



TAIPAN

How to buy hot IPOs at the offer price! And own a piece of next year's hottest Net stock at a 10 % discount

Too good to be true? Believe the hype!

By Christian DeHaemer

Many people wish they had bought Microsoft at US\$6, ten years and eight splits ago. Many people wished they had bought Cisco in 1991 at US\$3, eight splits ago. Or even in 1997, at US\$10 and three splits ago. But they didn't.

The reason most investors don't get in on what in retrospect seems like obvious winners is because it wasn't obvious at the time. And by the time it became obvious, the valuation scared the bejesus out of them.

And it should. Who in their right mind will pay 65 times earnings for a stock, regardless of future prospects? Especially when some talking head is telling them that cable and satellite will erase the need for switches and routers, or that some government prosecutor will spell the end for the world latest monopoly. Well, if you wanted 4,500% returns you should have stepped up to the plate — and if you read on, you may have another chance.

Overvalued profit motives

Last year, when I recommended buying Sun Microsystems on the possibility of a split announcement, I got plenty of hate e-mail from folks who thought I was insane. Sun had already tripled off of its 52 week lows and it appeared extremely overvalued. Besides, stock splits don't add any real value to a company. True enough.

As I write this **Sun Microsystems (SUNW-NASDAQ)** is one of the only stocks moving up in a typical October bear market. Here it is, three quarters later, and we're up six points on the day, *79% for the year and heading for*

another split.

Sun announced that its earnings rose 39% in its fiscal first quarter to US\$274.8 million, or 33 cents a share, or 2 cents over the Wall

Street consensus. **If that's the kind of results one can expect during a Y2K drought, I can't wait to see what happens in the spring!** It's all about doing your homework, weighing the risks and taking advantage of market psychology.

At *Taipan*, we believe in buying stocks with

tremendous upside potential. *Just because a stock has already experienced fantastic growth doesn't mean it won't double again.* In fact, you can make the argument that in this market it's a precursor to finding the right stock.

But don't get me wrong, I'm not saying that you should throw money at every fad that comes down the line.

In New Zealand, vanity license plates are

(over, please)

For a diversified play on B2B Internet, you have to buy ICG long and deep. Take advantage of the current market sell off. (ICGE-NASDAQ) is a strong buy below US\$100.

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going for \$6,000 – \$8,000. It seems that some people can't live without "Dr. Sexy" on the back of their car. Kiwis are a strange breed, and that's not a market I'm going to get involved in, but that same sort of market psychology can take over an industry segment. There are fashions in the stock market just as there are in rags. Over the past few years it's been Net stocks. *I believe that next year it will be Net stocks with a twist.*

Numbers don't lie

Right now, there is a market segment that is starting to break out. It's called Business to Business Internet (B2B). The current market down draft hasn't exactly made B2B stocks cheap, but one can make the argument that they won't get any cheaper.

It feels like an entry point, and when you see the numbers the researchers are throwing around, you are likely to agree. At this stage in the game, there are three or four public companies with the ability to skyrocket.

Get big, baby

Taking the Internet model as a guide, you have to buy the most branded, biggest and most hyped stock of the lot. I realize that this goes against the grain of all you hold dear, but bear with me. It makes historical sense.

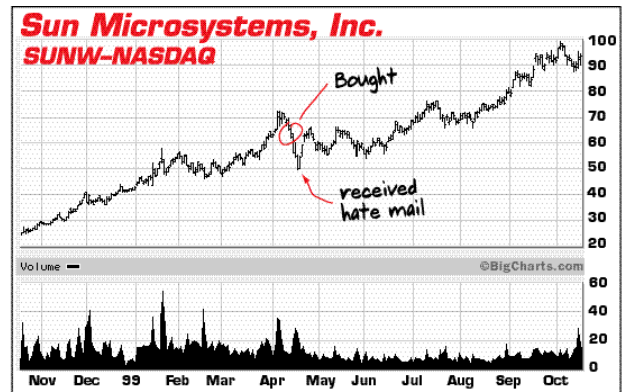
The Internet Gang of Four — Amazon, AOL, Yahoo! and eBay — built their success based on speed. The first and fastest was able to hit critical mass and stay there. The sheer size of their market caps enabled them to expand by buying up other businesses at a rapid pace. As with any market, increased size meant increased liquidity not only in what they were selling but in their share prices as well.

They got those large market caps due to strong demand for limited shares. Any investor wanting to buy those stocks pushed them up that much further. If you bought early enough, before most of the analysts, there were some very real supply and demand equations that sent these stocks up more than 2,700%.

The truly savvy CEOs among the group were able to announce splits and buyouts at opportune times to make these stocks go truly nuclear. The formula is to buy the biggest, most branded companies with the thinnest floats and the most market-savvy leadership. Seems simple enough.

The future is plastic

The Net mania had to end someday. Today, most B2C (Business to Consumer) net stocks are down 50-60% from their highs.



But don't think it's over. I wouldn't harbor any doubts that this will be a blowout Christmas for the group as a whole. My wife already ordered presents from e-Toys for a few birthdays. She was able to buy Playstation games for 26 bucks (US\$40 at Best Buy) that included having them gift-wrapped (her choice of wrapping paper), with a personal to/from card, and delivered. This novice online shopping excursion took her 15 minutes, and I didn't have to find a parking spot, deal with any sticky children or ignorant cashiers.

Every conversation about Christmas shopping ends the same way — forget the mall, do it online. I only point this out because I believe the B2C Internet model is working and looking for another leg up.

Here at *Taipan*, we try to stay ahead of the curve. That's why I'm not recommending a B2C stock today. Business to Business is where the next mania will take place. A quick look at the scenarios and you'll be a believer as well.

How I lost my fear and learned to love the Net

The Internet has come a long way in a short period of time. A year and a half ago, Merrill Lynch was calling it a fad. Today they're playing catch-up at a frantic pace. Everyone is now a believer, from the Board of Directors down to the mailroom. Even if some of that Board still has their secretaries printing out their e-mail.

Businesses are embracing the Net and changing from how they did business in the



past to a faster, cheaper and more productive approach. Questions about acceptability, bandwidth, security and reliability have been answered. No one questions whether your credit card is safe any longer. eBay has handled millions if not billions of transactions with nary a lost Pokemon trading card.

The software, broadband infrastructure and business processes that enable e-commerce are now commonplace. This Christmas retail season will cement the Net in the popular mass shopping culture. The Net works — and we've barely gotten to the good stuff.

It's sticky

The offline B2B trade is big. Gargantuan, even epic. In 1997, US\$20 trillion worth of goods and services were exchanged in the United States. US\$17 trillion of that was transacted between businesses. If only 10% of B2B went online by 2003, you would have a market segment worth

US\$1.7 trillion. That puts your mortgage in perspective. If you believe that it is now a global economy, then the number you are looking at for B2B is US\$60 to US\$70 trillion.

