and frugal living <u>just about the same time they ditch Jenny Craig for Betty Crocker:</u>

More than half the mortgage loans generated in January of 2001 were refinancings, America's favorite form of domestic financial engineering. This number is up from 34% in December… and only 12.7% a year ago. And given the possibility of further rate cuts ahead, the percentage may climb precipitously.

And here's the good news (at least for the short term): *The core competency of the average American consumer is spending more money than he has.* A percentage-point drop in interest rates translates into a savings of about US$50 dollars a month on a US$100,000, 20-year mortgage, or US$600 per home owner per year. And that's money that in all probability will not be used to pay off credit card debt!

In the months ahead, companies with

nothing but promises of future profits will be purged by the rigors of the market. They will be replaced by the ones with profits *now*… and thus, the ones with a future. Companies that understand and have mastered the laws of supply and demand… focus on revenue generation rather than image marketing… and have a lock on goods and services of which they control the supply. In short, companies you'll read about in this month's *Taipan*!

Get ready for the imminent 3-year boost:

BioMarin is what the doctor ordered for your biotech portfolio

by Siu-Yee Ng

Over the years I have devoted to exploring the profit potential of IPOs for investors like you and me, I have come across a few secrets… actually, a few very simple rules… that can help you to dramatically increase your returns while minimizing your risk.

There is a consistent pattern that new issues follow during the five years after their debut. Looking at all the new issues between 1970 and 1998, we can identify different entry points that offer potentially high returns. If you compare all the new issues during this period to other companies with the same market cap five years out, the new issues have typically underperformed.

But here's the good news. There are ways to capitalize on both short- and long-term gains in the first five years. In my service, *IPO Trader*, I follow the initial six-month period for the short-term returns. But with the shortage of IPO plays in the last six months, I have been evaluating other points of entry.

Looking at the numbers, an IPO going into its fourth year tends to offer a consistent return, right after a characteristic drop-off in the second year. The strategy is to find an entry point in the second year and exit in the third or fourth year. **Which, of course, is nothing other than the good old "Buy low, sell high" routine.**

Not all companies follow this pattern, since there are other factors affecting the stock's performance. But this month, let me show what I think will be a perfect example: a new issue that debuted on July 22, 1999.

Making a profit

As scientists continue to unravel the mysteries of disease, they have discovered that the so-called "orphan diseases" are worthy of special attention. Think about it. There are 6,000 rare diseases affecting fewer than 200,000 Americans. Yet, taken together, they strike one American in ten. Collectively this is the most common and most costly health problem of all.

Sure, we like to think humanity will find a cure for those few patients. But it's not human kindness, it's the potential profits that put a drug in the pipeline. The Orphan Drug Act of 1983 gave tax credits of 50% for the costs of clinical trials, provided for government grants, and guaranteed seven years of market exclusivity for approved orphan drugs, whether or not they are protected by a patent.

Ten years before this law was passed, only 10 orphan drugs were approved. In the following decade, 87 were approved—a number that has grown to 212, with another 855 currently in trials.

Orphan drugs are not exactly cash cows. Profits are small and frequently may not interest the likes of Merck and Pfizer. But this has attracted a number of smaller companies like **BioMarin Pharmaceutical Inc. (BMRN: NASDAQ)** to develop enzyme therapies for debilitating, life-threatening, chronic genetic disorders and other diseases.

Think about the market potential. Gaucher's disease, which causes hideous bone deformities, is one of the most expensive diseases to treat. The medicine alone costs US$130,00 per year for children and US$400,000 per year for adults. Only 2,200 of the 20,000 to 30,000 Gaucher's patients worldwide receive the therapy. **But that's still half a billion dollars.**

Double dose of grapenuts

It's something we take for granted. A bowl of high-fiber cereal for breakfast has a load of carbohydrates to get you through the morning. These are biological molecules that are critical in maintaining the health and functional integrity of all cells and tissues.

Enzymes are proteins that act as catalysts for many vital biological reactions. Enzymes that act on carbohydrates—called carbohydrate-active enzymes or CEAs—cleave, construct or otherwise modify carbohydrates to regulate their production, maintenance and degradation.

These CEAs are critical to a wide range of functions within the body, including cell proliferation, digestion, blood clotting, immune response, wound healing, conception, and control of infection and inflammation. The body, when functioning normally, produces appropriate quantities of carbohydrate-active enzymes to perform these functions. CEAs have the potential to play an important therapeutic role in certain diseases, either by replacing deficient enzymes or supplementing the enzymes that are naturally present in the body.

Final destination

There are around 70 or more known genetic disorders caused by the deficiency of a single enzyme. In these diseases, the body fails to produce sufficient quantities of certain enzymes. Most of these diseases are rare, affecting only a few hundred to a few thousand people in the United States.

Examples of genetic diseases include Gaucher's disease, hemophilia, and Mucopolysaccharidosis (MPS)

(over, please...)

disorders. According to the Frankel Group, there are currently *only eight genetic diseases for which there are effective treatments*, and five of these eight are treated through enzyme replacement.

Historically, manufacturers were not able to mass-produce the correct forms of enzymes used in enzyme replacement therapies. This is now possible with advancements in recombinant production methods.

Recombinant production applies foreign DNA to cells to make enzymes the cells would not naturally produce. In 1998, the worldwide sales of pharmaceuticals used to treat genetic diseases by enzyme replacement were approximately US$2.7 billion.

