

# Here's how you can hedge against the falling dollar and reap large profits from the fourth largest brewery on earth

by *Christian DeHaemer*

Sub-Saharan Africa is sinking. In March, Mozambique got hit with a rampaging wall of mud and water over six feet high rolling down the Gaza plain – its biggest flood in 40 years.

Over one million people (out of a population of 17 million) discovered the hardships of displacement and the difficulties of finding safe drinking water. Cholera became epidemic in the tent cities and shantytowns that sprang up on the mud flats.

The economy and infrastructure were devastated. One third of Mozambique's cereal crop was destroyed. So were homes, roads and bridges. South Africa, which sent military helicopters to pluck more than 550 stranded victims from the treetops, suffered some of the same heavy rains and cold weather as its northern neighbor.

## *Kudu on the rampage*

The northern fence of the world famous Kruger National Park was damaged. Wild beasts, including lions and elephants, kudu and buffalo, wandered north. The buffalo were the most destructive, carrying hoof-and-mouth disease and other illnesses that infected cattle herds.

South Africa was spared a major catastrophe, but its crops suffered – mainly maize (what we call corn). Numbers just released for Q1 show that the agricultural portion of South Africa's GDP dropped 17.7%, down from an increase of 12.4% the previous quarter and a 36% increase the one before that.

This dropped the overall Q1 GDP growth number to 0.9%, a far cry from the estimated 2.5% most analysts were expecting – even though agriculture only makes up 4% of South Africa's GDP. The market reacted by selling South African Rand and JSE markets

down to historically low levels.

## *Acts of God – and man*

A forty-year flood is freak of nature. An African dictator is a way of life. In Zimbabwe, ruling President Robert Mugabe's ZANU-PF party has decided to try a little

land reform – always popular with the peasants.

Some white landowning farmers have been killed, while others have been made to attend "re-education meetings" with workers to force them to

renounce the opposition party. They are made to hold hands aloft with ZANU-PF officials and promise to let the party's thugs use their trucks for campaigning. A full 1,100 farmers are scheduled to lose their farms, many of which have been in the same family for more than a century.

Dictators can be decidedly unoriginal. In a

*(over, please)*

**Buy this bombed-out bluechip at its low – and prepare to make money on South African breweries.**

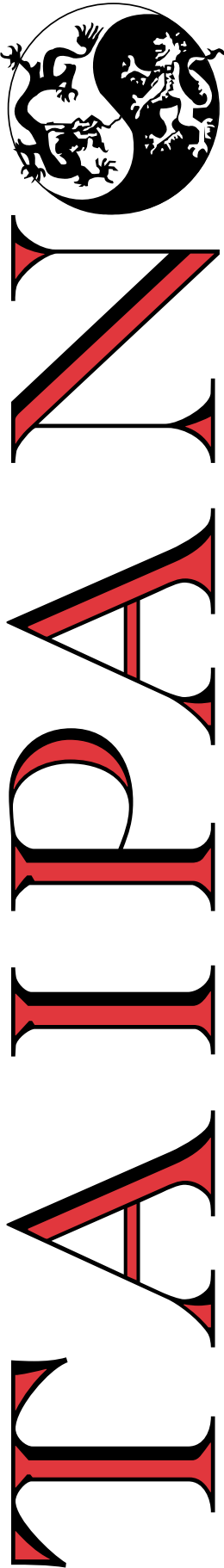
## **INSIDE:**

World Investor: Play the telecommunications glut with this highly profitable Israeli tech stock.....	5
Future File: It's 2 a.m.: Huge Profits in Wireless? You bet your ASP! .....	7
U.S. Tax & Privacy: "Mister Bank" Could Be The Financial Sector Play You've Been Looking For .....	10
Microcaps: Do You Like Big, Delicious Melons? .....	13
IPOs: Cashing in on a new generation of satellite broadcasting with SkyStream Networks, Inc. ....	14
Webhead: Is a Bet Still a Bet on the Net? .....	17
Classifieds .....	19
What to buy at what price .....	20

PROFITS

COURAGE

FORESIGHT





## TAIPAN

**Publisher:**

J. Christoph Amberger

**Editors:** Christian DeHaemer, James Passin, Brian Hicks, Siu-Yee Ng, Briton Ryle, Charles Wolpoff

**Managing Editor:**

Ned Humphrey

**Webmaster:**

Alexander Nosevich

**Art:** Steven Kutz

**Editorial Assistants:**

David Byrd, Chung-Hau Ng

**Marketing Director:**

Mark Gardner

**Marketing Manager:**

Kenneth Salzman

**Fulfillment:** Tracey Holman

**Classified Advertising:**

Janet Wisner

**Tours and Conferences:**

Barbara Perriello

**Customer Care:**

Call (410) 234-0691  
9 a.m. to 5 p.m. Eastern Time

email: editor@taipanonline.com

*Taipan* (USPS#008-049) is published monthly for US\$129 per year by Agora, Inc., 1217 St. Paul St., Baltimore, MD 21202-4799, USA. Periodicals Postage Paid at Baltimore, MD, and at additional mailing offices. **Postmaster: Send address changes to *Taipan*, 1217 St. Paul Street, Baltimore, MD 21202-4799 USA.**

©2000 by Agora, Inc. All rights are reserved. Printed in USA. Information, opinion, research, and commentary contained herein is obtained from sources believed to be reliable; their reliability, however, cannot be guaranteed. The maxim of Caveat Emptor applies—let the buyer beware! ***Taipan* does not provide individual investment advice, or act as an investment advisor, or individually advocate the purchase or sale of any security or investment.** Members of the organization, its officers, directors, employees, and associated individuals may have positions in investments referred to in this newsletter and may add to or dispose of the same. **Investments recommended in this newsletter should be made only after reviewing the prospectus or financial statements of the company.** *Taipan* does not necessarily endorse the statements in advertising inserts or classified ads that accompany this publication.

T #123384745

[www.taipanonline.com](http://www.taipanonline.com)

**USERNAME:**

**taipanmember3**

**PASSWORD:**

**8ball**

page taken out of Malaysian politics, Mugabe arranged for former Zimbabwean president Canaan Banana to start serving a one-year prison term for sodomy and other homosexual offences. (Maybe these guys have a chat room at Dictator.com. Suharto – Indonesia’s former President for Life, pulled a Pinochet recently, claiming he was unfit to stand trial due to a stroke.)

### Still playing the colonialist card

The bad harvest and all this upheaval on South Africa’s northern border would be bad enough for its financial markets even without South Africa’s president Mbeki’s apparent sympathy for the democratically elected strongman to the north.

Mbeki’s failure to immediately condemn farm invasions and violations of the rule of law and take steps assure South Africans that similar invasions will not be tolerated triggered a fall in the rand over the past six weeks. But you know...

### ...I love it. It’s the best think since sliced biltong.

In investing, as in life, the best strategy is often the most obvious. One I have employed in the past with great success is to buy solid blue chip companies in emerging markets at the nadir of their psychological curve.

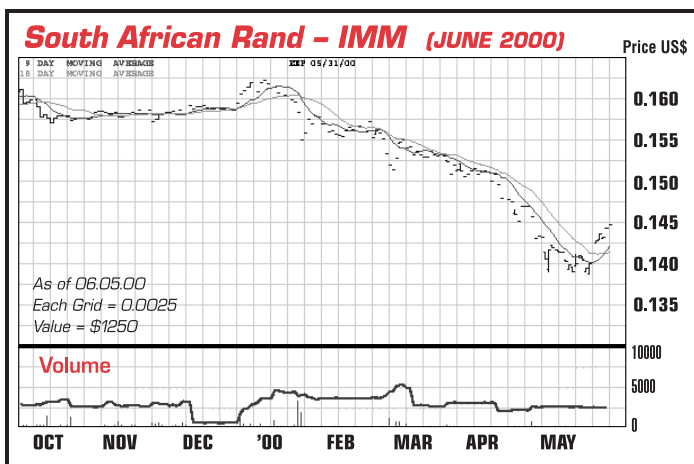
Obviously, when you can find a company flush with cash and full of future prospects, with superior management that has a long and proven ability to weather harsh market conditions, you should grab that company during its 52 week low.

When all the sellers have sold and there is no one left but buyers, when nobody wants to own a company and all of the negatives are priced in – the stock has nowhere to go but up. As the dreaded Yankee Yogi Berra once said, “You hit them where they ain’t”.

### SAB story

Many of you remember South African Breweries from two years ago, when the Asian currency crisis took it down to unforeseen levels. If memory serves right, we made some 53% profits from SAB in three months.

I’ve made similar short-term gains for you



with China Telecom (55%), PLD Telekom (162%), Indonesia Telekom (55%) and D&G (102%). I didn’t hold any of these companies more than six months. In fact, I’m four for four in bombed-out blue chips recommended in *Taipan*.

South African Breweries (SAB:London GDR) has gotten crushed recently due to the situation described above, the fall of the rand against the dollar and their pre-announcement of a flat year, which coincided with one of NASDAQ’s worst down days.

All this has left SAB’s share price bouncing around £400, well off its highs of £645. It is now trading with a market cap of £3.15 billion, just over its annual revenue of £3.04 billion. It has a P/E of 11.87 and a dividend yield of 4.14 %. **In terms of volume, South African Breweries is the fourth largest beer company in the world.**

### Flat beer

The company had a less than stellar year due to the heavy rains and falling currency. Beer sales in South Africa fell by two percent. This was blamed on the fact that beer drinkers had less disposable income, and research shows that a dip of 5 degrees Celsius reduces the tendency to swill – a situation that recurred throughout the summer. *That said, none of these conditions are set to repeat this year.*

In circumstances the company can control, such as operating margins and overseas growth, SAB did remarkably well. As a result of a number of productivity and cost containment initiatives, operating margins increased 1.7% to 25.3%. Compare that to **Coca-Cola (KO:NYSE)**, with an operating margin of 14% and a P/E of 79 – even after falling 40% from



its highs. **Anheuser-Busch (BUD:NYSE)** has a P/E of 24 and an operating margin of 19%.

## International assets

Worldwide demographics tell us that emerging markets from Southeast Asia to Eastern Europe are “youth heavy” – in direct contrast to the industrialized nations. This is largely because their wars ended 10-30 years later than World War II, so their baby booms happened in the 60s and 70s instead of the 40s and 50s. As this burgeoning young adult population becomes more urban and prosperous, the beer drinking culture expands.

SAB’s strategy is to invest in brewing businesses ahead of market and consumer demands. They aim to achieve critical market share early and exploit economies of scale and productivity gains by building modern plants before the market is fully developed. It’s a strategy that appears to be working, though it does include risk and they have met with restructuring losses and plant closures in Russia. But they appear to have put this behind them.