B2B Internet already dwarfs B2C Internet. Guesstimates by Forrester Research put 1999 sales for B2B at US\$100 billion versus US\$18 billion for B2C. Margins should run around 70-80%, similar to eBay.

But the Internet doesn't just cannibalize buyers from bricks and mortar companies — more books are sold today because Amazon.com exists. There are simply more opportunities to purchase than there were previously. It's this factor of expanding business speed and cutting costs that makes me so bullish on the next five years.

Expand or expire — the death of a sales force

A new breed of companies will win. They will tout new

continued on p.4

WHAT TO BUY AT WHAT PRICE

Computer Learning Centers (CLCX-NASDAQ)	Buy	Strong buy under US\$6
Genus (GGNS-NASDAQ)	Buy	Strong buy under US\$3
Fisher & Paykel (FAP-NZSE)	Buy	Strong buy under NZ\$6.00 (US\$3.30)
+ Uproar Ltd. (UPRA-Vienna OTC)	Hold	Speculative buy under €21 (US\$21.85)
Herzfeld Caribbean Basin Fund (CUBA-OTC)	Buy	Strong buy under US\$5.00
Uni-Charm (8113-Tokyo)	Buy	Buy under US\$60
Commodity Trust Fund Ltd (CMT-London)	Buy	Strong buy under US\$1.40
Elbit Ltd. (ELBTF-NASDAQ)	Buy	Strong buy under US\$11
*TyumenAviaTrans ADR (TYAVY-Pink Sheets, 902511104)	Buy	Speculative buy under US\$2
Hurricane Hydrocarbons Warrants (HUHY-TSE)	Hold	Hold
Restaurant Brands (RBD-NZSE)	Buy	Strong buy under NZUS\$1.30 (US\$0.70)
☐ Sasol (SASOY-NASDAQ)	Buy	Strong buy under US\$5
Avant Immunotherapeutics (AVAN-NASDAQ)	Buy	Buy under US\$3.00
Ashanti Goldfields (ASL-NYSE)	Buy	Strong buy under US\$7
☐ Hurricane Hydrocarbons (HHLAF-NASDAQ)	Hold	Hold
*Orckit (ORCT-NASDAQ)	Buy	Speculative buy under US\$30
☐ Mosenergo ADR (AOMOY-Pink Sheets, 037376308)	Hold	Strong buy up to US\$2
Aramex (ARMX-NASDAQ)	Buy	Strong buy under US\$11
Suez Cement (SZCD-LN, CUSIP: 864690102)	Buy	Strong buy under US\$16
☐ Surgutneftegaz ADR (SGTZY-Pink Sheets, 46625F104)	Buy	Strong buy up to US\$6
* Xoma (XOMA-NASDAQ)	Buy	Buy under US\$6.50
Elron Electronic Industries (ELRNF-NASDAQ)	Buy	Buy under US\$17.00
Williams Controls (WMCO-NASDAQ)	Buy	Strong buy under US\$3.50
☐ Exponent (EXPO-NASDAQ) (Formerly FAIL)	Buy	Strong buy under US\$7

* Speculative — maintain adequate stop-loss provision.

Sell covered calls against position

☐ Dollar-cost average during price weakness

+ Recent stock split

What to buy at what price aims at giving you a handy, compact summary of how *Taipan's* stock picks are standing in relation to our initially recommended buying range.



models, solutions and industry expertise. They will walk the warrens of industry with real benefits for quick adoption, including significant cost reductions, centralized hubs, global reach and service level improvement. *There will be massive growth that reaches down to the smallest of companies.*

And as we've seen in the B2C field, even if you lose you'll likely be bought out at a premium. High return on investments, sticky, integrated solution, and unlimited scalability will be the call signs of the big winners.

Might makes right and the lasting brands will be massive

I aim to be a player in this exciting new growth field. And you should, too. I'll tell you about the company that seems to be a sure thing.

Sam Jadallah, Microsoft's former chief of sales and marketing, quit his day job and went to work for this company. He is quoted as saying, "This is Microsoft all over again."

The cheap way to buy Internet Capital Group (ICGE-NASDAQ)

As you now know from the numbers above, B2B Internet is going to be huge. This holding company is looking to be the major player in this field. I'm not saying its cheap — it has a market cap higher than E*Trade, Lycos, or CMGI — but it has the three factors that plug into our formula.

It is first and biggest

ICGE has positions in 36 B2B Internet companies, most of which have yet to make an IPO. They include Computerejobs.com, Onvia.com, Paperexchange, Universal Access, DeJa.com, Breakaway Solutions, VerticalNet (VERT-NASDAQ), and US Interactive. Eight of these companies are likely to go public over the next year, and two have already registered. VerticalNet alone is valued at US\$1.6 billion.

Second, the float is thin — 122 million shares outstanding with a market cap of US\$11.28 billion. Third, the company has some top name partners who are experienced in playing the Wall Street game. Initial investors include Dell, IBM, GE Capital, Comcast, Amerindo Investment Advisors and the Saudi Royal Family.

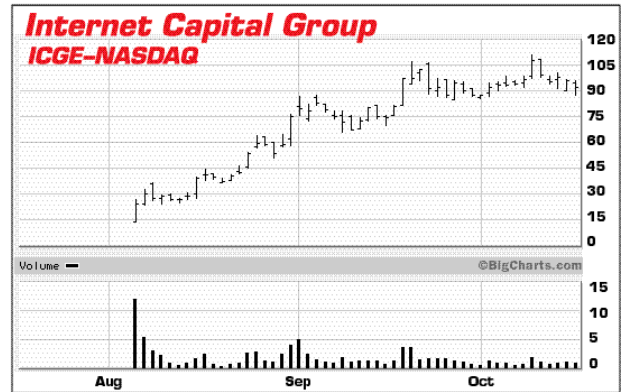
Management includes, along with the MSFT bigwig mentioned above, Mark Walsh, former head of AOL's B2B unit, and a Softbank's former partner who previously worked on Yahoo!, eBay and GeoCities IPOs for Sachs. The formula for Net success is satisfied.

What value love?

The combined market cap of B2C Internet companies, including the big four mentioned above, adds up to about US\$250 billion. Combined public B2B companies market caps are still below US\$15 billion. But they won't be for

long.

If the current research is correct and B2B is ten times the size of B2C — let's be conservative and say that B2B companies will have a combined market cap of US\$500 billion over the next three years — a company like ICG, which has a clear and commanding lead in B2B, should be able to capture 10% of that market, or a US\$50 billion market cap — up five times from current levels by 2003. Or US\$470 on the share price, up from today's US\$92.