Carbohydrate-active enzymes can also treat conditions like burns and infections.

Supplementing the amount of enzymes naturally present in a patient's body, or adding a new enzyme, can enhance the body's ability to respond to certain conditions and accelerate the healing process. Using a topical enzymatic formulation to supplement naturally occurring enzymes may speed the healing of burns by removing dead tissue. Adding or increasing the concentration of an enzyme that selectively targets and kills microbes may help the body fight infections.

Orphan status

MPS disorders are a group of seriously debilitating genetic diseases caused by the accumulation of mucopolysaccharides in the body, which are also known as glycosaminoglycans or GAGs. GAGs are complex carbohydrates synthesized by all cells in the body. At least ten enzymes are required for the complete breakdown of GAGs. Normal breakdown of GAGs is blocked if there's not a sufficient quantity of these enzymes.

MPS-I is a genetic disorder caused by the deficiency of the enzyme alpha-L-iduronidase. About 3,400 patients in developed countries have MPS-I, including about 1,000 in the United States and Canada. If untreated, almost all children diagnosed with the more severe forms of MPS-I will die before reaching adulthood.

Currently, the only available treatment for MPS-I is a bone marrow transplant. But a matching donor is as rare as the disease itself. And many of those who do find a donor decide not to receive the therapy because of the serious side effects.

BioMarin is developing a specific form of alpha-L-iduronidase, designated BM101, for the treatment of MPS-I. BM101 treats MPS-I by making up for the deficiency in alpha-L-iduronidase. In September 1998, BioMarin established a joint venture with Genzyme for the worldwide development and commercialization of BM101. The drug is in Phase III clinical trials.

BioMarin received orphan drug designation for BM101 from the FDA. If it receives FDA approval of BM101 before any other company receives approval of alpha-L-iduronidase to treat MPS-I, this gives BioMarin exclusive rights to market a product using alpha-L- iduronidase to treat MPS-I in the United States for seven years.

The company also received fast-track designation from the FDA for its Biologics License Application (BLA) for BM101 for the treatment of Hurler and Hurler-Scheie syndromes, which are the two most severe MPS-I disorders and account for approximately 60% of MPS-I patients.

In the pipeline

BioMarin is also developing treatments for other rare disorders. MPS-VI, also known as Maroteaux-Lamy syndrome, is a genetic disorder caused by a deficiency of the enzyme N-acetylgalactosamine 4-sulfatase, which is designated BM102.

There are approximately 1,100 patients suffering from MPS-VI in the developed world, with 340 in the United States and Canada.

Patients with MPS-VI have symptoms similar to those of MPS-I. But MPS-VI patients do not suffer mental retardation.

If untreated, the average life span of MPS-VI patients is estimated to be between ten years in the severe form to 30 years in the mild form.

MPS-VI has been treated by bone marrow transplants. But like MPS-1 patients, a matching donor is hard to find and the side effects are severe. BioMarin is developing BM102 for the treatment of MPS-VI. BM102 treats MPS-VI by making up for the deficiency in the enzyme N-acetylgalactosamine 4-sulfatase. The drug is currently in Phase I/II trials.

Giving up skin

BioMarin intends to develop additional enzyme replacement therapies for other medical problems, such as burns and infections.

In 1997, approximately 65,000 patients in the United States alone were admitted to hospitals with burns.

Approximately 20% of these patients had very severe burns that destroyed all layers of the skin, referred to as full-thickness or third-degree burns. Full-thickness burns require major skin grafts, and the admittance to one of approximately 150 major burn centers in the United States.

Unhealthy and dead tissue is removed, a process called debridement, to prevent infection and to prepare the burned site for skin grafting or other therapy. Currently, loss of blood, loss of healthy tissue, continued trauma, pain, and scarring complicate these treatments.

Surgery is delayed in many severely burned patients. Also, certain parts of the body, such as the hands and face, are difficult to treat by this method.

A limited number of topical debridement products are available as an alternative to surgery. But they have not been widely accepted by physicians because these products are ineffective and often cause the patient pain and bleeding.

If you think about it, a large portion of the human skin is made up of carbohydrates and proteins. There's an opportunity for more selective enzyme debridement products that specifically digest carbohydrates or proteins in dead tissue.

Earlier this year, BioMarin acquired an exclusive worldwide license to intellectual property covering Vibriolysin, an enzyme that has demonstrated promising preclinical efficacy in debridement and wound healing. BioMarin currently has two products under preclinical development for the treatment of full-thickness burns.

BioMarin is also developing two naturally occurring enzymes to combat infection by *Aspergillus spp*. Aspergillus is one of the most common fungi in the environment. Although aspergillus is not usually harmful to people with healthy immune systems, it can pose a life-threatening risk to those whose immune systems are compromised, such as cancer patients undergoing chemotherapy, organ and bone marrow transplant recipients, and people with late-stage AIDS.

Aspergillosis, a fungal infection caused by aspergillus, begins as an upper airway infection and can become a systemic fungal infection in immuno-compromised patients.

It is difficult to diagnose and often proves fatal, and currently there's no adequate treatment.

BioMarin is also researching CAEs for use in treating certain inflammatory conditions. It is developing a CAE to treat psoriasis, a common inflammatory skin condition. It's currently in preclinical studies.