Some 25% of SAB’s operations are now outside South Africa. SAB reports in U.S. dollars but it generates revenue in a basket of currencies. In spite of the strong and rising dollar over the past few years, SAB has shown excellent growth in many of these emerging markets. A number of them did quite well, including Poland, Botswana, Russia and China, where revenues grew 40%.

## A better company – the same price

SAB has sold off a number of its other ventures over the past in order to focus on what it does best, using the proceeds to expand as well as buy back its own shares. It plans on spinning off its gaming and hotel division later this year by listing them on the Johannesburg Stock Exchange. This is expected to generate US\$500 million. That’s catalyst one for buying this company.

Not to bore you with the minutiae, I will just hit on the highlights. Total beer volume was up 10% to 53 million hectoliters last year. **Profit before tax was US\$764 million.** It was US\$712 million before one-time gains on the sale of a subsidiary. That was up from 1999, when profits were up US\$680 after one-time charges and gains.

Adjusted earnings were up 8% to US\$426 million. If you allow for currency fluctuation earnings rose 14%. That’s great when you consider a declining volume in its main territory. Underlying margins in all divisions climbed 1.7% to 25.3%.

## Beer me, Kemo SABI

The best and fastest growing division is SAB International or SABI. SABI is based in Amsterdam and has operations throughout the world, with the notable exception of South America.

The trend in Poland among young people is away from vodka and toward beer. The annual compound growth rate



of beer consumption over the past five years has been 9%. Volume in Poland was up 33%. SABI has dominant market share, rising 15% last year to 69%. It is forecast to grow more than 3%. Sales should improve as well.

In Botswana, where GDP grew by more than 10% and employment rose by 5.3%, SABI grew both margins and productivity in its plants.

Sales in China rose by 38%. Volume grew from 6.1 million hectoliters last year to 8.4 million hectoliters this year. Capacity rose to meet demand. SABI purchased three new facilities at Tianjin, Sanshan and Wang Hua. China is growing GDP 6-7% a year and the outlook is positive going forward. SABI is positioned to expand sales in current regions as well as adjacent areas.

As Russia turned around, so did SABI’s division there. It has developed a strong brand portfolio. Demand has outstripped supply.

## Purchase of Pilsner Urquell

In the Czech Republic, SABI recently purchased Pilsner  
(over, please)

Year ended 31 March	1998	1999	2000
Turnover Mill. £	2,832.00	2,860.00	3,050.00
Pre tax profit Mill. £	3930.00	369.00	372.00
Norm earn per share p	31.30	32.90	13.40
FRS3 earn per share p	31.60	30.10	27.10
Intangibles Mill. £	0.40	0.60	203.00
Fixed assets Mill. £	1,093.00	1,081.00	1,170.00
Fixed investments Mill. £	225.00	235.00	238.00
Stocks Mill. £	228.00	231.00	212.00
Debtors Mill. £	408.00	370.00	354.00
Cash, securities Mill. £	333.00	359.00	464.00
Creditors short Mill. £	715.00	857.00	765.00
Creditors long Mill. £	411.00	729.00	720.00
Prefs, minorities Mill. £	191.00	34.60	99.70
Ord cap, reserves Mill. £	970.00	656.00	1,055.00
Mkt capitalization Mill. £ .....	4,213.00		



Urquell, the premium brand in that country with a 44% market share. Pilsner Urquell is already exported to 50 countries and has excellent potential for further growth.

As the Czech Republic enters the European Union you should see growth in premium beer volumes based on rising disposable income. The same can be said of Hungary, where SABI is also well positioned. The Czechs drink more beer per person than any other nationality.

Momentum in Europe is well established, with good underlying business performance that Pilsner Urquell should enhance.

A few months ago SABI obtained permission from the Indian government to enter the beer market in India through a joint venture with local partners. SABI will own 60% of the new company, with a brewery in Nawabganj, Uttar Pradesh, that will be modernized and upgraded.

### **Emerging market vs. the almighty dollar**

Despite all the strong bullish factors in SAB's favor, my recommendation has nothing to do with the fundamental organic growth of this company – though current world trends appear increasingly beneficial. SAB is a market psychology play based on the undue fears of its neighbors.

I was in South Africa last September with the *Taipan* group tour. Everywhere I went, people showed an inordinate amount of respect for Nelson Mandela. His ideals of compassion and reconciliation were shared equally by the Afrikaner gold mine owners and staff at the game hotels. Such admiration for a public figure probably hasn't been seen in the U.S. since George Washington.

In my opinion, this type of legacy, as well as the ingrained adherence to constitutional law, won't be swayed by a two-bit dictator in Zimbabwe. And anyway the situation in Zimbabwe is likely to calm down, or at least head to the back page, after the upcoming July elections.

### **Running rand**

The hit to the rand will likely dissipate. The dollar has peaked out against the Euro. As the U.S. economy slows and its foreign balance of trade continues to grow, the dollar will come down against a basket of currencies. There is no doubt that SAB had a bad year with a marginal 8% earnings growth due to currency problems (14% growth if you assume a stable currency). But this trend is likely to reverse itself over the coming year. Currency fluctuations could well overstate its growth going forward.

The heavy rains and 40-year flood that slowed beer consumption are unlikely to happen two years in a row. In fact, agriculture in South Africa is headed for a bumper crop, which should increase disposable income as well as return GDP to more than 3% growth.

I think the bad news is priced in. SABI is now trading some 23% below book value. SAB has higher organic growth than its competitors, trades at less than half their value and is gaining market share in the fastest growing

beer markets worldwide.

### **Hedge hog**

As a hedge against a declining U.S. economy, a falling dollar and a still richly valued tech market I recommend that you buy South African Breweries below £410. SAB trades in London as a GDR.

A return to its 2000 highs will give you a 58% yield. Thanks to the future economic outlook, I believe this company will likely trade much higher than that with a spin off of its hotel and gaming division. Buy SAB under £410 with a medium-term price target of £645.

**Contact:** 25 Grosvenor Street, London, W1X 9FE.  
Tel: (020) 7659 0100, Fax: (020) 7659 0111,  
www.sabplc.com.

### **Look, a penguin!**

As I said, I went on the *Taipan* tour to South Africa last September. The trip couldn't have been better, as I'm sure others in the group will attest. There is nowhere else on earth where you can see wild lions in a park bigger than Massachusetts one day, and the next take a boat ride to see penguins at the end of the earth. We descended a mile below ground in a working gold mine and haggled with diamond wholesalers.

The accommodations were equal to the best in the world, and Michelle was there to make sure the travel arrangements ran smoothly. If you have time when you are in Cape Town, check out a local rugby bar, the Springbok, where beers are cheap and the conversation is flavorful. Just don't tell them you support the New Zealand All Blacks. If you'd like to go on this year's trip, you had better act fast. Siu-Yee tells me it's filling up fast. Give her a call at 800-926-6575.



### **The last geezer with a laser was Obi-Wan Kenobi**

I just picked up a hot rumor on Cell Robotics. **Cell Robotics (CRII:Bulletin Boards)**, as you remember, makes a laser lancet that draws blood from your finger. It is safer and less painful than the steel lancets currently in use.

The rumor is that the American Association of Retired People (AARP) will be marketing the Cell Robotics product to its 34 million members. The deal supposedly is a profit sharing arrangement, whereas it would be to AARP's benefit to sell the Lasette at a markup.

This is just frivolous speculation, but considering that CRII has a market capitalization of US\$42 million and a float of only 5.5 million, exposure to more than 34 million folks has to be worth a couple of points on the press release. That's not even taking into consideration the percentage of diabetics who will actually purchase the product.

**CRII remains a strong buy under US\$5.**



# Play the telecommunications glut with this highly profitable Israeli tech stock

by James Passin

DSL... Satellite... Third Generation Cellular... Hybrid Fiber-Coaxial Cable Modem Systems... Packet-Switched Fiberoptics Networks... Digital Circuit Switched Networks... ATM... Internet Telephony... Blah, blah, blah...

It's almost impossible to stay on top of the latest telecommunications jargon. Standards appear and disappear faster than DOJ investigations of Clinton. The late Internet Bubble has funded the fastest build-up of telecommunications assets in the history of the world.

While this massive global investment in data and voice transmission infrastructure will ultimately lower phone bills and improve the Internet experience, the frantic pace of the rollout has created crushing inefficiencies as incompatible technologies and standards are wired together. *Endless venture capital and public capital has supplied the bricks and slime for a post-modern Tower of Babel.*

The rapid proliferation of myriad telecom networks has created the need for solutions to speed up network performance and optimize network interaction. While "network optimization" may not be the sexiest-sounding investment theme, it's a solid business opportunity for niche technology companies. Whatever happens to Internet hysteria in the short-term, the bull market in *cleaning up telecommunication assets* will remain intact for the foreseeable future.

One of the few pure plays on network optimization is **ECtel (ECTX:NASDAQ)**. I have followed ECtel since I met with the CFO in early 2000. In my opinion, ECtel represents one of the only exciting opportunities left in Israeli high tech (other than ELBTF and ELRNF). Unlike most "New Era" tech deals, ECtel actual generates profits. At 27x estimated 2001 earnings, ECtel is attractively valued against a 5-year estimated growth rate of 40%. ECtel's low US\$300 million market cap represents a 70% discount from the sector average. I love the stock: ECtel

represents a significant holding in my fund. **As a pure play on telecommunications network optimization, I rate ECTX as a Strong Buy with a twelve- to eighteen-month target of US\$40.**

## *Tower of Babble*

Bears argue that there is overcapacity in the telecom space. Too much capital chasing diminishing returns... Over-investment in fashionable "Internet infrastructure" projects has created excessive competition, leading to a downward spiral of profits and capex... From the point of view of the bears, speculating in telecommunications technology today is like buying semiconductor manufacturers in 1996 or railway shares in 1845.

I don't accept the blanket views of the bears. First of all, the majority of Internet users don't have high speed Internet connections (I just got a Toshiba cable modem at home from Time Warner and it has changed my life.) Secondly, the widespread proliferation of high speed Internet connections will lead to what Christian DeHaemer calls "the Digital Media tsunami:" the next generation of multi-media, streaming audio/visual websites. This quantum evolution in the Internet will not only build traffic, but also require exponential expansion of server and wholesale data capacity. Third, most if not all voice traffic will be converted to data traffic. And finally: TV, radio, Internet, and telephony will converge into a seamless communications medium.

Don't get me wrong. I'm not buying the hype and loading up on dot-com paper or even overvalued juggernauts like Cisco. But there is clearly room for growth in telecommunications capex. The key is avoiding commoditized or excessively promoted industries (semiconductors, CLECs, etc.). In this environment, ECtel represents an excellent conservative bet.

*Even if the telecom bears are right, even if telecommunications technology spending spirals downward, the Tower of Babel hypothesis supports continued growth in network optimization solutions.* If the big telecoms scale back investments in fancy new networks, they will most likely spend their remaining budget on improving the performance and interoperability of their existing assets.