Granted, these are some heady assumptions. But the potential returns are astronomical in a very short period of time. And as hard as it is to say, these numbers are conservative. ICG will likely capture more than 10% of this market. And the total Internet B2B market size is estimated to be US\$1.7 trillion by 2003, not US\$500 billion.

For a diversified play on B2B Internet you have to buy ICG long and deep. Take advantage of the current market sell off. ICG (ICGE-NASDAQ) is a strong buy below US\$100.

Contact: **Internet Capital Group**, 435 Devon Park Drive, Building 800, Wayne, PA 19087 Phone: (610) 989-0111 Fax: (610) 989-0112.

But wait, there's more...

Holding the holding company — Get ICG at a 9% discount

Safeguard Scientific (SFE-NYSE) makes its way in the world by identifying, acquiring interests in, and developing partnership companies which are engaged in the information technology business.

One of the companies Safeguard identified is ICG. In fact, Safeguard owns 14 percent of ICG and is its largest shareholder. Safeguard has been around since 1956 and was successful at bringing along such companies as Novell, Cambridge Technology Partners, Sanchez Computer Associates, and QVC.

Safeguard has seen some significant share price appreciation this year but is still undervalued in regards to its holdings. *Presently it trades some 10% below net asset value (NAV).* That's unreal!

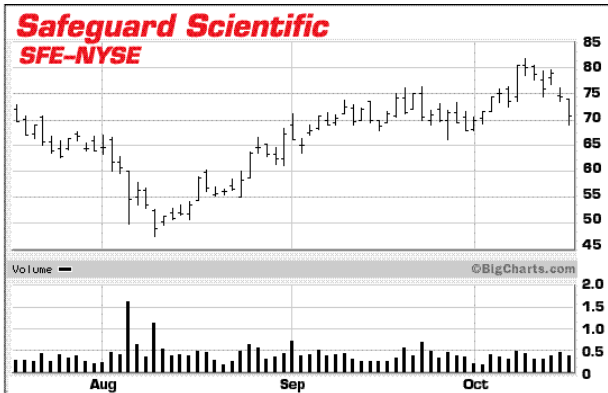
Safeguard has a market cap of US\$2.4 billion. Its



holdings in ICG alone are worth US\$1.7 billion. If you include its private-market investment (worth an estimated US\$400 million) and its total investments in public companies (worth US\$2.3 billion), there is absolutely no fluff built into this company. I believe it can use some.

This seems the very opposite of what you would expect from a company that has produced one of the biggest IPOs of the year. For example, ICG's total assets are estimated to be US\$1.3 billion, yet the market values ICG at more than US\$11 billion currently.

Many people believe that the lack of excitement surrounding this company has to do with its physical location in Wayne, Pennsylvania — a long way from the highways and byways of Silicon Valley. Other people believe that it's because the CEO is 70 years old. Mostly it is because they have ownership of a few dog stocks, and ICG's ascendancy is so recent the word hasn't quite got out to the mainstream. *None of these reasons are good enough to stop me from buying it, however.*



It's a cheap tech holding company

But that's not even the best part. Not only does Safeguard have revenues — up 31% to US\$1.4 billion for the first half of the year — but SFE also has a net income,

US\$35.7 million up from US\$11.1 million. SFE currently trades at a p/e of 18 and 16 times cash flow. Return on equity is 39%. Three-year EPS growth rate is 86 percent.

But wait, it gets better. Not only does SFE trade below net asset value and have a large chunk of what will be 2000's most hyped stock. They also allow you, as a shareholder to get in on future IPOs — AT THE OFFER PRICE!

That deal alone should make SFE's share price worth twice its NAV — not at a discount to it. Check out their track record. 92% of SFE's shareholders subscribed to the ICG offering. You would, too!

The next IPO will take place in early November and will feature Pac-West Telecom. The IPO is open to shareholders of record on September 7. It might be too late for you, but a successful IPO will translate into a higher share price.

The Safeguard strategy for 2000 is Internet-related: its pipeline includes companies in eCommerce, enterprise applications, and network infrastructure.

Catalysts

The catalysts for SFE's share price appreciation stem mainly from its ties with ICG. Considering that SFE's ownership in ICG is worth 70 % of its market cap it is simple to assume that the higher ICG goes the more analysts will buy into SFE.

Furthermore, because SFE is currently trading below NAV, it has dramatic upside potential. Most people would be willing to pay a premium to be allowed in on the offer price of an IPO. Unless you feel that the IPO market is going to wither away and die, you have to believe that SFE is undervalued.

Buy Safeguard Scientific today below US\$80.

Contact: **Safeguard Scientifics, Deirdre Blackburn, Investor Relations, The Safeguard Building 435 Devon Park Drive Wayne, PA 19087; tel: (610) 293-0600.**

SFE'S TRACK RECORD

Company	Nasdaq Symbol	Initial Offering Stock Price	Price Appreciation as of 9/30/99
Internet Capital Group	ICGE	\$12.00	632%
US Interactive	USIT	\$10.00	121%
More offerings from the early 90's			
Company	Nasdaq Symbol	Split/Merger Stock Price	Adj. Price Appreciation as of 9/30/99
Cambridge Technology Partners	CATP	\$1.67	768%
Coherent Communications/Tellabs	TLAB	\$1.74	3,180%
USDATA	USDC	\$5.00	(28)%
ISCG/First Consulting Group	FCGI	\$6.49	54%
Sanchez Computer Associates	SCAI	\$2.75	1,177%
Diamond Techology Partners	DTPI	\$5.50	716%
ChromaVision Medical Systems	CVSN	\$5.00	150%
OAO Technology Solutions	OAOT	\$5.00	(39)%
DocuCorp International	DOCC	\$5.00	28%



The great election trade of 1999: Buy Russian stocks during anti-Ruski mass media hysteria!

By James Passin

Bombs... War... Money laundering... Y2K...

The news out of Moscow couldn't get any worse. "Who lost Russia?" is the catchphrase of every armchair curmudgeon with a paucity of ideas and an itch to get on *Crossfire*. The phrase "Russian stocks" evokes laughter from even hardened international investors...

The CIA, whose Russian expertise includes placing Aldrich Ames in charge of counter-Russian espionage and failing to predict the collapse of communism, has released a "blockbuster" report detailing Russian Y2K vulnerability. This report warranted front-page attention from major newspapers and even triggered a concerned call from my own otherwise cynical and brilliant publisher.

Congress joined the chorus, opening investigations into allegations of Russian money laundering. Of course, this is the perfect tactic for embarrassing Al "give me Chinese money and I'll instruct the Air Force to blow up their embassy" Gore before the presidential elections. "Experts" eat up all the stories about Russian gangsterism and spew out their invective in the *New York Times* and *Washington Post*, contributing to widespread anti-Russian hysteria...