The time to buy

BioMarin priced at US$13 in July 1999 and opened at US$15.00 on its first day. The company had a good six-month run, reaching its high of US$41.25 before pulling back with the market last year.

But the stock is trending upward. It experienced a huge volume spike last month. With its promising drug to treat MPS-I in phase III trials, BioMarin will gain additional market attention. I rate **BioMarin Pharmaceutical, Inc. (BMRN: NASDAQ)** a buy under US$11.00.

ACTION ALERT

For more information contact BioMarin Pharmaceutical, 371 Bel Marin Keys Boulevard, Suite 210, Novato, CA 94949, tel. 415-884-6700, fax 415-382-7427.
I rate BioMarin Pharmaceutical, Inc. (BMRN: NASDAQ) a buy under US$11.00.

Voice recognition hits critical mass:

And we've got the best company and the best way to play it

by Briton Ryle

New or emerging technologies go through two stages. Promise. And delivery.

The promise is the stuff speculative bubbles are made of. It captures people's imagination. Inflates their expectations. Loosens their wallets… and turns tightwads into Tulip maniacs.

Promise was king over the last couple of years. Fiber optics, wireless, B2B—you name it. Investors responded with a bubble-building, stock buying frenzy.

Of course, reality always sets in. You now have wireless access via your mobile phone. And you realize that it's no fun at all to "stumble upon" immoral websites peppered with huge binary files if your monitor is the size of a matchbox.

At that point, all those fiber optic and wireless companies have to prove that the technology has legs. Sustainable business models come in handy, too. This is the delivery stage.

I would argue that the Internet itself has passed the delivery stage. But many of the companies associated with it have not. That means you've got to look for the sustainable businesses.

No big secret there.

But I think I've found some pretty nifty technology that's just entered the delivery stage. *And it looks like the company is going to make a lot of money for investors over the next couple years.*

The Heinlein Maneuver

Anybody who's ever read a science fiction story or immersed himself in sci-fi movies or TV shows within the last fifty years knows that, one day, people will converse freely with computers.

Voice recognition technology has been in the promise stage for at least 15 years, with as many fits and starts as a cat hacking up a furball.

Until recently, talking to computers was pure fiction and very little science. Sure, we've had voice recognition software companies, like Lernout & Hauspie. Even IBM holds some pretty important patents in the field. But, with the exception of automated call centers, the market for voice recognition technology was mostly promise.

I'm seeing signs the situation is changing. Voice recognition is maturing. It's ready to…

…stand and deliver

A number of factors are behind the maturation of voice recognition technology. The Internet and wireless are obvious. Not so obvious drivers are improvements in search engine technology, an emphasis on cost-savings through automation, increased computer processing power, and the backlash against people using cell phones while driving.

Still, wireless is the most important. If you've ever used a web-enabled phone, you know exactly what I mean. Because of small screens and smaller keyboards, navigating the Internet from a phone stretches the limits of patience. Wireless needs voice recognition capabilities.

And with thousands of high-school punks and purchasing managers sporting gadget-studded belts that would make Batman groan, there's a strong future for a company like Nuance Communications.

Margins for success

Nuance (NUAN:NASDAQ) has all the elements of a successful tech company. It's been around since 1994, with industry-leading technology and a blue-chip customer list. And, judging by the recent explosion in revenues, voice recognition technology is just getting up a head of steam.

Nuance is a software company. Years ago they made the decision to focus on creating a voice interface platform and let others create applications for it. In my opinion, this was an important decision because it streamlines the R&D process.

Successful software companies boast obscene profit margins, and Nuance is no exception. Gross margins typically run in the 70% range (70-80% of Nuance's sales comes from licensing, and the remainder is from services, which include training and implementation of the platform).

Customers come in all shapes and sizes, from voice portals on the Internet, like BeVocal and Tellme, to business software companies like Siebel Systems (SEBL:NASDAQ), to mainstream tech companies like Intel (INTC:NADSAQ) and Cisco (CSCO:NASDAQ), to old economy stalwarts like General Motors (GM:NYSE) and General Electric (GE:NYSE). Charles Schwab (SCH:NYSE) even offers voice interface for asset management.

(The voice portals are simply web sites that have a voice interface. You can call them and ask for everything from sports scores to restaurant reviews. BeVocal and Tellme license the software from Nuance and then create their own applications with it.)

Even though the wireless web has been slow to gain acceptance in the U.S., the voice portals are doing better than you might think. BeVocal has deals with Sprint PCS (PCS:NYSE) and Qwest (Q:NYSE). Tellme has teamed up with AT&T (T:NYSE).

The market

The biggest market for wireless web applications is currently in Europe and Asia. And Nuance has signed up Deutsche Telekom, British Telecom, Greece's Cosmote, Sweden's Telia and NTT in Japan, just to name a few. In all, Nuance's voice interface speaks 22 languages.

But Nuance's relationship with GM is most significant, because I think it's representative of what we'll see in the future. If nothing else, signing on the car manufacturer is a major validation of voice interface technology.

GM wants to add voice interface capability to its OnStar service. OnStar is a subscription service with around 800,000 members. As it now stands, OnStar is a wireless connection between driver and a live operator. Drivers can ask for directions, get breakdown help on the highway, have emergency services sent to wherever they are, and so on. Subscribers can access web data like e-mail, traffic and weather updates, and certain entertainment services. (That's going to drive *Taipan* publisher J. Christoph Amberger nuts: not a day goes by that he doesn't fire off impassioned tirades against people talking on their car phones. Wait till he sees people trying to surf the web while driving!)