## *Blue-blooded Israeli*

ECtel was spun off from parent company **ECI Telecom (ECIL:NASDAQ)** in October 1999. ECIL owns 78% of ECtel. ECIL is a world class player in high speed telecommunications systems, with over US\$1.1 billion in sales.

(over, please)





ECIL's product portfolio includes end-to-end digital networks, from DSL and fixed wireless to DWDM and SONET.

With a massive sales and distribution force, as well as outstanding technology, ECIL represents a direct competitive threat to players like CSCO and Lucent (given ECIL's low US\$2.8 billion market cap, I wouldn't be surprised to see a tender for the company). While ECIL's top and bottom line growth was sluggish in 1999, the company is positioned to enjoy explosive and sustained growth from the Internet convergence revolution. (For the purposes of disclosure: I myself believe in this company so much that I hold a position in ECIL).

ECtel inherited ECIL's massive customer base. And ECtel still benefits from ECIL's sales/distribution channels. ECIL has a majority control of ECtel's board of directors. I believe that Ectel benefits from ECIL's management experience, avoiding the crazed delinquency of many VC-bred orphans.

Given ECIL's strategic relationship with ECtel and solvent financial position, I expect that ECIL will hang on to its ECtel shares until the stock reaches a significantly higher trading range. This will keep the supply of stock restricted. Since ECtel generates cash from its operations, it won't need to sell additional shares to stay afloat (aside from, potentially, any new shares used to make acquisitions). Given ECtel's tight 3.3 million share float and the absence of new supply, it won't take much institutional interest to drive ECtel back to its 52-week high of \$41.25.

### Quality of Service

I wrote about **Quality of Service (QOS)** in my analysis of ELBTF in the May 2000 issue of *Taipan*. I continue to believe that QOS will become a "hot" investment theme. The total QOS market is currently estimated to be over US\$300 million—and is growing over 30% per annum. Cisco's (CSCO:NASDAQ) recent purchase of ELBTF's Hynex subsidiary for US\$127 million in cash and stock supports my bullish views on QOS.

ECtel's QOS platform allows customers to comprehen-

sively monitor the performance of their networks in real time. QualiView is a non-intrusive measuring solution that monitors data traffic and provides real time reports.

Quali.net is an intrusive measuring solution that can test the performance of specific circuits. ViewPoint is a software add-on to QualiView that allows multiple users to view network performance in remote locations. QualiWeb is essentially an Internet version of ViewPoint.

ECtel's complete, broad, complementary product line will ensure the company's participation in the coming boom in QOS. As voice-over-IP networks are built up, demand for QOS products like QualiView and Quali.Net will explode. (VOIP chops up voice into discreet data packets and reassembles them on the other side, creating technical difficulties that require constant network performance monitoring).

### Milking the cash cows

"Interconnect billing" may sound as thrilling as a trip to a 16th-century dentist, but it's an exploding market. The blitzkrieg expansion of competing telecommunications networks has made it difficult for telecom providers to accurately charge each other for trans-network data transmission. However, this is a key component to telecom profits (and losses). SS7Counter is ECtel's interconnect billing solution, a product that is fully consistent with my Tower of Babel hypothesis.

### The real growth engine

If you've ever fought with the phone company over bogus charges on your bill (like the mysterious 3-hour call to a 900 sex line in Bermuda), you understand the prevalence of telecommunications fraud. The global telecommunications infrastructure is so complicated and decentralized that there is a huge opportunity for fraudulent practices. While fraud is an inconvenience for customers, it's a US\$10 billion black hole for telecoms. The greater the investments in fancy technology, the bigger the opportunity for fraudulent activity.

ECtel's FraudView product offers a complete solution for detecting and preventing fraud in real time. It would take too much space to discuss all of the common scams perpetrated on telecoms. However, FraudView not only has outstanding growth prospects, but the clearest psychological appeal to retail stock speculators (assuming there's any left).

### Hard to believe: a recent IPO with 55% gross margins!

While ECtel is a small tech company, it is obscenely profitable. In Q1 2000, ECtel posted a 55% gross profit margin! As sales to governments shrink as a percentage of total sales, gross margins should remain robust—even in the face of heavy competition.

Management has kept tight control of expenses.

(concludes on page 9)

ECTX is cheap compared to the sector average!		
company	market cap	price/sales
ECTX	\$282,000,000	6.7
GATT	\$110,400,000	4.3
CCRD	\$474,000,000	6.5
CAIR	\$421,000,000	6.3
INTI	\$1,924,000,000	16.0
MUSE	\$4,298,300,000	51.1
TLKC	\$2,222,500,000	8.7
<b>average</b>	<b>\$ 1,390,314,286</b>	<b>14.2</b>
ECTX	\$282,000,000	6.7
<b>discount</b>	<b>80%</b>	<b>53%</b>



# Huge Profits in Wireless? You bet your ASP!

by Briton Ryle

Qualcomm finally took one on the chin. I've argued for a while now that the "Q" was pretty richly valued. No secret there. China Unicom putting off the switch to CDMA network technology should've come as no big surprise.

What *is* a surprise is that so many believed it made economic sense for Unicom to scrap a GSM network that is nowhere near obsolete. Especially right before Unicom's IPO. Gotta think that China was ready to promise the moon in exchange for favored trade status.

Like it or not, GSM is the worldwide wireless standard for the next couple of years. The controversy surrounding wireless standards is why I try to remain neutral. And if I do recommend something that's standard-specific, I'll choose the bigger proven market opportunity, such as **CellPoint (CLPT:OTC-BB)** and GSM.

Which leads me to one of the best opportunities in wireless: Application Service Providers, or ASPs. Most ASPs are standard-agnostic—that is, the technology will work on any standard, provided, of course, there's sufficient bandwidth for the application.

## More wireless

There's already one wireless ASP in my *Taipan* portfolio—**GeoWorks (GWRX:NASDAQ)**. In case you don't recall, GeoWorks has a wireless advertising service that targets cell phone users. GeoWorks also makes a WAP (wireless application protocol) server that allows companies to deliver WAP content to subscribers.

I think it's time to add another—**Datalink.net (DLK:AMX)**. Datalink is a young company with patented technology and seasoned, well-connected leadership that's about to land a huge contract with Chase Manhattan Bank. And, by the way, Chase is giving the boot to a subsidiary of wireless powerhouse **Aether Systems (AETH:NASDAQ)** to run with Datalink.

Datalink.net has the usual neat apps for mobile users—stock quotes, alerts, breaking news, etc. But Datalink is focusing on a far more lucrative market—business applications, specifically financial services and healthcare. Make no mistake, business apps are a huge opportunity, largely because businesses are willing to pay more for value-added services. Datalink is going to rock'n'roll.

Inventory tracking, dynamic scheduling, e-mail, a constantly informed and connected sales force, fleet management—the possibilities are endless. And the bottom line is: doing better business. Because more efficient use of data translates directly into stronger connections with customers and their needs.

## Lean, mean capital machines

If you think about it, economic revolutions have all been about connectivity. Opening up new markets, finding a better way to transport goods, speeding up the channels of communications—each advance sparked an economic explosion for the people who were in the right place at the right time.

Improved ship design and food storage made global exploration feasible. Raw materials from newly discovered (and settled) lands were shipped back to Europe to be made into fancy clothes and teapots. Demand for goods put pressure on manufacturers to find better, more efficient ways to produce, and the Industrial Revolution was born. This is a simplistic view of things, I know, but I think you get the point.

The biggest advance in connectivity since spoken language is the Internet. And some still doubt the boost in productivity brought on by computing and the Internet. Yeah, and the moon landing was a hoax and the world is flat, too.

This ten-year bull market is the direct consequence of corporate restructuring. The result—increased efficiency, greater profit margins, higher employment and higher stock prices. Oh, and cooler gadgets for me to write about.

Underlying it all is a massive investment in IT (information technology) that is already paying huge dividends. This "New" economy, as it is called by proponents and detractors alike, is built on computing and the Internet. But just wait until the Internet is seamlessly integrated with wireless.

## The next business revolution

The most visible wireless apps are targeted to the consumer. Comparison shopping, weather and traffic reports, news headlines, stock quotes and so on. And this area still represents a growing market for wireless ASPs. Revenues from US wireless subscribers are growing 25% a year, and topped US\$40 billion in 1999. At the same time, the total cumulative investment in wireless hit US\$70 billion.

Clearly, wireless has a pretty good return on investment. Now you know why you see so many ads on TV and special offers in your local paper. All these companies have to do is sign people up. Capital expenditures will be paid off almost immediately. The rest is gravy.

Now, US\$40 billion in subscriber revenue is nothing to sneeze at. But take a look at what business revenues look like. In 1999, businesses of 100 or more employees spent US\$66 billion on wireless equipment and service. That number is expected to grow to US\$117 billion by 2002. **Conclusion: buy wireless ASPs that target the corporate market.**

(over, please)



## The driver's seat

Two things will drive companies to adopt wireless as part of their overall strategy: a mobile workforce and the competitive advantage.

The mobile workforce is probably bigger than you think. I saw one estimate from the Yankee Group that pegged it at 60 million people. That's a lot of Palm Pilots. And a lot of subscriber revenues. I bet the numbers are growing faster than we think, too.

I'll join the mobile workers as soon as they get the bullet train running between Baltimore and New York City. I plan on taking a fat-paying New York job and live like a king in Baltimore with its relatively low cost of living.

For three hours a day, the train will be my office. I'll be surrounded by a dizzying array of wireless modems, cell phones and pagers. There'll be enough microwaves flying around to keep my coffee warm on the way into The City.

## The competitive advantage

I don't know about your boss, but mine just loves to cough up all the dough I need to buy gadgets so I can stay away from the office as much as possible. Yeah, right.

Truth is, the things my work buys me inevitably make me work more. I'm working on the plane, in the hotel room, at the convention center. I usually can't wait to get home from a business trip so I can just get some rest.

It sounds obvious, but a mobile work force can spend more time working out of the office. And that means more time building strong relationships with customers. And with financial services and healthcare, the need to get mission critical data anywhere, anytime is probably at the top of the list.

Say a trader who manages millions for, I don't know, Chase Manhattan Bank or whatever is having a late dinner. About the time the crême brûlée arrives, the Hong Kong market starts taking a nosedive. By the time someone calls him, it's probably going to be too late. With a service like Datalink's, he could be protecting his investments within seconds of getting the news, at the same time as it hits the wires.

But that's not all. Traders on the floor could also get breaking news in real time. While others stare at their monitors, they're already trading on the information. Or maybe a big client has a special order that needs filling immediately. Soon, not getting breaking news will be a huge competitive disadvantage. You won't be able to compete without real-time data feeds.