Sure, Russia is corrupt and chaotic — but it's far from the "nuclearized anarchy" described by American politicians. Having traveled throughout Russia several times, I can personally attest that the mainstream's comic book vision of the country is an absurd distortion of reality. Any country that emerges from eight decades of communism and centuries of autocratic rule is going to have problems. But, if all a prominent contrarian "maven" can find wrong with the country in a recent article is the poor tapestry of hotels, I remain convinced that the masses are missing an epic opportunity for wealth-enhancement.

Let the girlies run

The endless barrage of bad news has destroyed sentiment towards Russian stocks. However, the fundamentals in Russia are excellent. The recovery in oil prices is a tremendous boon for the Russian economy. Other commodities, including copper, nickel, platinum, and lumber, are also strong — keeping the economy liquid and trade balance growing.

Benefits of the 1998 currency devaluation are still flowing through the economy, as ruble costs have plunged for manufacturers. *The default on government paper completely eliminated the debt burden from the economy.* Once the negative senti-

ment washes over, the strong economic fundamentals should support a super-bull market in Russian equities.

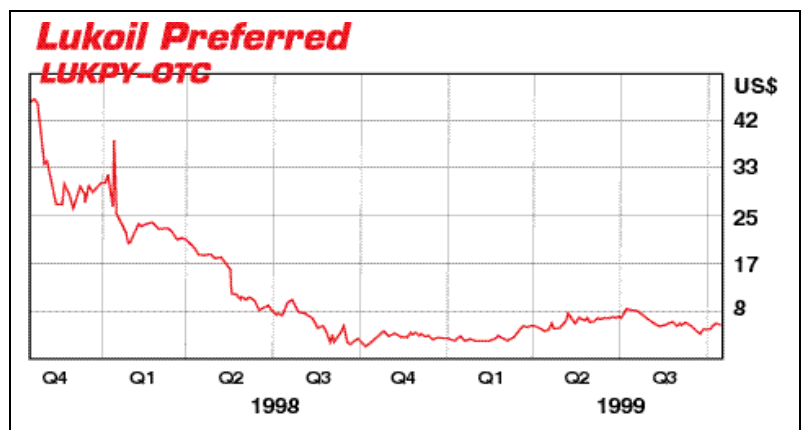
The catalyst for a bull market in Russian stocks is the election cycle. Duma elections are coming up in December, and presidential elections in 2000. You can almost never go wrong buying emerging market stocks in front of an election. (You would have doubled your money on Indian stocks over the last twelve months if you bought before the elections.) Following the election, Russia should get re-rated to the same "normal" emerging market status awarded to other vigorously corrupt countries — like China or Venezuela.

It's all about the benjamins

The "money laundering scandal" is a U.S. media invention. There is capital flight out of Russia, but the phrase "money laundering" is a misnomer. It implies that the money is generated from illegal or "dirty" activity and needs to be "washed" into legal or "clean" activity. And "scandal" implies an element of surprise. No one in Russian is surprised by allegations of corruption.

Yes, there is gangster activity in Russia. But oil, gas, and metal exporters are the big money makers. The Russian money that is flowing through Bank of New York and other accounts mostly results from legal, if unethical, "transfer pricing" schemes. Basically, transfer pricing is a means for management or controlling shareholders to extract cash from a company without compensating minority shareholders. Also, it's a means of avoiding taxes. It should be illegal. But it's not "money laundering."

The "money laundering scandal" is a clear sign of the incredible profitability of Russian exporters. And outright looting is not a sustainable business practice: companies that reinvest in their assets (like SGTZY) or make acquisi-





tions (like LUKOY) have a sustainable generator of cash and access to capital markets.

Plenty of gangster/manager/bankers have fled Russia with misappropriated booty. You can see them in Soho, Miami, or on the Riviera, buying rare art, nightclubs, and villas. They usually have two or three doe-eyed blonde vixens at their side. And enough gold jewelry to close out Ashanti's hedge book.

I don't know why Russian gangsters get more "props" than Colombian or Vietnamese mobsters. But the Russian nouveau riche is outrageously gaudy. Russian gangster expats and their dolled-up wives and mistresses are universally scorned for their detestable manners (not that I'm any better). There's only one place that the Russian *nouveau riche* can get the "respect" they desperately desire: Mother Russia. I anticipate that the flight capital will return to Russian as the Slavic exodus is socially rejected by the world's entrenched elite. This trend will help support Russian asset markets.

Yeltsin forever

In December, a new Duma (or parliament) will be elected. While I find the vagaries of Russian politics to be boring and inscrutable, the election in itself is highly significant. No matter what party wins the most seats, the reform-friendly centrists will gain seats at the expense of communists and reactionaries.

Doomsayers predict that Yeltsin will declare martial law and suspend the 2000 presidential elections. I find this hard to believe. I'm not a psychic, but I would suspect that Yeltsin wants to be remembered in history books as the father of Russian democracy (and he also wants a big fat bank account in Switzerland, total immunity from prosecution and a lifetime supply of vodka on the side). The political bickering will be vicious, if not violent, during the election campaign. The vote counting will be rigged. But the presidential election is likely to occur...

A new president... a reform-friendly Duma... a new era in Russian history may be imminent... *if oil prices remain robust, Russia should be one of the top performing markets in the world in 2000!*

World class oil giant

Lukoil (LUKOY-OTC) is the Exxon of Russia. Lukoil's oil reserve base is massive. On a consolidated basis, LUKOY owns an estimated 18 billion barrels of proven + probable oil reserves — more than the combined reserves of Chevron, Texaco, Arco, and Elf Aquitaine. LUKOY produces 9 million barrels of oil per annum. And LUKOY's refining operations are massive, with an annual refining capacity of 2 million barrels. In terms of reserves, production, and refining, LUKOY is one of the top ten oil companies in the world.

But LUKOY isn't just an asset story. It's an earnings story. LUKOY will generate a projected US\$1.5 billion in net income in 1999. LUKOY's low cost structure (costs are in rubles and sales are in dollars) and strong balance sheet (debt/equity is only 12%) let the company convert its monster assets into shareholder value. Unless there's another crash in oil prices, LUKOY's current US\$5.2 billion market cap is going to look like a joke in one to two years.

At current levels, Lukoil is trading at just 4x earnings, 3x EBITDA, and US\$0.39 per barrel of reserves. Despite the rally in oil prices, Lukoil is trading at just US\$30 per ADR, more than 70% below the 1997 peak.

Bad to the bone

The most leveraged way to play LUKOY is **Lukoil Preferred (LUKPY-OTC)**. The preferred stock is just like the common, except that you don't enjoy voting rights. If Lukoil misses a dividend payout to preferred stockholders, then the preferred stock is automatically converted into common.