This expanded service, called Virtual Advisor, is projected to be available by the end of the first quarter 2001, which is very soon.

Around the same time, OnStar is also slated to offer Personal Calling, a voice-activated wireless telephony service using Verizon's CDMA network. GM will also license OnStar to other auto manufacturers like Toyota, Honda and Lexus, with models rolling out over the next year or so.

Terms of the GM/Nuance deal should be pretty interesting to would-be investors. GM accepted 100,000 warrants for Nuance stock at US$138.50 a share. That's nearly a 300% premium over current market value.

Dollar signs

I think it's pretty clear that Nuance is delivering on the promise. But a bunch of high-profile customers means nothing if they're not dropping high-profile dollars in Nuance's account.

Since its IPO last April, *Nuance has posted a minimum of 20% sequential revenue growth*, peaking at US$17.4 million in the fourth quarter of 2000, which ended December 31. Fiscal year 2000 revenues were up 165% over 1999, to US$51.8 million.

Like most tech companies, it seems, Nuance operates at a loss. But it has over US$200 million in the bank and claims it can run for at least two years on its cash reserves. Chances are this claim won't be put to the test, as Nuance is expected to turn profitable in 2002, with US$17 a share in earnings. But Nuance has a history of beating estimates, so profitability may come sooner than expected.

Pay to play

The only concern I have with Nuance is its current valuation. At nearly 20x revenues, it's not cheap. The high valuation in my opinion reflects its market-leading status, and the fact that voice interface technology has reached critical mass.

On the plus side, after hitting highs of more than US$180 a share, Nuance is trading roughly in line with its IPO price. And if you know anything about Chris DeHaemer's "Flying V" trading system, you know to watch out for the expiration of locked-up shares from an IPO. For Nuance, this event has passed, and it took the stock down from just over US$100 to around US$35.

Entry strategy

We're at a very interesting time in the stock market. What we're seeing right now could easily go down as one of the greatest buying opportunities of all time. Upside potential is tremendous… if you're accustomed to looking back at last year's highs. But current economic conditions could worsen, despite Greenspan's efforts to jump-start the economy.

Just in case the stock (and the NASDAQ) hasn't bottomed yet, **I recommend a "scaling-in" strategy for taking a position in Nuance at levels between US$35-40**. Scaling-in means taking a position in steps, rather than investing all you plan to invest at once.

Scaling-in means more transaction fees and the potential for missing some upside action, but it will help protect your investment if Nuance and the market haven't bottomed yet. If there's more downside to Nuance, scaling-in will give you more shares at a lower dollar cost per share.

ACTION ALERT

For more information, contact Nuance Communications, 1005 Hamilton Court, Menlo Park, CA 94025, tel. (650) 847-0000. I recommend a "scaling-in" strategy for taking a position in Nuance at levels between US$35-40

Turning virtual product placement into real profits:

How to score returns of 50% to 100% with this year's Super Bowl winners

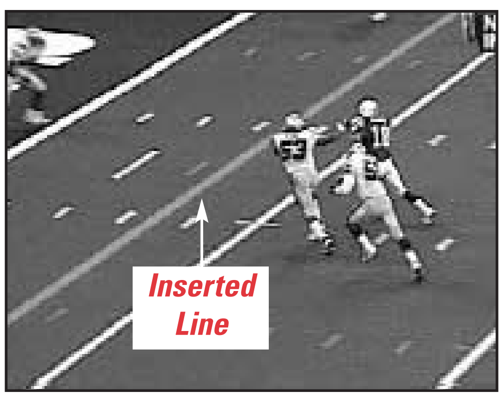
by Bryan Bottarelli

If you watched the Super Bowl on January 28, I hope you noticed something specific… very specific. And I'm not talking about the boy-bands performing at half-time.

I'm talking about stadium advertisements that are perfectly clear… and perfectly crisp. They are so crystal clear, they almost look too good to be true. And for good reason:

Because they are!

A revolution in advertising was launched into the national spotlight during the Super Bowl. And better yet, the stock of the company that is responsible for the new revolution is set to pop, especially after the nation got a peek at their innovative advertising technology. *In fact, this company's stock could jump 50% in one single month, and double over the course of this year!*



Maybe you've seen it already.

Are you familiar with the "first down line"? It's that yellow stripe superimposed across the playing field that helps TV viewers follow the game (see image).

As innovative as the first down line is, that is only the beginning. During the Super Bowl, you couldn't help but notice the Eye Vision technology used by CBS. Eye Vision is a rotating camera system (similar to the one that created the special effects used in *The Matrix*) that allows TV viewers to see a paused—and 180-degree rotated—camera shot during live sports broadcasts.

But if you are a little more perceptive, maybe you've noticed other subtleties: Like a glowing Pepsi sign behind home plate during ESPN's Sunday Night Baseball, or a hanging Nordstrom banner at the Grammy Awards (that seems to block the view of everyone sitting in the balcony).

But here is the cool part. If you were actually at the Grammies, you would not have seen a Nordstrom banner… or had your view blocked by it hanging down in your face. Because that banner wasn't actually there!

The "banner" came from a nondescript white van parked outside the award show. And the two technicians in that van are responsible for inserting paid virtual advertisements into live TV broadcasts.