## The healthy choice

You can probably imagine some pretty important applications for the healthcare industry as well. People don't always wear a medic-alert bracelet when they ought to. Lives could be saved with easy access to a patient's file while he's still in the back of an ambulance.

Bedside charts could be replaced by a digital device directly connected to the hospital database. Changes to the patient's log would be immediately recorded in the archived file. Fewer filing cabinets could mean more beds, and bigger revenues.

And the great thing for Datalink.net is that once a system is in place, it can be reused at relatively little extra cost. Datalink.net only has to customize the service to meet the needs of the next customer. This maximizes Datalink's return on investment and means margins will be huge, probably in the 50% range.

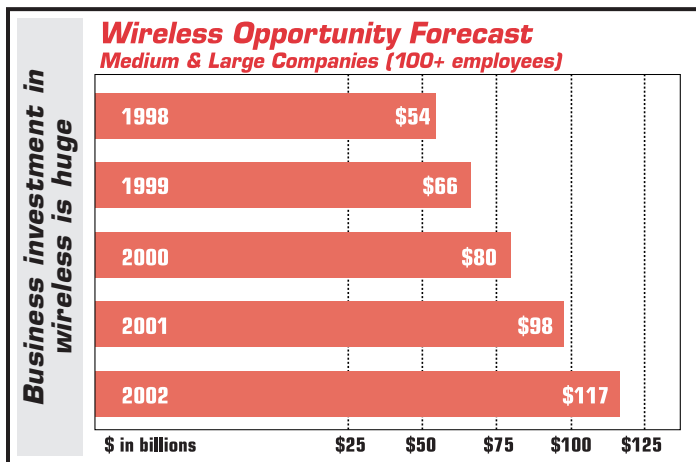
## The value puzzle

Corporate America is only just discovering the advantages of going mobile. It's a new industry that's struggling to gain acceptance as well as hone its efficiency. Market leader Aether Systems only generates US\$11 million a year in revenues and still commands a US\$7 billion market cap. Aether is embarking on a US\$15 million ad campaign that should help raise the visibility and acceptance of the sector as a whole.

Still, revenue models aren't in place yet. Putting a value on companies in this space is difficult. But I think there are some hints that allow us to set a good ball park figure. The first is from Datalink.net itself. Datalink believes it should generate US\$25,000 a month for each installation. Over the course of a year, a deal like the one with Chase should be worth a minimum of US\$260,000. A huge organization like Chase would undoubtedly generate more revenue than that, but it gives us a benchmark for making conservative estimates of revenue potential.

Chase is just one company. According to somewhat dated material from the Small Business Association, there are around 15,000 companies in the US with more than 500 employees, and financial services account for 20% of the total. That makes 3,000 businesses.

Now, suppose just 10% of these companies adopt a wireless strategy, which I think is a ridiculously low estimate. If Datalink can capture even 10% of that market, we're talking US\$50 million in annual revenues. And that's just the financial sector. I haven't even included





healthcare. Another US\$25 million a year doesn't seem overly optimistic.

The bigger opportunity is among companies with fewer than 500 employees. There's more than 5 million of 'em. Now, I'm sure "companies with fewer than 500 employees" can include an elderly couple sitting at a fold-up card table selling Sno-Balls on the corner, so let's cut the number in half to be safe. If even 1% of those had a sizable mobile workforce, there's another 20,000 potential customers for Datalink.net.

## All the pieces in place

The product is there, the market is there. All that remains is getting the dollars onto the bottom line. And right now is the absolute worst time to be looking at Datalink's revenues. The company began restructuring about six months ago to focus on the business market. Though its consumer-oriented business is still operational, it's no longer being marketed. Revenues from the consumer business have dropped substantially, but they'll still be around US\$1.5 million for fiscal 2000, which ended in March.

You might think it's a little nutty to turn your back on a business that more than doubled revenues to US\$2.1 million in 1999. But I applaud their having the foresight to see that the real market for data delivery is to businesses.

Datalink has taken the necessary steps to preserve cash until the reorganization begins to bear fruit, which will occur any day now when the deal with Chase gets finalized. Advertising has been cancelled, but even so Datalink retains most of its subscriber base, a testament to the company's brand recognition and loyalty.

*(continued from page 6)*

General and administrative expenses were only 6% of sales in the last quarter. Selling and marketing expenses remained relatively stable, in the mid-17% range over the last three quarters. The combination of robust profitability and financial discipline has yielded an outstanding net profit margin of 17%. In other words, for every US\$1 in sales, 17 cents go directly to the bottom line!

Since ECTel is an earnings story, not just a tech story, I expect the stock will participate in any material bounce in NASDAQ. Since the company is cashflow positive and has US\$40 million in balance sheet cash, ECTel does not need to sell shares to stay in business. In my opinion, solvent, cashflow positive companies will outperform the rest in the telecom technology sector.

There is plenty of risk to the ECTX story: ECTX's products use Windows NT. It is possible that the Windows hegemony could be destroyed by the Justice Department, creating an environment in which products based on competing operating systems like UNIX or Linux grab market share at ECTX's expense. ECTX is not particularly liquid,

## The projection

It will take some time for this market to play out. I anticipate Datalink.net growing revenues at a rate of 200% for fiscal 2001 and 300% for both 2002 and 2003. I'm going to apply a one-year price target of US\$72 and a three-year target of US\$260. This is based on 13x sales for 2001 and 6x sales for 2003.

I give this fiscal year a higher sales multiple largely because of Christian DeHaemer's identification of the next "new thing" in his June article. I can't think of a better buzz phrase than "wireless application service provider." It just rolls right off the tongue.

My estimates for fiscal 2001 may already be low, but that's fine. Datalink recently signed a contract with WizShop.com to provide WAP and wireless e-commerce functionality for WizShop.com shopping portals. The deal is valued at US\$1 million, or nearly a quarter of my fiscal year revenue estimate.

And don't forget, once Datalink.net creates a new application, the development costs are slashed for the next customer. All that's required is customization of the service. I think Datalink is going to be a big winner in the wireless ASP space. And investors who get in before the Chase contract is finalized are going to win big too.

**Buy Datalink.net (DLK:AMEX) under US\$12. Hold for my one-year price target of US\$72.** You can contact Datalink.net at 1735 Technology Drive, San Jose, CA 90115. That's Silicon Valley, my friend. Telephone number is 408-367-1700. You can also e-mail the investor relations department at [ir@datalink.net](mailto:ir@datalink.net).

## WORLD INVESTOR

making it difficult to sell if the NASDAQ keeps crashing. ECIL may decide to extract value out of ECTel at the expense of minority shareholders (I have seen this happen with other Israeli stocks).

However, ECTel is down almost 60% from the March peak. The stock is cheap enough for me. ECTel's market cap of US\$280 million is low relative to the few directly comparable companies. Based on the attractive forward Price/Earnings/Growth (PEG) ratio of 68%, I rate ELBTF as a Buy with a US\$40 target.

**For more information, review the company's website, [www.ectel.com](http://www.ectel.com), or contact ECTel Ltd., 18 Hasidim Street, Peach Diva Israel, 49130, Tel: +972-3-9263055 / 3080, Fax: +972-3-9263088 email: [ectel@ecitele.com](mailto:ectel@ecitele.com).**

James Passin manages the Firebird Global Small Caps Fund, LP, for Firebird Management and is a Contributing Editor with Taipan. Passin's fund is currently a shareholder in ECTX, ECIL, and ELBTF. Passin's views are strictly his own and not necessarily those of Taipan or Firebird Management.



# “Mister Bank” could be the financial sector play you’ve been looking for

## *After a long lull, bank stocks are ready for the plucking*

by Charles R. Wolpoff

Wealth protection is a means of taking control of your financial destiny, of making your money work for you, not the other way around.

*And right now, one good way to put your money to work is by owning a bank.*

I’m not suggesting that you embrace the bank mentality. Rather, we’re suggesting that this is the time for you to take your *revenge* on banks. They’ve been taking your money long enough. Start taking some of theirs.

In some ways, banks share characteristics with the bad guys we try to warn you about. Banks use every means in the book to separate you from your money: setting outrageous ATM fees, making you pay for checks, imposing ridiculous charges for overdrawn accounts. Let’s face it. When was the last time you heard someone say they loved their bank?

It certainly doesn’t help matters that the big banks keep getting bigger by gobbling up any bank they can sink their teeth into. It’s senseless for banks to post their names on your checks anymore. By the time you get halfway through one batch of checks, the bank’s liable to be owned by another bank three times its size, and three hundred times further away.

Here in Baltimore, we can still remember the days of Equitable Bank. That was gobbled up by Maryland National. Which was acquired by NationsBank. Which was, in turn, swallowed by Bank of America. You’ve probably seen the same cannibalistic scenario played out in your neck of the woods.

And the bigger banks get, the less they care about customer service. In today’s world of 24-hour this and 24-hour that, banks have refused to change their hours to help their customers. Sure, they give you a few evening hours on a Thursday. But for the most part it’s bankers’ hours, just like in the old days.

Oh, in many ways times are changing. For example, Internet banks are becoming bigger players. But for now, banking is still mostly bricks-and-mortar.

As a result, all we get are the very large banks, and the very small ones that are too small for the giant national and regional banks to notice. That’s what bank insiders mean by the “barbell” effect. Lots of huge banks on the one side, lots of small community banks on the other, and few medium size banks in between. So, speaking of barbells...

### **Time for a wealth workout**

This is all rather sad, perhaps even tragic, and certainly annoying. We would all prefer to think our money was

being handled by neighborly folks who actually cared about our town and the people in it. But let’s not waste time shedding tears. Let’s make money instead.

In fact, with all their faults, that’s one thing banks do well: they make money. Tons of it.

And they have enough financial and political clout to make sure the rules continue to favor them enough so that they can continue to make tons of money.

Why do you think Congress has passed legislation in recent years tearing down the barriers (the so-called “Glass-Steagall” rules) that used to separate banking from stock brokerages and insurance? Now banks can be all-purpose financial service providers. Because that’s where the money is. And that’s what they wanted to do.

No matter what happens, they end up on top. Even when a bank occasionally gets into trouble, government is forced to bail the institution out.

Banks have been around as long as Western civilization. And if there’s a nuclear war, the only ones left standing will be cockroaches, the IRS—and the banks.

### **Banks: Despicable, greedy, disgusting**

So what can you do about it? Take revenge.

And, as the saying goes, the best revenge is...living well. And you can do that by buying bank stock. Banks don’t go out of business. At the right time in the investment cycle, the right bank stock will make you lots of money. And the stronger banks will pay you consistently growing dividends even when bank stocks overall are in a down cycle.

### **All the way to the bank**

Banks have been in a down cycle until recently. The banking sector has gone through some rough times. But that just means there is more opportunity to pick up some real buys.