Voting rights mean almost nothing in Russia. If management wants to screw you, they'll find a way to screw you. Proxy fight are worthless in a country where contract disputes are settled with assassinations. Even if you are a common shareholder, you may not be able to get into the annual general meeting (I personally experienced this with Surgutneftegaz in May 1998).

Lukoil Preferred (LUKPY) trades at a preposterous 60% discount to LUKOY. There's no reason for LUKPY to trade at such a steep discount. Historically, LUKPY has traded at an average 30% discount to LUKOY. Just to return to the average discount, LUKPY would have to double in price.

1 LUKPY ADR = 2 Lukoil preferred ADR shares. To compare the preferred to the common, you have to multiply the preferred ADR price by two. LUKPY is currently trading at US\$6, which equates to a US\$12 ADR price. LUKOY is trading at US\$33. The discount is excessive.

Preferred stockholders are entitled by the company's charter to 10% of net profits. There are 77.2 million preferred shares outstanding. If LUKOY generates US\$1.5 billion in net income, preferred stockholders would be entitled to US\$150 million cash dividend, or US\$1.94 per share or US\$0.97 per ADR. This would imply a dividend yield of 17% to preferred ADR holders. Theoretically, you can't lose: either management pays out the 17% dividend, or your preferred shares are converted into common (immediately recapturing the 60% discount).

Of course, management will probably use fancy accounting tricks to lower the dividend. But if Lukoil pays out zero dividends, your shares will be converted into common stock! LUKOY is making acquisitions with preferred stock, so there will be some dilution to preferred share-



holders. However, LUKOY is generally making accretive acquisitions that add value to the company.

If LUKOY rallies to US\$60 and the discount contracts to 30%, LUKPY will rally to US\$21. **This is 260% above the current price. If LUKOY eventually returns to the US\$100 level and the discount contracts to 15%, LUKPY will rise 640% to US\$45.**

The preferred stock is relatively illiquid. However, if you're going to tie up money in Russian stocks over the long term, illiquidity is not a big deal. LUKPY gives you maximum "bang for your buck" if LUKOY rallies.

Lukoil Preferred trades on the Pink Sheets under the ticker LUKPY. I rate LUKPY as an extremely high risk, illiquid, long-term Speculative Buy under US\$7 with a one- to two-year target of US\$20+. You can track LUKPY for free on the following website: www.adr.com.

If you need a broker who can trade LUKPY, I recommend contacting Peter Schiff, **Euro Pacific Capital, 330 Washington Blvd., Suite 511, Marina Del Ray, CA 90292, tel. 310-448-8000, tel. 800-727-7922, fax. 310-448-8008.**

James Passin is a Portfolio Manager with Firebird Management and Contributing Editor to *Taipan*. Several funds managed by Firebird are currently shareholders in Lukoil common and preferred. James Passin's views are strictly his own and not necessarily the views of Firebird Management or *Taipan*.



Hurricane claws back from the dead!

A month ago, the word "hurricane" filled me with nausea.

Forget high winds, floods and floating cow carcasses, it looked like **Hurricane Hydrocarbons (HHL/A-Toronto; HHLFQ-OTC BB)**, my recommended play on Kazakh oil, was about to be handed over to the bondholders by the board of directors. I flew to Kazakhstan to try to find out what was going on behind the scenes.

Since then, the outlook for Hurricane has completely turned around. Hurricane is currently generating positive cashflow from operations (in fact, HHL/A is generating US\$100 million in cash on an annualized basis).

In my opinion, there were three major drivers behind Hurricane's collapse: the 1998 crash in oil prices, poor financial management by Hurricane's old CEO, and hostile relations between Hurricane and the Shymkent refinery.

All of these factors have reversed. Crude oil is back in the lower US\$20s—and it looks like higher oil prices are here to stay. Hurricane has a new CEO with an avowed commitment to shareholder value creation and experience in managing oil turnaround situations in the former Soviet Union. Hurricane and Shymkent have agreed to a definitive merger.

Good news!

There was a significant risk of massive dilution. However, it is now likely that Hurricane will emerge from bankruptcy with no dilution to common shareholders. Under the terms of the Hurricane/Shymkent merger, Hurricane will own 67% of the merged entity.

The Hurricane noteholders may attempt to block this plan or cut a better deal for themselves. However, since the company proposes to reinstate the bonds and pay all back interest, it is unlikely that the Canadian bankruptcy court would let them torpedo the deal. Irrational behavior in the court by the noteholders remains a significant risk.

Assuming the merger with Shymkent does occur, Hurricane will be one of the only vertically integrated oil companies in Central Asia, with 434 million barrels of high quality (proven + probable) reserves, operating infrastructure capable of producing 80,000 barrels per day without any additional capital investment, cash extraction costs of US\$2.50 per barrel, and refining infrastructure with a daily capacity of 150,000 barrels. Hurricane would recapture the entire downstream refining margin, boosting operating margins and radically improving the predictability of cash generation.

Great expectations

According to Shymkent's management, the Shymkent refinery will generate US\$40 million in net profits (including a US\$10 million foreign exchange adjustment) and US\$10 million in depreciation, or US\$50 million in cashflow. If you add Hurricane's and Shymkent's annualized cashflows, you get at least US\$150 million in annualized cashflow.

Russian vertically-integrated oil companies (such as Lukoil) trade at an average enterprise value/cashflow multiple around 4 (this represents a 75% discount the average Western oil giant). Applying the same valuation multiple, the merged Hurricane/Shymkent enterprise would be worth US\$600 million, or US\$6.50 per share to Hurricane common shareholders net of debt.

It will take years before the bad blood towards Hurricane evaporates. But if Hurricane merges with Shymkent and exits bankruptcy protection without diluting common shareholders, we will enjoy material and immediate upside from current levels.

It is difficult to predict the outcome of the bankruptcy proceedings; however, the prospects for common shareholders have brightened dramatically. I continue to recommend holding the stock. Keep in mind that the stock will remain dangerously volatile until the noteholders accept a restructuring plan.

While Hurricane has been delisted from NASDAQ, it still trades on the OTC Bulletin Boards under HHLFQ and the Toronto Stock Exchange under HHL/A.



How the killings at Columbine High could be a boon to investors: Buy this security stock under \$12 a share... and watch it hit \$20 in a year

by Brian Hicks

Do yourself a favor. The next time you're at the grocery store or at the shopping mall, check out the security system near the entrance and exit doors. I guarantee it will be a system by one of two manufacturers, either Sensormatic or Checkpoint.

I recently took a vacation in Bethany Beach, Delaware. There are probably half-a-dozen shopping outlets around the resort, with stores numbering in the hundreds. Every store I went into had a Sensormatic system.