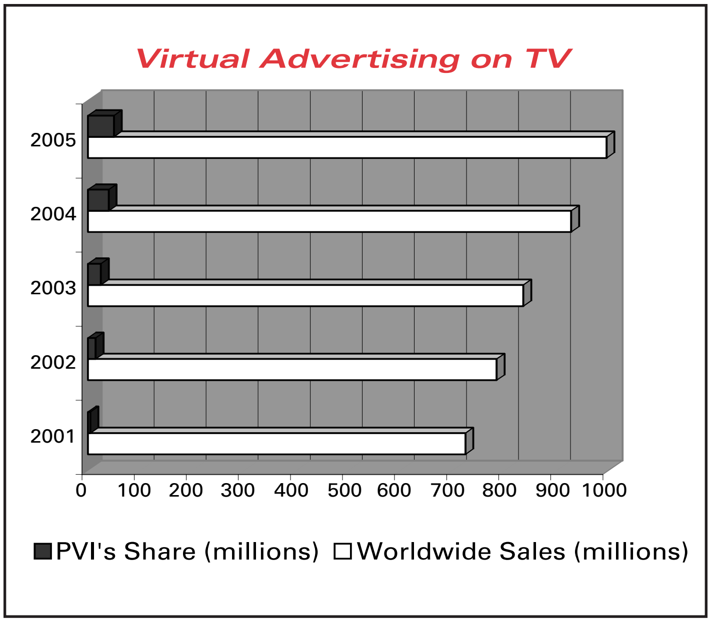
Men in white

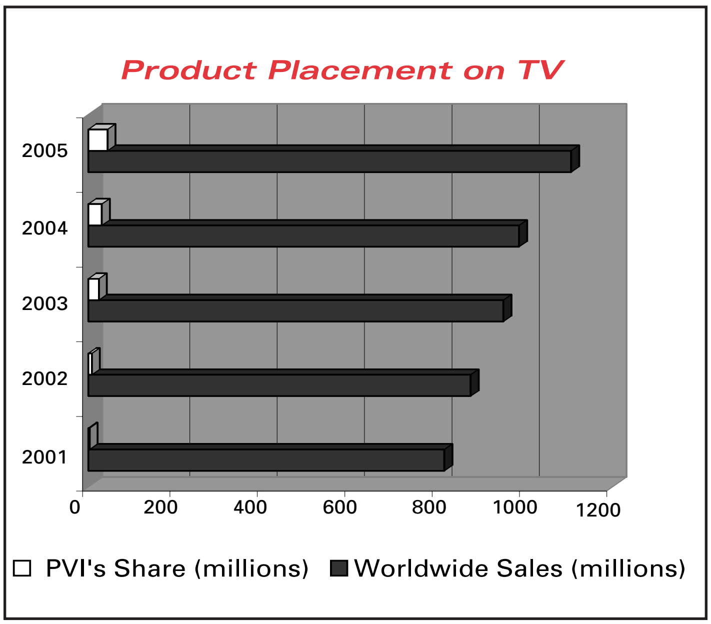
The company behind the white van is **Princeton Video Image, Inc. (PVII:NASDAQ)**. For ten years, they have quietly been developing their L-VIS virtual advertisement insertion products. And the reason they're doing it so quietly is three-fold:

First, advertisers need a new way to reach people. And Princeton Video knows that advertisers are getting desperate for new ideas. Take today's esoteric commercials, for example, those where you have no idea what the product was, even after you've seen them a dozen times.

Apart from the Super Bowl (where people actually *want* to see the commercials), fewer and fewer people are watching TV ads. Yet, for the spring 2000 TV season, ad rates at most major networks increased 20%. Higher costs with less exposure is not a winning combination for advertisers. And PVII knows it.

Secondly, PVII thinks that live TV insertion is only the beginning of their virtual advertising game plan. Consider their next move:





Say you're watching a rerun of *Seinfeld*. Jerry walks into his apartment, and there is a Pepsi can sitting on his counter. But your friend who is watching the same rerun on the West Coast sees a Coke can.

In reality, neither can was there in the original episode. PVII inserted them as a paid virtual ad. Princeton Video is targeting sitcoms and dramas for insertion of everything from shampoo bottles to coffee mugs into demographically specified markets. And each ad will be a one-time deal. So the next time you see Jerry, he might have a virtual cup of Starbucks coffee on his table!

Finally, Princeton Video Image does not want any other advertiser to steal this new market, because it's huge. By 2005, the virtual advertising and product placement market is projected reach US$2.1 billion!

Consider the numbers

Look at the following graphs—each showing PVII's share of the virtual advertising and product placement market, compared to the potential worldwide market (in millions).

This small company has a lot of room to grow. Sure, other companies can insert the yellow football line on the field, but nobody else has patented L-VIS virtual insertion technology. And their patented technology is what gives PVII more explosive potential than the other companies pioneering new forms of TV advertising, like OpenTV and Liberate Technologies.

Currently, Princeton Video holds six U.S. patents and four European patents. They will realize a percentage of all the ad revenues generated using their technology from deep-pocketed networks like CBS, FOX, NBC, and ABC. But that's not all.

Last year, Princeton Video Image announced the addition of several advertisers with strong financial positions who have signed on to use the technology. Coca-Cola, General Motors, Eastman Kodak, Nissan Motors, MasterCard, Toyota, and Charles Schwab are just some of the names.