1999 was the worst year for bank stocks since 1994. That trend continued into the early part of this year. In January alone, bank stocks dropped more than 5%. Through May, they fell a collective 4.6%. At one point this year they were off about 20%. And for the last year the bank index has underperformed the S&P 500 by about 25%.

What caused all the problems? First, the banking industry is tremendously cutthroat. It’s big fish eats little fish, acquire or be acquired. This has tended to put downward pressure on bank stocks.

Next, there’s Alan Greenspan, the chairman of the Federal Reserve and president of the “We Hate Bull Markets” Club. Like the Puritans of old, he is frightened to death that people



might make too much money in the stock market, that too many people may be employed, that somewhere, someone is truly, outrageously happy.

He's called it "irrational exuberance," which means that some investors may be making as much money as he is. So he does what he can to restore some fiscal sanity, to make sure the stock market doesn't keep going up, that houses don't stay affordable, that the economy doesn't keep rolling along.

And his weapon is the prime interest rate. He has raised this rate five times since last July. This seems to have had the desired effect. Investors are scared. The market's had a tough time keeping its footing. And the economy's slowed down. If you lose your job soon, you may have Mr. Greenspan to thank.

Banks are hurt in several ways by rising interest rates. You see, one of the traditional ways banks make their gobs of money is by lending your cash at higher rates than the rates they pay you for depositing your money there. For example, while you're making a measly 2.3% interest on your savings account, the bank is issuing a home mortgage to some sucker for 8.3%.

### **Hefty spreads**

But as interest rates rise, those old 30-year mortgages the banks issued way back when are still earning the lower interest rates. Meanwhile, they have to increase the interest rate they pay *you*. And as the rates rise, the demand for loans starts to shrink.

In addition, as the interest rates slow the economy, the demand for loans also slows.

Not all banks are hurt equally by rising interest rates, although investors—like the sheep that they tend to be—often act as if they affect all banks equally. This gives you a chance to buy stock in certain banks at bargain prices. More on that later.

Another problem that sent bank stocks into their recent swoon was the cooling off of merger mania. Back in 1998, a flurry of big bank mergers was hyped as being wonderful for investors. But those mergers were slow to pay off. The monster banks that did much of the acquiring had a difficult time consolidating their latest conquests. Too much of their resources were devoted to getting all the pieces in place. And in late 1999, mergers that were expected to happen—that investors were counting on—failed to materialize. Too many of the target banks were seeking excessively high prices.

### **Remember Y2K?**

The world was going to collapse, civilization was going to unravel, and there would be an epidemic of bank runs that would make the panic of 1929 seem like Mardi Gras.

Not too many investors were interested in banks. Now the tide seems to have turned for bank stocks and, indeed, the entire financial sector. The Y2K scare is ancient history.

In fact, the Cassandras who made it their business to predict (and profit from) dire consequences are now pitching dot-com IPOs.

As the November elections loom closer, not too many observers expect the Fed chairman to raise rates again, for fear of appearing too partisan. The talk on the street is that banks are set to enjoy a summer rally. Besides, bank stocks tend to rally in the summer anyway, after overcoming routinely mediocre first quarter results.

As if to signal the coming rally, one day in May an index of 225 banks jumped 3.9%. Major banks like Bank of New York and Mellon Financial are near their 52-week highs.

You may think banks aren't the type of investment that can give you a huge gain in a hurry. But look at State Street Corp. From a low of less than US\$60 in September it has climbed to more than US\$120 in mid-May.

### ***It's not too late to join the party***

If you want to buy a bank now, which one should you choose? We suggest that you not use your bank stocks for the part of your portfolio where you anticipate three-figure gains in a few months.

Rather, you should use financial stocks, and bank stocks in particular, for safe, though very solid returns—while also ferreting out the banks most likely to be targeted for acquisition. In other words, the right bank can give you the best of both worlds. Safe returns and, at the right moment, huge capital appreciation as well.

It may be tempting to go after the biggest institutions, such as Bank of America, Wells Fargo and Citigroup. But if you do so, be aware that these banks are vulnerable to economic downturns, due to their equity underwriting and venture capital business. These giant banks may share some of the same volatility as tech stocks.

Besides, the bigger banks aren't going to be acquired. They're the acquirers. As such, they're the ones that have to deal with the inefficiencies of huge acquisitions.

Take Chase Manhattan (CMB). It, like other large banks, is digesting too many acquisitions. Plus, it is too exposed to the New Economy. One estimate is that 63% of its portfolio is in such stocks. Also, a quarter of its earnings in 1999 was in venture capital. And this leaves it more vulnerable to a downturn in the market.

To be sure, it's getting tougher to find these potential targets. But they're still out there.

Don't get me wrong! The potential for acquisition is not the only factor you should be looking at. You want a bank that stands on its own. That's going to make money whether it's picked up or not.

### ***What about those rising interest rates?***

While banks as an industry may start moving up because, as we said, many expect Greenspan to raise interest rates no more than one more time this year, you

*(over, please)*



do want a bank that is relatively insulated from the damaging impact of interest rates. Look for a bank that makes variable rate as opposed to fixed rate loans.

And you want a bank that stands out from the crowd.

**Mercantile Bankshares Corp. (MRBK:NASDAQ)** of Baltimore fits the bill. This bank has earned an impeccable reputation locally. Through all the changes in the banking industry—mergers, expansion into other financial services, cutthroat competition—this bank has stood firm. It's been a rock largely because of the integrity and independence—some would say stubbornness—of its long-time chairman, H. Furlong Baldwin.

This is a large community bank (US\$8 billion assets) with personality. For example, the stodgy, aging, bankerly Baldwin is affectionately known as “Baldy” by the industry press and his peers. The bank itself is jokingly called Mister Bank, because of its ticker symbol, MRBK. But that moniker also seems to fit perfectly.

Mercantile has set itself apart from the rest of the banking industry. “Baldy” is the one to whom other bankers come when they fear they're going to be acquired by an impersonal, out-of-town giant.

Mister Bank, perhaps, should be called Sir Bank—it is considered the white knight of the region. It buys up small community banks and lets them continue to run their businesses as they were. “Baldy” realizes that these banks know their communities better than he does. So he doesn't demand total subservience from his acquisitions. The merged companies get to run things pretty much their way.

This conservative and very well-managed bank has increased its earnings every year for 20 years. And it has steadily increased its dividend over that same period.

Most of the banks that made good acquisition targets—large, regional banks—have already been bought up. Why hasn't Mercantile?

For one reason, and one reason only. “Baldy.” He has steadfastly refused to sell.

But his contract is up in February 2001. And most industry insiders expect him to retire at that point.

## **Good news or bad?**

Clearly, it's bad news in the sense that the bank would lose the captain who has so magnificently steered his ship

all these years. But, having developed a decentralized system with a proven track record that doesn't depend on just one man, “Baldy” has prepared his company well for the days when he is no longer there.

The bank should continue to run fine without “Baldy”—until it gets bought up.

And that's where the good news comes in. When “Baldy” moves out of the way, it's highly unlikely that anyone else will have the willpower withstand the blandishments of the inevitable suitors. Baldwin has stood firm against selling to another bank. His pending departure opens the way to a possible acquisition. And that, in turn, could pave the way to big gains for investors like you.

What is the effect of a potential buyout? Just look at the experience of another bank named Mercantile—Mercantile Bancorp in St. Louis. Simply on a rumor, one day in 1999 the stock went up more than 11%. Investors who bought the stock the week before the merger announcement would have gained about 30%.

In any event, merger rumors will likely escalate as “Baldy” nears retirement. And that should give the stock a healthy boost. Wait until those rumors become reality and you're likely to miss the boat.

Don't get us wrong. Any acquisition of Mercantile by an out-of-state-bank—some industry analysts expect Wachovia to be the one—would be unequivocally bad news for Baltimore, the state of Maryland, and the bank's customers and employees.

But, lest we forget, banks are generally the bad guys anyway, right? And we're in this for revenge—to make money off the leeches who are making money off of us.

So shed some tears for the potential victims, if you like. But don't let your tears dim your vision while you're counting your gains. And while you're waiting for the merger, good things may still happen. Mercantile is well insulated from interest rate hikes. Their fixed-rate loans are relatively short term. Their longer loans are generally variable rate. Thus, when Greenspan ups the rates, Mercantile gets to increase what it charges on its longer loans.

Right now the stock is selling between US\$33 and US\$34. One concern is that it has seen a pretty hefty rise in the last couple of weeks. You may want to wait until it dips to around US\$30.

---

## **Trekking back for more profits in a premier investment expedition to South Africa, September 12-24, 2000!**

Last year's South Africa expedition exposed a small group of entrepreneurial and adventuresome profit-seekers to one of the most exciting destinations on the map. We're offering the opportunity again to all those who missed out last year.

This expedition combines the earth's rarest luxuries... with the world's greatest investment opportunities. We'll see life inside a gold mine... and life in the wild kingdom.

Get ready to explore mining caves and maybe even cash in on some cheap diamond buys. We'll sit in

closed-door sessions with the chairman of the Chamber of the Mines... the president of Protea Gems... the Chief Operating Officer of the first Pan-African mutual fund... and many others.

Perhaps even more importantly, we'll put on our gear and head into the field, visiting some of the country's most successful businesses. We'll buy diamonds from one of South Africa's leading diamond wholesalers - and cut out the middleman markups!

No trip would be complete without an African safari. You won't even need binoculars at this wonder-

ful reserve, where trackers are skilled at following animal trails.

The itinerary is jammed-packed with analysis and corporate presentations as well as cultural excursions.

We take care of every detail for you - just come along and enjoy the experience. Twelve days of expeditions and safaris of this caliber normally range from \$8000 to \$9000. But we were able to slash our cost almost 50% for our subscribers. Call Agora Travel and Conferences at (800) 926-6575 or (561) 243-6276 to receive more information.



# Do you like big, delicious melons?

## ***This agronomics company is making mouth-watering melons by enhancing the fruit's DNA***

### ***Better yet, the stock trades for only \$3 a share!***

by Brian Hicks

That's right – only US\$3 a share. That's about a market cap of only US\$62 million... yet the company generated revenues in excess of US\$240 million last year.

These stocks are so cheap – I just recommended them both in my services, *The Cutting Edge* and *Rogue Trader*. And now I'm recommending them in *Taipan*. Why?

As you know, I'm a microcap investor. And I love buying stocks trading below 1x sales, and trading below the industry average. Listen to this – if this stock traded at the industry price-to-sales ratio of 1.6, this US\$2.00 stock would trade at about US\$15 a share.

Okay, I know what you're thinking – the company's core business is agriculture. It grows fruits and vegetables.

Exciting stuff, I know. But the company's agriculture business is a conduit for something bigger. Much bigger.

Actually, size doesn't matter to farmers. Although melons have been getting bigger year after year, what really matters... what really puts cold, hard cash in the pockets of farmers, is better ripening techniques and longer shelf life.