Now, I'm not recommending **Sensormatic (SRM – NYSE)** because it has the lion's share of the retail security market (although this is nice). I'm recommending Sensormatic because the company is about to embark on an amazing growth period — by providing schools with elaborate and expensive security systems.

The legacy of Klebold and Harris

Klebold and Harris are a teacher's nightmare. Two deranged kids sporting massive firepower.

Worse yet, they don't care if they die. In fact, they want to die.

How in the world do you defend against that?

You hire the best security equipment firm in the world. Sensormatic sells everything from metal detectors to elaborate closed-circuit television and camera networks. It really is a one-stop-and-shop security firm.

If they don't have it, most likely it doesn't exist.

I taught school in an inner-city school in Baltimore City for a year in the early 1990s. It was a program where they took graduate school students with non-education degrees (like Political Science and Philosophy) and threw them into a classroom full of kids ready to embark on a criminal career.

I did one year and never went back. It was a horror story.

My life was never threatened, and I didn't feel in any immediate danger. But I definitely wouldn't have minded an elaborate security system.

Believe me, every teacher in that

school would have welcomed it.

Then came Columbine. And with it, mass hysteria as every pill-popping male teen wearing black is seen as a potential assassin.

Overblown, but with some credibility.

Let me throw a number at you. This will give you an idea of how school administrators rationalize spending hundreds of millions of dollars for security.

Each year, nearly 3 million crimes occur on or near school property.

And that's just the crimes that get reported. Of course, some of those 3 million are petty crimes, like fistfights.

But you've heard it before from the old man: "In my day, guys fought with their fists. And occasionally... occasionally, some jerk brought a blade. But nobody ever brought guns to school."

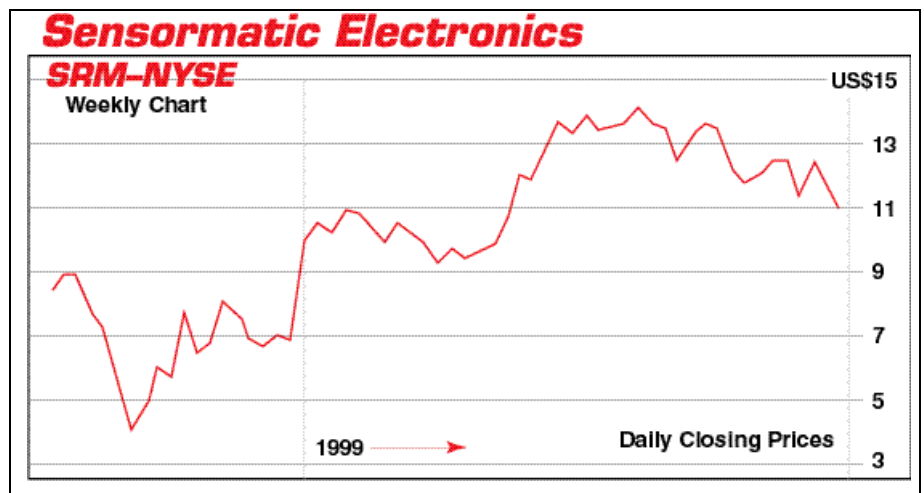
Well, Pops, they do now.

In fact, I was talking to a friend of mine who teaches at a Baltimore City high school in a rather not-so-nice neighborhood. After the Columbine incident, he suggested the reason you don't have mass shootings in an inner city high school is because most of the student body already brings guns to school. They'd fire back at the deranged gunmen.

That's little comfort to a teacher.

Outside looking in

My recent research trip to London was enlightening. The Brits see absolutely no reason for Americans to own





guns. In fact, they see American social philosophy as a complete maze of contradictory policies.

For instance, why does America outlaw drug use while at the same time protecting the right of gun ownership? A pro-gun American would say that guns in a law-abiding, responsible citizen's hands are perfectly okay.

To a certain extent, this is true. The NRA membership probably has the lowest reported crime rate of any organized group in the United States.

But the Brits counter, "Isn't recreational drug use by responsible adults okay as well?"

The problem is, a black market exists today – even though guns are legal in America. If the government were to outright ban gun ownership, an already thriving black market would be an absolute boon to savvy gun dealers, similar to drug lords in the United States.

So, it is against this backdrop that I recommend acquiring a position in Sensormatic Electronics.

Guns aren't going away. Disturbed kids aren't going away. Jocks aren't going away. The inevitable social pecking order in schools isn't going away.

And here's a telling fact: America is experiencing another birth girth — Baby Boom II. Baby Boom I gave birth to a mountain of kids, swelling the classrooms of America. Combine that with the surging immigration of Hispanics to America, and you have trouble.

Look at the chart of the population explosion. There's going to be a horde of kids running around over the next 50 years. So the probability of another tragedy in American schools has to be high.

The more kids in schools, the more likelihood of a major bloodbath.

The wild, wild west

In fact, given the current environment, I wouldn't be surprised if in the next three to five years, an American high school experiences a massive tragedy surpassing that of Columbine High.

Think about it: instead of two kids shooting up the joint, you have four highly deranged kids in full body armor, sporting rapid-fire rifles.

And they've waited for a school assembly in the

gymnasium to execute their plot.

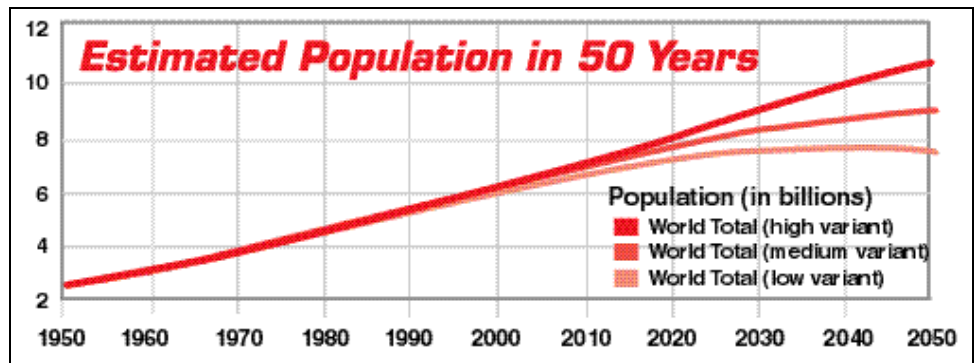
Instead of 12 dead (like at Columbine), 50 are killed. It would be a bloodbath. And the scary thing is, all of the ingredients for this massacre are here right now in the United States.

That's the rationale... and that's the hype surrounding this issue. And there's no better time to buy a stock than after a high-profile incident.

A growth stock at Graham and Dodd prices

I'm not known for my value stock picks. That's because I'm a growth investor.