Princeton Video has yet to make a profit. But starting this year, I think they will begin to grow earnings more rapidly than ever before. With the backing of deep-pocketed advertising budgets, and the Super Bowl as an opportunity to gain national exposure, PVII's stock is set to jump 100% by the end of 2001.

As a speculative play on the future of advertising, buy Princeton Video Image (PVII:NASDAQ) under US$5 a share.

ACTION ALERT

For more information, contact: Princeton Video Image, Inc., 15 Princess Road, Lawrenceville, NJ 08648, tel. 609-912-9400, fax 609-912-0044, email: rrosser@pvimage.com. **As a speculative play on the future of advertising, buy Princeton Video Image (PVII:NASDAQ) under US$5 a share.**

Blind, crippled and mute:

Indonesia Telecom jumps 37% in a month

by Christian Deaeamer

Taking a cue from the U.S. Republicans of the Clinton era, emerging market legislatures have found a new tool for dealing with corrupt and incompetent heads of state. They try to impeach them. It beats a bloody coup d'état any old day.

Blind Indonesian cleric Wahid was elected president on a platform deriding corruption and nepotism, and promptly fell into the sort of scandal he promised to eradicate. On February 1, he was censured by parliament for his involvement in two financial imbroglios. There is no solid evidence of a crime, but the stench of corruption was strong enough for the parliament to act.

The lesson for the market is that this government, if not stable, at least has the tools required to replace an unwanted government in a non-violent manner, if necessary. Mr. Wahid is ineffectual, and his Vice President appears to be a more productive leader. Given the other (bloodier) alternatives priced into **Indonesian Telekom (TLK:NYSE)**—its stock rose on the news.

In fact, if you had bought TLK at US$4.50 on my recommendation last month, you would now be up 37%.

Spoonful of sugar: Making money off the medicine men

Our **Medicines Company (MDCO:NASDAQ)** short play is up 41% since we entered this position two months ago. MDCO recently announced that it would be extending its lockup expiration for most of the stock by 90 days. Only three million of the 20.3 million shares that were to become unlocked will be set free.

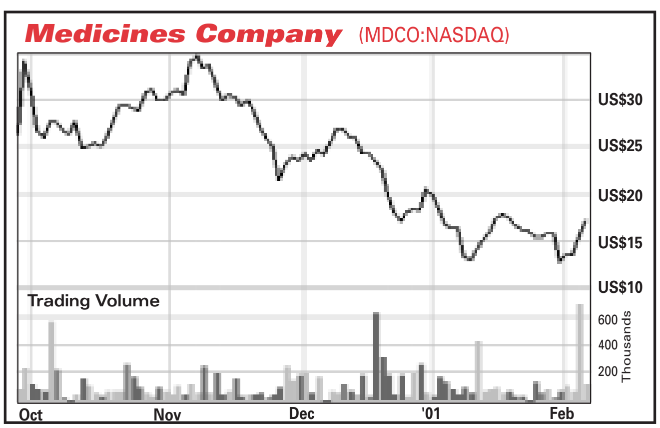
The stock climbed 13% on the news. We believe that most of this was short covering. We don't see any benefit to the company in delaying the inevitable. But the thin float does allow for manipulation by the market makers. It's time to take profits. Cover your MDCO shorts and lock in gains.

Here's mud in your eye! 29% on Boer brewskis

Our other emerging market play, **South African Breweries (SAB.L:London)**, is up some 29% to 532 British pounds. It continues to extend its profitable tentacles around the globe. The population base of Asia (minus Japan) is younger than in the western world, and has more disposable income than in the past. We all know that kids with cash buy beer, and SAB is set to capitalize on this.

It has recently established China Resources Brewery, in the Anhui province in Central China. SAB has acquired the brewing assets and brands of three breweries situated in Bengbu and Hefei, the provincial capital of Anhui province.

The three breweries have a combined capacity of 3.8 million hectoliters. Further investment will be made through refurbishment and expansion, with a total investment of US$67 million. This brings SAB's total number of breweries in China to 11, with a combined total capacity of 17 million hectoliters. SAB continues to look good for the long term.



Millennium on the fast track, up 93% in 2000 ?

Millennium Pharmaceuticals (MLNM:NASDAQ) recently received fast-track status for their chronic lymphocytic leukemia drug (CCL), CAMPATH.

CLL, which is nearly always fatal, is the most prevalent form of adult leukemia. It affects about 120,000 patients in the U.S. and Europe, causing an accumulation of leukemic cells in bone marrow, blood, and other tissues.

The accumulation triggers bone marrow dysfunction and enlargement of lymph nodes, the liver, and the spleen. Millennium is developing CAMPATH to target the CD52 antigen, clearing the blood and bone marrow of cancer cells. Since CAMPATH addresses an unmet need, it could be a US$100 million drug in 2 to 3 years. Millennium and ILEX Oncology are jointly developing the drug, and with the fast-track status, they hope to have it on the market early next year.

Univision continues to roll

Although top-line growth has cooled off for **Univision (UVN:NYSE)**, it's still Taipan microcap specialist Brian Hicks's favorite pure play on the surging Hispanic culture in the U.S., and it continues to give subscribers a healthy return.

We initially recommended UVN in 1999 at a split-adjusted price of US$28.50. It has rebounded from the selloff last year, and currently trades at US$49 a share, up 72%.