That's really important – longer shelf life. The longer a melon's shelf life, the longer it can stay fresh and be sold to the consumer. All of this is being changed at the genetic level by one of the companies I'm going to tell you about.

I know what you're thinking – genetically engineered fruits and vegetables are unhealthy. Before you know it – genetically altered fruit will turn everybody into roving hordes of Keith Richards.

“You will feel a slight metabolic change...”

But what many people don't understand is that humans have been altering plant genes for thousands of years.

### ***Let's go back in time***

Tens of thousands of years ago, people wandered the earth, collecting and eating only what they found growing in nature.

By about 8,000 BC, however, the first farmers decided to stay in one place and grow certain plants as crops — creating agriculture and civilization, in that order.

For thousands of years, from the time human communities began to settle in one place, cultivate crops and farm the land, humans have been manipulating the genetic nature of the crops and animals they raise. Crops have been bred to improve yields, enhance taste and extend the growing season.

Each of the 15 major crop plants that provide 90 per-

cent of the globe's food and energy intake has been extensively manipulated, hybridized, inter-bred and modified over the millennia by countless generations of farmers intent on producing crops in the most effective and efficient ways possible.

Plant biotechnology is just an extension of this traditional plant breeding, with one very important difference — plant biotechnology allows for the transfer of a greater variety of genetic information in a more precise, controlled manner.

### ***What they're doing***

Traditional plant breeding involves the crossing of hundreds or thousands of genes, whereas plant biotechnology allows for the transfer of one desirable gene at a time.

This more precise science allows plant breeders to develop crops with specific beneficial traits, while eliminating undesirable ones.

Many of the beneficial traits in new plant varieties fight plant pests — insects, weeds and diseases.

Others provide quality improvements, such as tastier fruits and vegetables; processing advantages, such as tomatoes with higher solids content; and nutrition enhancements, such as oil seeds that produce oils with lower saturated fat content.

### ***But why?***

One of the few certainties of the future is that the world's population will continue its rapid growth, reaching almost 10 billion inhabitants by the year 2030.

Experts say biotechnology innovations will triple crop yields without requiring any additional farmland.

Other innovations can reduce or eliminate reliance on pesticides and herbicides that may contribute to environmental degradation. Still others can preserve precious ground soil and water resources. And a company called **Agritope (AGTO-NASDAQ)** is doing just that.

Agritope is altering the genes of many plants and processes. But the ones I'm most concerned with are melons, tomatoes, and raspberries.

Combined, these three plants present AGTO with a market worth more than US\$2.5 billion in the U.S. Currently Agritope trades at a miniscule market cap of just US\$17 million. That's peanuts compared to the company's potential.

(concludes on page 19)



# Cashing in on a new generation of satellite broadcasting with SkyStream Networks, Inc.

by *Siu-Yee Ng*

Just about everyone is using the Internet these days. We use it for communication, entertainment and/or commerce. The Internet knows no boundaries.

Content on the Internet is evolving rapidly, from simple, static web pages to complex graphics and audio/video streams. Delivery of this new class of content requires significantly more bandwidth. In the past the Internet was mainly used for e-mail and basic information retrieval, i.e. point-to-point exchanges between a user and a host server. But new applications are emerging.

For example, online learning and live multimedia webcasts require the ability to reach out to millions of users simultaneously with rich, bandwidth-intensive content. These applications require point-to-multipoint exchanges, also known as multicasting.

This emerging demand for content will further stress Internet infrastructure in terms of bandwidth, scalability and predictable content delivery. The current Internet infrastructure is not designed to efficiently deliver this new multimedia-rich content or to support the multicasting needs of emerging applications.

The traditional Internet is a point-to-point network, built to handle the movement of data from one point to another using the Internet Protocol (IP) standard. When the same data is sent to several locations, this is done by sending additional copies of that data, separately, from the sender to the individual receivers.

As the number of simultaneous receiver locations runs to the millions, as may soon happen with live events, webcasting and other content-rich applications, the existing Internet infrastructure will be unable to meet the bandwidth demands.

The traditional Internet is also what is known as a “best-effort” network. The path between each user’s personal computer and the computer that holds the requested content is a series of interconnected computer networks. The content itself is comprised of many data packets that move from one network to another in a hop-by-hop manner.

Not all networks have the same capacity to carry data, and not all devices that interconnect those networks can process the data at similar speeds. If there is congestion at any of the intermediate hops, as is the case when a large number of users try to access the same content, some data packets can be arbitrarily dropped or delayed.

These errors introduce a degree of unpredictability and unreliability in content delivery. When content includes audio and/or video streams, this loss or delay of data pack-

ets can severely impact the user’s listening and viewing experience.

## *The gig is up*

Large investments have been made to improve the physical infrastructure of the Internet and increase the amount of available bandwidth. Advances in networking technologies – such as gigabit- and terabit-speed routing, optical networking, broadband access, web caching and content replication – have delivered solutions that greatly increase the Internet’s capacity to carry high bandwidth content from point to point.

However, these solutions do not address the fundamental need for emerging applications to deliver media-rich, data intensive content to a large number of users simultaneously, in a scalable and predictable manner.

For example, recent attempts to deliver streaming audio and video content over the Internet to many listeners and viewers simultaneously, such as the Victoria’s Secret webcast, the NetAid concert, the “Star Wars: The Phantom Menace” movie trailer release and the Super Bowl 2000 webcast, ran into significant difficulties in delivering a uniform and high-quality experience. In the aftermath of each of these attempts, it was widely reported in the press that many Internet users could not gain access to the content and that those who did received poor quality, unsynchronized audio and video.

The current Internet infrastructure, designed to facilitate interactivity and communications between users in a network, is often referred to as the Transaction Internet. The Transaction Internet most often experiences congestion when delivering event-based or streaming content over the existing infrastructure.

As a result of the Transaction Internet’s inability to deliver rich, high-quality content to a large number of end users simultaneously and predictably, many content and application developers are electing to create simplified versions of their content. In addition, after being frustrated by past attempts to download rich content, Internet users may limit their future viewing of such content.

## *One way ticket*

Unlike the Transaction Internet, broadcast network infrastructures have been built to optimize the one-way transmission of rich content to large numbers of users in a predictable, reliable and scalable manner. Traditional broadcast networks, including television, cable and satel-

*(over, please)*



lite networks, have been explicitly designed over the last 50 years to deliver high quality, synchronized audio and video content to large populations of listeners and viewers.

In addition, over the last five years many of these networks have migrated from analog to digital transmission systems, thus greatly enhancing their ability to carry new types of content. The ability to offer Internet-enhanced broadcast content would create new revenue opportunities for the service providers that own and operate these networks.

However, broadcast service providers face enormous technological challenges in extending their networks' capability to deliver Internet content as well as traditional broadcast programming. One such challenge is finding the bandwidth to offer Internet services in addition to traditional programming, because the latter typically consumes substantially all of their available bandwidth.

Current digital broadcast technology does not let broadcasters make full use of their transmission bandwidth. As a result, somewhere between two and ten percent of bandwidth goes unused, filled instead with empty placeholders called null packets.

Moreover, current digital broadcast network infrastructure is not designed to efficiently handle the delivery of Internet content. Digital broadcast service providers typically operate networks that are optimized for the one-way transmission of television-oriented services using the Moving Picture Experts Group (MPEG) standard; they lack a return path for data communications from users. And they have only very limited ability to integrate data seamlessly into their current audio/video streams.

Legacy equipment and services predominate in broadcast networks. Current networks were built using systems that are predominantly closed and proprietary. They limit the ability of broadcast service providers to use best-of-breed equipment in developing and promoting new services. Furthermore, broadcast service providers have an installed base of equipment that limits the changes they can make to their networks and requires any incremental changes to be completely compatible with existing equipment and services.

Also, in the short run, because end users expect near-perfect service reliability, broadcast service providers cannot afford to shut down ongoing services in order to install new Internet-based services.

### ***The best of two worlds***

While the Internet gives users great flexibility to experience data services in a fully interactive manner, the existing Transaction Internet is not designed to support simultaneous content delivery to multiple users. Broadcast network infrastructures, conversely, are capable of delivering high quality video programming to many users simultaneously, but cannot provide the interactivity that

enriches user experience.

A new category of networking products is therefore required to overcome the challenges facing both the Internet and broadcast networks. These products will enable broadcast networks to connect with the Internet, creating a "Broadcast Internet" that seamlessly combines the powerful benefits of both.

This is where **SkyStream Networks (SSNW:NASDAQ)** comes in. It combines the efficiency, scalability and performance of broadcast networks with the interactivity and personalization of the Internet. Its products and technology enable broadcast networks to connect with the Internet, offering a cost-effective, reliable and seamless path for delivering rich content to traditional Internet service providers and end users.

By enabling the Broadcast Internet, SkyStream allows content to be delivered across multiple paths. Its products include networking systems known as media routers and sophisticated software that manages Internet content and services across the Broadcast Internet.

The Yankee Group, a global market research firm, has forecasted that the market opportunity for equipment that can enable this combined network will grow from virtually nothing in 1998 to approximately \$3.7 billion by 2003. As you can see, SkyStream has a huge opportunity to be a big player in a new and evolving market.

Cable, satellite and digital television broadcasters can use SkyStream's products to offer multicast high-speed content or interactive Internet applications. With its products that use the MPEG standard, broadcasters can combine digital video streams based on MPEG and data based on IP in a cost-effective and seamless manner.

Internet service providers, telecommunications companies and content distributors can utilize SkyStream's solution as an incremental high-speed backbone for delivering content and services to the end user.

SkyStream also provides edge media routers that enable Internet service providers and telecommunications companies to remotely receive Internet protocol data services from broadcasters and deliver them throughout their networks. Its family of Broadcast Internet management software enables broadcasters to aggregate, schedule and broadcast web and data services, or channels, to a target set of receiving locations on their network.

In May 2000, SkyStream introduced the SkyStream DBN-45 Source Media Router, a networking device that enables cable operators to deliver services such as Internet video and Web caching to hundreds of thousands of subscribers over their existing digital cable bandwidth.

### ***Seller's market***

SkyStream products are sold through a direct sales force as well as by system integrators and resellers. For the year ended December 31, 1999, its revenues were \$8.5



million.

Direct sales efforts have been primarily focused on satellite, digital television and cable broadcasters. For the year ended December 31, 1999, direct sales accounted for approximately 82% of revenue.

Indirect sales include an original equipment manufacturer agreement with Harris Corporation, a leading supplier of broadcasting equipment to the television market. Harris Corporation is the largest manufacturer of digital television equipment in the United States.

As of December 31, 1999, SkyStream had sold its product to over 60 service providers around the world. Direct and indirect customers include Cablecom Engineering AG, EchoStar Communications, iBEAM Broadcasting, Intel, International Datacasting Corporation, Loral-CyberStar, NAGRA-Kudelski and Pacific Century CyberWorks.