But I think Sensormatic offers substantial growth at an incredible valuation.



Listen to these valuations. Sensormatic trades at a book value of US\$9.78. The stock currently trades around US\$11. So you're getting – in my opinion – a growth stock at 1.12 times book value.

At a current market cap of about US\$829 million, the stock trades at a price-to-sales ratio of about 0.81. (Sensormatic does in excess of \$1 billion in sales annually.)

But what really gets me juiced up about this company is the bottom line growth. Sensormatic is expected to post an eps of US\$0.65 this year. That's supposed to grow 49% to US\$0.97 in FY01. Yet the stock trades at a waif-like forward p/e multiple of 17.

Assuming it could command a p/e in the high 20s (still a huge discount to its 49% estimated earnings growth), the stock should sell for between US\$17 and US\$20 a share. A near double!

As a pure play on rising school security, **Sensormatic Electronics (SRM-NYSE)** is a strong buy under US\$12.50. My one-year price target is above US\$20 a share.

www.taipanonline.com

username: taipanmember2

password: 2totango



The lowest bid wins on FreeMarkets, Inc., with millions made in one transaction!

By *Siu-Yee Ng*

The Internet is one of the fastest-growing means of communication, reaching consumers and businesses globally. So it's not surprising to see businesses joining the cyber frenzy. Forrester Research expects business-to-business electronic commerce to grow more rapidly than business-to-consumer electronic commerce over the next several years.

They estimate that business-to-business electronic commerce will grow from US\$109 billion in 1999 to US\$1.3 trillion in 2003, accounting for 90% of the dollar value of electronic commerce in the United States by 2003. Total electronic commerce worldwide may reach as high as US\$3.2 trillion by 2003.

Auctions targeted at consumers are a popular application of Internet technology. Forrester Research projects that the value of goods sold through Internet auctions will increase from US\$8.7 billion in 1998 to US\$52.6 billion in 2002. The popularity of consumer-oriented auction sites and the opportunity presented by business-to-business electronic commerce have spurred the creation of business-to-business Internet auction sites.

Everything from Beanie Babies to Pokemon cards are sold on sites like Ebay. But there's a market worth approximately US\$5 trillion waiting to be tapped where one transaction could make millions of dollars. This industry may not be as glamorous as bidding on a Roosevelt Hotel Menu autographed by Babe Ruth, Lou Gehrig and Roy Campanella where bidding starts at a staggering US\$10,000. But it sure supplies you with modern survival necessities such as oil and gas. And **FreeMarkets, Inc. (FMKT-NASDAQ)** has positioned itself to be a world leader in the customized business-to-business online auctions for the world's largest buyers of industrial parts, raw materials and commodities.

The need for fuel

Due to inefficiencies in the markets that supply direct materials, there are times when buyers pay prices that are too high. Direct materials are often custom-made or adapted to the buyer's specifications. Unlike maintenance, repair and operating supplies, direct materials are often not standardized and therefore cannot be ordered from catalogs at list prices. Without catalogs or list prices, buyers cannot easily obtain comparative price information.

Also, supply markets for direct materials often contain hundreds of potential suppliers. This fragmentation makes it difficult for buyers to understand the entire supply

market for the products they are buying, and to evaluate and select potential new suppliers.

This complexity often leads buyers to rely on suppliers with whom they have dealt in the past, making it difficult for new suppliers to compete for business. Because competition among suppliers is limited by these factors, buyers may pay higher prices or obtain lower quality than they would in a more efficient market with better information.

FreeMarkets, Inc. combines their BidWare Internet technology with their knowledge of supply markets to help large industrial buyers obtain lower prices and make better purchasing decisions. In a FreeMarkets online auction, suppliers from around the world can submit bids in a real-time, interactive competition. Their auctions are "downward price" auctions in which suppliers continue to lower their prices until the auction is closed. Before each auction, FreeMarkets work with their client to identify and screen suppliers and assemble a request for quotation that provides detailed, clear and consistent information for suppliers to use as a basis for their competitive bids.

FreeMarkets' BidWare Internet technology facilitates competitive bidding by enabling suppliers to submit bids in real time and to view competing bids within seconds after their submission. Their technology is also flexible. They can easily configure their BidWare software in many different formats to address the characteristics of a particular supply market and to achieve the particular objectives of each of their clients.

They create online auctions for their clients in a wide variety of product categories, ranging from commodities to custom-engineered components. The number of product categories in which they have experience had grown to more than 50 as of July 31, 1999.

Still growing

FreeMarkets was founded in 1995 and did not generate a significant amount of revenues until 1998. They experienced losses for the partial year 1995 and in 1996 and 1997. They achieved a modest profit in 1998, but are incurring losses in 1999 as a result of their efforts to invest in the growth of their business.

FreeMarkets created online auctions covering approximately US\$1 billion worth of purchase orders in 1998 and US\$630 million worth of purchase orders in the six months ended June 30, 1999.

They estimate that the resulting savings for their clients ranged from approximately 2% to more than 25%. More



than 1,800 suppliers from over 30 countries have participated in their auctions. Their current clients include United Technologies Corporation, General Motors Corporation, Quaker Oats, Emerson Electric, Allied Signal Corporation and the Commonwealth of Pennsylvania.

It bothers me to see their dependence on two clients, United Technologies Corporation and General Motors Corporation, for a substantial portion of their revenues. These two clients represented 77% of their revenues in 1998 and 65% of their revenues in the six months ended June 30, 1999. We'll have to keep an eye on this.

They have a subsidiary in Brussels, Belgium, that serves their clients based in Europe and the European operations of their multinational clients based in the United States.

Making money

FreeMarkets sells their services through their direct sales organization. As of July 31, 1999, their direct sales force consisted of 12 sales professionals, organized along buyer industry lines. They plan to expand their direct sales force and the number of buyer industry sectors.

They typically target senior purchasing executives and other senior executives within a buying organization. When a prospective client is interested in working with FreeMarkets, they will analyze which portions of their direct material purchases are best suited to their market making process. Throughout this analysis, FreeMarkets work with the prospective client to negotiate terms of a service agreement.

Revenues are generated from fixed monthly fees, and may also include performance incentive payments, based on volume or savings, and sales commissions. The revenue structure in a particular service agreement may vary, depending upon the needs of their client and the conventional practices in the supply market where their client obtains its direct materials or commodities.

FreeMarkets' efforts are working. Total revenues increased 336%, from US\$409,000 in 1996 to US\$1.8 million in 1997, and 338% to US\$7.8 million in 1998. During 1998, US\$1.6 million of their revenues were attributable to a performance incentive bonus.

Revenues increased 221% from US\$2.4 million for the six months ended June 30, 1998 to US\$7.7 million for the same period in 1999.