Looking at the chart, we see that UVN formed a strong bottom in October 2000, and has since rallied, forming higher lows. A rally to US$60 a share is our technical target. Fundamentally, Univision will be fully valued at US$60 (a forward P/E multiple of 33). Our price target is US$60. **Sell once that price is achieved.**

I, Robot

When we first covered **Optimal Robotics (OPMR:NASDAQ)** in 1999, not one institutional analyst was recommending the stock. Why? Because a big institution simply couldn't make a lot of money pumping OPMR stock.

But who's getting the last laugh? We originally recommended OPMR under US$11. In mid-February, it was trading for US$37 a share—more than a triple gain.

The company just announced two new orders from Kroger and Harris Teeter for 500 and 50 units of the U-Scan Express, respectively. **We love Optimal Robotics. Continue to hold.**

Lies, damned lies, and the pledges of politicians:

Government is more of a threat to your wealth than ever

by Charles Wolpoff

There's lots of talk in Washington about the possibility of a tax reduction package. And heck, we might even get one. That's the good news. The bad news is that the benefits of any tax cut you get will most likely be offset by the wide variety of levies that governments here and around the globe are concocting.

Sure, conditions are much more amenable to a meaningful federal tax cut than even a few months ago. The surplus (supposedly) continues to grow. Alan Greenspan seems at last to have suspended a bit of his disbelief. Once he gave his tentative thumbs-up, it pulled the rug out from under the Democrats, who otherwise would have been willing to go to the mat opposing any tax cut.

Still, it's unlikely that we'll actually get useful tax reform—say an across-the-board rate cut or a repeal of the estate tax. Don't hold your breath for any of this. Even if the estate tax repeal goes through, it would be phased in over a number of years. (If you drop dead now, it won't do your heirs any good. Might as well live.)

Class envy is just too much of a political tool to be ignored by the closely divided Congress. Instead, we're more likely to get bits and pieces of "targeted" tax relief so complex that any money saved will be eaten up by the extra accounting fees we fork over to our CPAs.

Think times are a-changing?

It's called "fiscal Chicken Little-ism." Politicians recoil at every suggestion of lower taxes. Take the reaction of one Tennessee newspaper headline writer. In reaction to the 2000 edition of my *State Tax Report*, which rated Tennessee among the states with the lowest taxes, the headline read, "Are Tennessee's taxes too low?"

In preparing the new edition of the *State Tax Report*, I've run into a number of new stealth tricks that governments have developed to take more of your money—with hardly anyone noticing.

One love

And the fifty states in this country are slouching toward the governmental Bethlehem of a single (high) tax system. <u>States are engaged in a full-scale attack on the voters' right to a low-tax environment.</u>

For example, the euphemistically named **Streamlined Sales Tax Project** is the endeavor by nine states to get together and create a uniform sales tax—and you can bet it'll be the low-tax states that raise their rates to match their high-tax neighbors, not the other way around.

What do you think is the single most ignored law in these United States? It's the **use tax**. That's the law that says you must pay a tax equal to your state's sales tax if you buy something out-of-state and bring it back in. More and more states are trying to enforce that law—and are cooperating with each other in their efforts to fleece you better.

Taxing the Internet. In October 2001, the moratorium on taxing the Internet expires. Now what exactly does taxing the Internet mean? That's the thing. There are all sorts of ways the federal government and states can milk this thing. And it will be at the expense of e-business, consumers, and the economy. You see, most politicians think like the one Nevada politician who said: "The state is entitled to this."

Out-of-control courts. And all along, we believed it was the legislature that had the taxing power. But court after court, from New Hampshire to New York, New Jersey, Rhode Island, and Ohio, is forcing states to change their taxing systems—in effect imposing new taxes—generally because the present property tax system is deemed to be unfair. So the pressure is on New Hampshire to adopt an income tax, Ohio to adopt a statewide property tax, etc. All because of arrogant judges.

Truly new taxes. About eight states are sponsoring research into a tax imposed on motorists based on how much they use the highway system. No, we're not talking simple tolls. We're talking about tracking cars with Global Positioning System satellites to monitor use of the roads. California, Iowa, Kansas, Michigan, Minnesota, Texas, Washington, and Wisconsin are behind that one. The Federal Highway Administration is also a sponsor.

That's why I've just updated the State Tax Report

Isn't it great? The government tracking your every move? Stalin would be proud. It's this kind of thinking that makes me take pleasure in exposing the lies told by the elected officials in your state capitals.

I've just concluded research for the 2001-02 edition of my *State Tax Report*… exposing a slew of new tax scams and rating all 50 states of the Union according to the burden of hidden and not-so-hidden taxes they impose on their residents. State officials and politicians hate me, judging by the acrid comments in the press.

But as one reader put it last year, this report can save you a bundle if you're considering retiring or relocating anywhere in the United States. In the upcoming April edition of *Taipan*, I will introduce you to the 10 best and 10 worst states to live in for 2001. (Just make sure your subscription status is current!)

Here's to you, Mr. Robinson:

How paper-thin plastic computers will turn your Titanium PowerBook into a doorstop

by Michael Riska

For the last forty years, the biggest advances in computer chips have been in the amount of transistors that can fit onto a single silicon wafer. Thin film transistors (TFTs) precisely layer and orient crystallized silicon on a glass substrate. The drawback to these methods is that you're dealing with fragile materials that must be processed one at a time. Also, decreasing the size of chips and increasing the amount of transistors they can hold hasn't really brought the price of making them down at all.