### **Making money**

SkyStream's revenues to date have all come from a small number of customers. The loss of any one of its major customers or a reduction or delay in purchases of its products from any one of them could be a serious blow to its business. I don't like seeing this reliance on a small number of clients for a large portion of revenues. Hopefully, as the company matures and acquires more clients, it will not be so dependent on a small number of customers. In May 2000, SkyStream announced two more clients – Edgix and Wavexpress.

Revenues from its five largest and ten largest customers accounted for 66% and 77%, respectively, of its total revenues for the year ended December 31, 1999. EchoStar Communications accounted for 38% of revenues in 1999, International Datacasting Corp. for 12% and Cablecom for 10%. This is risky business, as the company has no long-term contracts with any customers for the purchase of its products, and customers may reduce or discontinue purchases at any time. Customers may also delay or cancel purchase orders without penalty.

SkyStream began shipping its first product, the source media router, in February 1998. Prior to this, operating activities were mostly devoted to research and development.

Revenues for 1997 were \$71,000. Revenues increased from \$1.3 million in 1998, SkyStream's first year of volume shipments, to \$8.5 million in 1999. Four customers accounted for approximately 75% of the revenues in the year ended December 31, 1998, and four customers accounted for approximately 64% of revenues in the year ended December 31, 1999. After the launch in 1998, revenues have been steadily increasing – a good sign.

International sales accounted for 38% of its revenues for the year ended December 31, 1999, and are expected to increase in the future.

Net proceeds from this offering will be used for general

corporate purposes, including working capital, debt repayment and capital expenditures.

### **Risks and rewards**

SkyStream relies on a single contract manufacturer, Pemstar, to build its products. Get this: the company does not have a written agreement with Pemstar except on a purchase order basis. If Pemstar terminates its arrangement this will obviously be detrimental to SkyStream's business.

Companies such as Cisco Systems, Lucent Technologies and Nortel Networks have historically dominated the Internet infrastructure market, while the broadcast network equipment market has been led by firms like General Instrument, Harmonic and Scientific-Atlanta.

Let's look at the performance of some of SkyStream's competitors to get an idea of the potential the company has in this industry. **Cisco Systems (CSCO:NASDAQ)** is no stranger, with a 52 week high of US\$80.06. **Lucent Technologies (LU:NYSE)** had a 52-week high of US\$82.28.

**Harmonic, Inc. (HLIT:NASDAQ)** had a 52-week high of US\$152.37. **Scientific Atlanta (SFA:NYSE)** had a 52 week high of US\$74.59.

### **History together**

This is still a young company, one that only began operations in 1996. So it's good to see that the management team has been together for a few years. The president, CEO and director of SkyStream has been with the company since July 1997. Prior to joining the company, he was the senior vice president and general manager of Wide Area Network Operations for 3Com Corporation.

The CFO has been with the company since October 1997 – first serving as director of finance, then as vice president of finance and now as CFO. Prior to joining SkyStream, she served as director of finance for Target Therapeutics, Inc., a medical device company acquired by Boston Scientific in 1997.

The vice president of engineering and chief technology officer joined the company in March 1998, first serving as vice president of manufacturing and engineering. Before coming to SkyStream he held various positions with 3Com Corporation.

Directors include a couple of venture capitalists – something to keep an eye on. Venture capitalists tend to spook me a bit because they sometimes care more about their own interests than about the well-being of the company – a simple matter of survival of the fittest.

One of the company's directors is also a general partner of the Mayfield Fund, a venture capital firm. He is also a director of Advent Software, Inc., a portfolio management software company, Montgomery Street Income Securities

*(concludes on page 19)*



# Is a Bet Still a Bet on the Net?

by J.K. Riffin

Following on the coattails of Web-enabled commerce and auctions, we now have Web-enabled gambling. At the moment, there are already over 850 Web sites offering various gambling opportunities. Web-based gambling revenues have jumped 80% in 1999, and are expected to rake in over \$3 billion by 2002.

But in order to make bets online, you'll have to clear customs before you start cashing out cyber-chips. Online gambling is illegal in the U.S. for several obvious reasons—age verification, the danger maxing out already ballooning credit card debt and fixed games are just a few. Although U.S. law enforcement has been able to put the kibosh on American online casino operators, they are pretty well hamstrung in preventing U.S. residents from placing bets on offshore gambling sites.

This has resulted in a unique situation in which all the envelope-pushing in a new Internet market space is being done on foreign soil. Though **Yahoo** (YHOO:NASDAQ), **AOL** (AOL:NYSE) and **Amazon.com** (AMZN:NASDAQ) are busy exporting their services (and first-mover advantage) all over the globe, the pioneers and likely winners in online gambling are all overseas.

And some of the early entrants seem to know what they're doing. Like their American predecessors, the best way to start an Internet business (i.e. raise money) is to convince people that you have a compelling business model (i.e. new acronym). In this case, it's P2P, or person-to-person transactions. The idea is to displace the bookie, who naturally shifts the odds in his favor as he takes on more bets. Much like online auction sites, the P2P gaming model enables individuals to offer and accept bets with one another over the Web. So Joe Schmo offers a bet of, say, \$50 that Tiger Woods will win the Hoo-ha Open, and the next person comes along and takes the bet thinking that Tiger will choke. The Web site records the details, holds the money (sent via credit card transaction), pays the winner and keeps a piece of the action.

## **Gimme \$25 On Hillary To Lose**

So hot they had to go to the United Kingdom to put it together, Flutter.com is not your father's gambling parlor. Here you can bet on anything with anyone. Think Hugh Grant will tie the knot? Will Gore win in November? How about your favorite cricket team? That's right, Flutter.com is a P2P enabler, making it easy for you to initiate a new bet ("flutter"), or take on an existing one.

The revenue model is driven by the vig ("transaction fee"). Flutter.com takes 2.5% of the action, as well as

what it generates from advertising and e-commerce. The company expects to make 70% of its revenue off of the vig. Against a backdrop of money-losing e-tailers, Flutter.com's profit-driven model has attracted venture capital to the tune of some \$38 million. In a little over a month since its launch, the Web site has already attracted more than 20,000 registered users. And there's plenty of room to grow, as (in the UK alone) 3% of the population regularly places wagers in betting shops.

Before you get too excited about betting on how bad Hillary will lose in New York, though: you can't bet on Flutter.com if you're a U.S. resident. The company, founded by two former consultants at Boston-based Bain & Company, is highly sensitive to staying within all legal boundaries and does its level best to prevent non-UK residents from using the Web site. In fact, Flutter.com is officially licensed by the UK Gaming Authorities.

With a \$150 limit on each bet, and an average bet of around \$10, Flutter.com is going after casual bettors to rapidly build traffic and therefore leverage its potential first-mover advantage. Its sizable cache of venture money will help Flutter.com ensure that it has the infrastructure in place to sustain the expected traffic load. The company plans to expand its service to other gambling-friendly locales in Asia, Australia and Europe. Though they're at least a year away from an IPO, keep an eye on Flutter.com, as they're the first legit, pure-Web-gambling play out of the gate.

## **Wireless Wagering**

Of course there's a wireless play. And if you want to place bets via your wireless phone, look no further than Irish start-up BetMart.

Founded by a former derivatives trader and son of a bookmaker, BetMart is very similar to Flutter.com, but more focused on alternative delivery channels. At the moment, it's wireless Internet devices. And since two of the most popular applications at the moment for wireless Internet phones are stock quotes and sports scores, BetMart is gambling that placing wagers in the same environment shouldn't be too much of a stretch. The company is looking to integrate sports scores from established content providers with its betting capability.

Still, they recognize that despite the predictions, wireless Internet is not quite ready for prime time yet. So BetMart also is working toward extending its service to other devices, most notably the Sega Dreamcast system, and possibly working with online auction houses

*(over, please)*



too. Just think, one day you may be able to teach your 12-year-old the value of money by letting him go double-or-nothing on his allowance before kicking your ass at NBA Jam.

### **You Gotta Play to Win**

Don't you just love how certain state governors piously prohibit casino gambling while filling their coffers with state-run lottery revenues? All so our public servants can pay for mission-critical projects like building sports stadiums, after which it costs twice as much to watch our favorite felons crush dingers and tackle each other for a zillion dollars a game. (No, I'm not bitter...)

Anyway, the same double standard applies to running lotteries on the Web. And they're cropping up everywhere, such as Webmillion and iWon.com. The specifics vary from site to site, but the net-net is always the same: users get blitzed by banner ads and surrender an email address and some personal data in exchange for a shot to win money. The Web sites do their best to retain traffic in the way of content and search services, but the main draw is the jackpot. The revenue model is the same as the leading portals: advertising and commerce referrals.

To date, only iWon.com has made a dent in terms of attracting serious traffic. According to the most recent Nielsen/NetRatings report, iWon.com ranked 14th among the top 25 Web properties, with a unique audience of just under 3.5 million. But compare that to #1 AOL (26 million) and #2 Yahoo (24 million), not to mention #4 and #5 Excite and Lycos (each with just over 9 million).

The challenge is that these Web sites still need to get the word out, and the cost of promoting their own Web site (perhaps you've seen the annoying iWon.com television spots?) cuts deeply into the ad revenue they hope to make. And at the end of the loop, users end up with a portal that pales in comparison to Yahoo, AOL, Lycos, Excite and the like.

Now that the Internet slide is over, don't be surprised if iWon.com manages to jam an S-1 through the SEC. If so, avoid it, because it'll be a weak portal play dressed in gambling attire.

### **Open Tables?**

Much like the e-commerce service providers I wrote about last September—among them **Vignette (VIGN:NASDAQ)** and **AppNet (APNT:NASDAQ)**—there are a handful of companies focused on delivering Web-gambling systems to international firms.

**Online Gaming Systems (OGAM:OTC BB)** builds Internet-based systems only licensed to gaming operators in regulated jurisdictions, including specialty platforms and casino, sports, lottery and bingo wagering. The company also offers wireless and portable gaming devices

through a Las Vegas-based subsidiary called Excel Design.

The Florida-based company has been keeping pace with the increase in Web-based gambling activity. For the first quarter of 2000, revenues increased approximately 98% over the same period in 1999. In addition, the company began realizing gains from its overseas operations, with significant headway in Australia.

The OTC stock is currently under \$1, but as the Flutter.coms and BetMarts build a larger profile, interest in this company and its track record will increase.

Toronto-based **Cryptologic (CRYP:NASDAQ)** is the best financed and one of the most experienced developers of Internet-based gaming software. After a successful March IPO, the stock has been battered in the overall Internet malaise, falling more than 50% off its early \$42 run-up. Although the company posted ho-hum (by Internet standards) growth of only 8%, it's important to note that Cryptologic has established a relatively broad base of customers. Cryptologic software is used by online gamblers in over 200 countries. And the company is profitable, with EPS of \$1.40 on \$32 million in revenues for 1999.

The company boasts a network of 17 licensees, including UK and Asia-based bookmaker William Hill, Jupiters Limited in Australia and the Canadian International Thunderbird Gaming. Thunderbird itself operates four casinos and a video gaming hall in Guatemala and Panama. And, perhaps most important considering the international market for gambling Web site operators, Cryptologic consistently gets high marks for its ability to deliver language-specific products.

### **Double Down**

Given the corporatization of Las Vegas over the past 30 years and the proliferation of state-sponsored lotteries, slots and casinos, Web-based gambling will inevitably become legal in some way, shape or form in the U.S. If for no other reason than the gargantuan and ultimately impossible task of preventing users from placing bets on offshore gambling sites. And (just as states are falling like dominos in introducing slots to keep horse tracks afloat) federal, state and local governments will not be able to pass up the potential upside in tax revenue. Watch the non-U.S.-based first-mover (most likely Flutter.com) establish its business internationally and then come crashing into America.

In the meantime, you can't build a gambling site without the right software, and Online Gaming Systems and Cryptologic are making this happen. Though the market for online gambling is nowhere near commerce- or advertising-supported Web plays, the profit potential is there in spades. And over time it can only get bigger.



## MICROCAPS

(continued from page 13)

At a market cap of just US\$17 million, I'm willing to speculate aggressively.

And it appears some institutional investors are willing to speculate as well.

In the past 3 months, institutions have started accumulating the stock to the tune of +100,000 shares. Sure, that's nothing. But if you compare it to institutional investment in the previous months, it's substantial.

AGTO's float is pretty tight – at about 3.3 million shares. Be disciplined in your buying.

**Buy AGTO under US\$5.00 a share. Taipan's one year price target is between US\$18 to US\$15 a share.**

### **Buy BVA Under US\$4 A Share**

I love cheap stocks. Especially ones that are making solid revenues in emerging sectors. **Bionova Holding Corp. (BVA:AMEX)** meets all my criteria.

BVA is a holding company that owns companies that grow, market, distribute, and genetically improve fruits and vegetables. You think there's no money in agro-biotechnology? Think again.

BVA generated revenues in excess of US\$240 million last year, but only trades at a market cap of US\$62 million! In addition, BVA's trailing three month price to sales ratio is 0.12, while the industry average is 1.6.

What does all this mean to you? It means that BVA is grossly undervalued. Probably the most undervalued stock in its sector. If BVA traded at the industry price-to-sales ratio it would trade at US\$15 a share!

As a pure value play, buy BVA aggressively under US\$4.00 a share.

## IPOs

(continued from page 16)

Inc., a closed-end bond fund, and Netcentives Inc., an Internet marketing, products and services company.

Another director is a general partner of Institutional Venture Partners and a managing director of Redpoint Ventures, both venture capital firms. He is a director of Turnstone Systems, Inc., a provider of digital subscriber line deployment and management products, MMC Networks, Inc., a developer of network processors, Ask Jeeves, Inc., a natural-language question answering service on the Internet, and TiVo, a personalized television services company.

**SkyStream Networks, Inc. has a strong lead underwriter, Goldman, Sachs & Co. The proposed ticker symbol is SSNW and it will be listed on the NASDAQ.**

For more information, please contact **SkyStream Networks, Inc.** at 555 Clyde Avenue, Mountain View, CA 94043, phone 650-390-8800, fax 650-390-8990 and website <http://www.skystream.com>.

For information on **Swiss Annuities and Offshore Investments** contact: Private Investments Ltd. (800)844-4888, <http://www.privateinvestments.com>

**Untouchable Wealth — OFFSHORE IBC**, Trust, Bank, VISA, On-Line Brokerage. Free ongoing support, no hidden costs \$4,999. Call Kevin (888)538-7321, website: [www.5flags.com](http://www.5flags.com)

**INVESTMENT OPPORTUNITIES—WITH \$15,000 YOU CAN EARN 2-1/2% PER MONTH ON A SAFE SECURE INVESTMENT – LIONEL NEGUS – (888)926-4942.**

Beach house directly on beautiful **Delray Beach, FL**. Charmingly renovated historical house w/3BD, 2BA, fireplace, hardwood floors, new appliances, more. Walk to historical downtown Delray to dine, shop, and peruse the arts. Minimum one-week stay. \$2,750 seasonal, \$1,800 summer. Call (561)243-0630.

**Real Estate — Timeshares in Africa — under \$5,000 — Ms. Ellis (800)896-6435.**

**Oil and gas investments.** Be a direct owner of natural gas wells in the Big Sandy Gas Field. Developmental drilling; infill locations. A four well program. 100% one to one active write off against ordinary income. Develop existing gas field. Accredited investors only need apply for future programs based on availability. This communication should not be considered an offer to sell or the solicitation of an offer to buy. Nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Offers to sell securities may be made by private memorandum only. Contact member Ron Walblay, Owner, Secretary/ Treasurer, The Energy Group, Inc., 188 Cal Batsel Road, Bowling Green, KY 42104. Phone: (800) 487-9712. Visit website [www.energyvest.com](http://www.energyvest.com) E-mail: [energy@energyvest.com](mailto:energy@energyvest.com)

**Your Own Casino On Line — Possible Earning \$250,000+ per month.** Ms. Ellis (800)896-6435.

### Taipan's Classified Rates

**TAIPAN CLASSIFIEDS** are published concurrently in our U.S., Canadian, and international editions, as well as on our web site [www.taipanonline.com](http://www.taipanonline.com). They are read by investors in 108 countries and in cyberspace.

**Lifetime Members:** One free 40-word or less ad per year. Place the ad for two consecutive months — receive the first month free and a 25% discount off the regular rate for the second month. Additional ads at the regular member rate.

**Regular Rates:** US\$3.50 per word. All capital or boldface words are 50¢ additional per word. Members receive a 20% discount.

**Deadline:** The 5th of the month preceding publication.

Make check or money order payable to **Taipan Classifieds**. We also accept VISA and MasterCard. Send ads and payments to: Attention: Janet Wisner, Editor, **Taipan Classifieds**, 2043 East Joppa Road. PMB #371; Baltimore, MD, 21234, U.S.A.; tel. (410)668-2355, fax (410)668-6566.



# WHAT TO BUY AT WHAT PRICE

**What to Buy at What Price aims at giving you a general idea of how Taipan's stock picks are standing in relation to our initially recommended buying range.**

Company	Exchange/Symbol	Status	Action	Company	Exchange/Symbol	Status	Action
Human Pheromones	NASDAQ:EROX	open	hold	Optimal Robotics	NASDAQ:OPMR	open	open
SunMicroSystems	NASDAQ:SUNW	open	hold	Ballistic Recovery System	OTC BB: BRSI	open	open
Oracle	NASDAQ:ORCL	open	hold	Sensormatic Electronics	NYSE:SRM	open	open
Safeguard Scientific	NASDAQ:SFE	open	hold	Aramex	NASDAQ:ARMX	open	open
Internet: Capital Group	NASDAQ:ICGE	open	hold	Uproar	EASDAQ:UPRO	open	open
Cell Robotics	NASDAQ:CRIL	open	buy under US\$5	Restaurant Brands	NZSE:RBD	open	open
Talk.com	NASDAQ:TALK	open	hold	Fischer & Paykel	NZSE:FAP	open	open
Cleerworks.net	OTC BB:CLWK	open	buy	Unicharm	TOKYO:8113	open	open
VerticalNet	NASDAQ:VERT	open	hold	Elron	NYSE:ELRNF	open	open
Valance Technology	NASDAQ:VLNC	open	buy	Elbit Ltd.	NASDAQ:ELBTF	open	open
American Quantum	AMEX:AFV	open	buy	Orckit	NASDAQ:ORCT	open	open
Media 100	NASDAQ:MDEA	open	buy	Hurricane Hydrocarbons	HHLFG	open	open
Fox Entertainment	NYSE:FOX	open	sell over US\$30	Hurricane Warrants	HUHY	open	open
Barnes and Noble	NASDAQ:BNBN	open	hold	Ashanti Goldfields	ASL	open	open
"Red Hat, Inc "	NASDAQ:RHAT	open	hold	Surgutneftegaz ADR	SGTZY	open	open
Interwoven	NASDAQ:IWOV	open	hold	Suez Cement	SZCD	open	open
Akami Technologies	NASDAQ:AKAM	open	hold	Sasol	SASOY	open	open
FreeMarkets	NASDAQ:FMKT	open	hold	Monsenergo ADR	AOMOY	open	open
Sangamo Biosciences	NASDAQ:SGMO	open	buy under US\$11.50	TyumenAviaTrans	TVAVY	open	open
Silicon Laboratory	NASDAQ:SLAB	open	hold	Ventspils Nafta	VNFT	open	open
Web Methods	NASDAQ:WEBM	open	hold	Lukoil Preferred	LUKPY	open	open
New Focus	NASDAQ:NUFO	open	hold	Xoma	XOMA	open	open
ADFlex Solutions	NASDAQ:AFLX	closed	acquired	Avant Immunotherapeutics	AVAN	open	open
AVI Biopharma	NASDAQ:AVII	open	hold	Williams Control	WMCO	open	open
Airon	NASDAQ:AVIR	open	strong buy under US\$20	Exponent	EXPO	open	open
Closure Medical	NASDAQ:CLSR	open	hold	Computer Learning Centers	CLCX	open	open
Micros Systems	NASDAQ:MCRS	open	hold	Geoworks	NASDAQ:GWRX	open	open
Modtech	NASDAQ:MODT	open	buy	Fastcomm Communications	OTC BB:FSCX	open	buy under US\$4
Printrak	NASDAQ:AFIS	open	hold	Pliant Systems	OTC BB:PLNS	open	buy under US\$10
MedImmune	NASDAQ:MEDI	open	buy under US\$50	Illinois Superconductor	OTC BB:ISCO	open	buy under US\$5
Pharmaceutical Product Dev.	NASDAQ:PPDI	open	buy	Barpoint.com	OTC BB:BPNT	open	buy under US\$9
Orbital Sciences	NYSE:ORB	open	buy	Precision Optics	NASDAQ:POCI	open	buy under US\$20
Visix	NASDAQ:VISX	open	buy	APA Optics	NASDAQ:APAT	open	buy
Millennium Pharmaceuticals	NASDAQ:MLNM	open	hold	Wave Systems	NASDAQ:WAVX	open	buy under US\$20
CheckFree Holdings	NASDAQ:CKFR	open	hold	Interwave Communications	NASDAQ:IWAV	open	buy under US\$15
Univision	NYSE:UVN	open	hold	CellPoint	OTC BB:CLPT	open	buy under US\$30