Now here's a company that's going to push the good old integrated circuit chip model of computing into the dustbin of history, where it can keep the Edsel company. Rolltronics, of Menlo Park, California, has found a way to make TFTs at low temperatures on flexible materials, like polyester based plastics. (They're also developing Organic Light-Emitting Diode (OLED) technology for the display, and Multilevel Organic Solid State Memory.)

Thin film battery technology is already pretty far along, in the form of amorphic photovoltaic cells. And all the manufacturing can be done on giant rollers—the same way newspapers are printed.

Computing by the square foot

So imagine this: You fire up the presses at the computer printing plant. Instead of front page, business section, lifestyle section, etc., you print the back cover, thin film batteries, microprocessor, video interface, audio interface, memory, display, keyboard, and cover. At the end of the line, it's all cut and folded and ready to go. And the next fully formed computer is right behind it. They're the size of your morning newspaper and they cost less than US$20.

Like most drastic advances, this step forward is going to seem like two steps back at first. The new computers will be much slower than what we're used to for a while. The display has a long way to go. But hey, they're made out of plastic and for all intents and purposes will be disposable.

Personal computing

But what's really emerging here is an altogether different concept of computing, in which people will have tens, even hundreds of computers instead of just one. These computers will be capable of processing in tandem whenever necessary, or will function individually.

Rolltronics conceives of the new flexible computers as "information appliances," and they will be scattered around your house, embedded in your traditional appliances and stuck to your refrigerator door.

And who knows. *By 2010, you might threaten that naughty puppy of yours with a rolled-up Macintosh instead of a newspaper.*

ACTION ALERT

For more information, contact Rolltronics, 1111-55 Morse Avenue, Sunnyvale, CA 94089, tel. 650-566-8471, fax 408-734-9620, email: info@rolltronics.com

Last chance for Chile:

A land of opportunity, undiscovered beauty—and profits! March 12 to April 1, 2001

Solitary beaches, vast deserts and enormous volcanoes surround Northern Chile, where picturesque Andean villages, the haunting ruins of pre-Columbian cultures, and abandoned nitrate mines live on.

Since 1991, Chile's economy has been growing at the average rate of over 6% per annum, making it the fastest growing economy in the Americas. Total GDP is US$50 billion. The Chilean unemployment rate and inflation are among the hemisphere's lowest.

The political and economic success of Chile has been so profound that many Washington insiders believe Chile will be the next country considered for membership in NAFTA (joining Canada, Mexico and the United States). Chile has been running a trade surplus with the rest of the world since 1982, which has helped to stabilize the country's currency.

While political developments and economic growth have been impressive, Chile is still a well-kept secret for most tourists, investors and international businessmen. Unlike other countries with stronger public relations campaigns, Chile has not taken full advantage of its ability to compete in attracting investment and leisure dollars to its shores.

Real estate along Chile's 2650-mile coastline is still some of the cheapest in the world. Wages are low compared to industrialized countries, with average annual income levels in the mid-US$3,000 range. Roads, telecommunications and public utilities are among the best in Central and South America, with reasonable prices driven by a privatized economy.

After participating in *Taipan's* last tour to Chile, I have to say it's a "must see" country. The outlook for copper prices, market liberalization and increased shareholder protections, the good economy and the proactive government of President Ricardo Lagos make Chile an ideal place for investment and retirement opportunities.

Time is running out! Call Agora Travel at (800) 926-6575 or (561) 243-6276 today to reserve your spot. And don't forget to ask about the connecting tours to Argentina and Uruguay.

The markets may look shaky in the U.S.—But there are plenty of outstanding moneymaking opportunities emerging right now around the globe

Join Taipan on our grand Mediterranean Wealth Cruise, July 3-13, 2001

Take advantage of what the still-booming world economy has to offer. All you need is to arbitrage up-to-date information from reliable experts. And what better place to meet with such experts—and enjoy the pleasures and luxuries of wealth—than aboard one of the world's newest and most luxurious cruise ships.

Join Siu-Yee Ng and a panel of the world's top financial advisors aboard the luxury liner the *Golden Princess* as we explore the riches of Mediterranean Europe… from its priceless architectural and historical treasures, to its romantic seascapes, to the shopping and nightlife of its modern cities.

And along the way, you'll receive an exclusive in-depth look at the greatest financial opportunities in Europe and the world today—including low-risk/high-yield investments, offshore banking, asset protection, the fastest-rising global stocks, overseas real estate bargains, and more.

The Mediterranean Wealth Cruise will take you to Europe's most exotic and picturesque cities. We'll explore the romantic and historic cities of Athens, Ephesus, Monte Carlo, and Naples. All told, we'll visit eight ports of call in five countries—and sample an endless array of sights and entertainment.

And when you're not relaxing on board, meeting new friends, or exploring one of our exciting ports of call, our all-star team of financial experts will brief you on the greatest financial opportunities and strategies in the world today.

Our own in-house biotech and small cap guru, Brian Hicks, will be on board to let you in on the most profitable enterprises of the new millennium. This is an event not to be missed. **For more information, look for this month's insert in *Taipan*.**

Mark Your Calender

Don't forget to visit the **members-only** area of Taipanonline on March 10 and 15 for exclusive new articles! Go to **www.taipanonline.com/htmlcode/members/index.html.**