Masterminds

The co-founder of FreeMarkets has served as their president, CEO, and chairman of the board and a director since inception. From May 1994 to February 1995, he was employed as a manager in the Corporate Business Development Group of General Electric Co. He was named on *Inter@ctiveWeek's* annual list of unsung heroes.

Another co-founder has served as FreeMarkets' secretary, treasurer and a director since inception. He has also served as acting CFO since June 1998. Prior to co-founding

FreeMarkets, from March 1992 to April 1995, he was employed as a consultant and engagement manager at McKinsey & Company, Inc.

The executive vice president and chief operating officer has served since March 1998. From October 1996 to February 1998, he served as vice president of market making. Prior to joining FreeMarkets, from March 1992 to September 1996, he was employed with Dole Fresh Fruit International, Ltd., where he worked in key financial and management positions at Dole's Latin and South American headquarters and subsidiaries.

The vice president of market making has served since May 1998. Prior to joining FreeMarkets, from June 1996 to May 1998, he was a principal with A.T. Kearney, a management consulting firm.

The list of outside directors is not too impressive. We'll have to see if there are any future additions. FreeMarkets' directors include the co-founder of FORE Systems, Inc., a pioneer in the development of ATM high speed networking equipment, which was acquired by GEC, p.l.c. in June 1999, and a general partner of Stolberg, Meehan & Scano, a private equity investment fund focusing on business-to-business services in the communications, utilities, information technology and electronic commerce industries.

Shares are available through Goldman, Sachs & Co., Morgan Stanley Dean Witter, Donaldson, Lufkin & Jenrette Securities Corporation and Wit Capital Corporation.

Because FreeMarkets, Inc. filed to debut during the week of Oct. 25th the IPO article for the November issue of *Taipan* has been posted online early.

IPO FOLLOW-UP:

- **Akamai Technologies, Inc. (AKAM-NASDAQ)** is expected to debut during the week of Oct. 25 priced between US\$16-18.
- **Tibco Software, Inc. (TIBX-NASDAQ)** reached the sell target of US\$35 posted on the Nov. 24 *Taipan* hotline and website. That's 45.8% return in less than two months! If you missed the sell, wait for another opportunity.
- **Barnesandnoble.com (BNBN-NASDAQ)** recently ran above US\$23 but has slowly depreciated with the market correction. *Forbes* Magazine named barnesandnoble.com its favorite place to buy books and music online! **This remains a buy under US\$20.50.**
- **Interwoven, Inc. (IWOV-NASDAQ)** debuted on Oct. 8 and opened at US\$43 IWOV is currently trading at US\$41.50, which is a bit high to buy now. Log on to the *Taipan* site for Aftermarket buying opportunities.



Wireless Web set for take-off

By J.K. Riggin

As wonderful as the Internet may be, it is often a royal pain to use.

Aside from negotiating the ins and outs of working with an Internet service provider, you always have to play around with your computer. And for most people, changing the configuration of your PC means screwing something else up that up until then worked just fine.

It's been said that PCs are a lot like Swiss army knives — while they can do a lot of neat things, they tend to not do any *single thing* really well. Which means that the home computer platform that helped enable the fantastic growth of the Internet may very well become an obstacle to further growth.

For scads of content and commerce plays, the stakes are largely based on ever-growing Internet usage among Mr. and Mrs. Jones and their 2.3 brats. And price is no longer a barrier. A basic workhorse PC can now be had for less than US\$100 if you sign up for three years of AOL, Compuserv or the Microsoft Network for US\$19.95 a month.

The real barrier to entry is ease of use. Witness the resurgence of Apple. And no matter what Steve Jobs says, getting online is still a far more daunting task than plugging in a television set.

Besides ease of use, mobility is critical. American consumers crave convenience. If you give people the opportunity to distract themselves with data without being tied down to a desktop PC, they'll grab it faster than Robert Downey Jr. reaching for the straw and mirror.

Voice first, then data

Today, only three million subscribers can access the Internet over wireless links. According to a recent Yankee Group study, that number will jump to more than 50 million subscribers by the year 2004. Although the study assumes that the five-year growth period will be sparked by increased use of wireless technology by mobile office workers, the popularity of accessing the Internet from any place at any time is about to seize the mass market.

More important to wireless service providers, the anticipated flood of new users will translate into huge revenue opportunities. According to the study, the overall wireless market will generate about US\$6.6 billion in revenue by the end of 2004. Additional revenue is also expected to come from mobile commerce over the Internet, and related advertising and content distribution opportunities.

Wireless companies have seen the future, and it's more than a flip phone on every belt. In 1998, the US\$9.1 billion

merger of Northern Telecom Ltd. and Bay Networks Inc. laid the groundwork for things to come. This particular deal was relatively historic because it was the first acquisition of a data networking company by a major wireless infrastructure manufacturer, not to mention one of the biggest acquisitions in Silicon Valley history. The new company, Nortel Networks (NT-NYSE), uses Internet protocols in integrated networks, enabling faster data rates and more commercial applications. Nortel's stock has nearly tripled in value over the past year.

Nortel is not alone in its efforts to build out the wireless Internet communications infrastructure. Manufacturers such as Lucent Technologies Inc. (LU-NYSE), Ericsson Inc. (ERICY-NASDAQ) and Motorola Inc. (MOT-NYSE) have forged wireless Internet strategies, and many carriers are moving in that direction too. The Internet protocol allows carriers to transmit more information and do it more efficiently than a traditional circuit-switched network. This means *lower costs* and *increased profitability*.

The biggest impact of Internet protocol on the wireless industry is expected to be data. Less than five percent of today's wireless traffic is devoted to data, but some analysts have predicted it will rise as high as 50 percent in five years. And, as has been proven by the "wired" Internet, that traffic means billions in commerce and advertising revenue.

Agile gorilla

In a space populated by 800-pound gorillas, **Nokia** (NOK-NYSE), the world's number one mobile phone maker, is the company to watch. Their wireless Internet strategy focuses on three areas: 1) putting basic Internet capabilities (such as email and the Web) on wireless handsets, 2) expanding the viability of wireless broadband Internet access and 3) expanding the capabilities of consumer wireless devices (such as television remote controls).

Nokia's role in the expansion of wireless Internet was confirmed in its recently announced partnership with IBM. IBM will distribute Nokia's wireless application protocol (WAP) server software on Big Blue's Netfinity servers running Microsoft's Windows NT. The bottom line for customers is that connecting to the Internet using a mobile phone will get a lot easier very soon. The bottom line for Nokia is that they've pretty much locked in WAP as the global standard for wireless Internet activity for the foreseeable future.

While Nokia faces stiff competition from other mobile phone makers, they consistently win, place or show in



bringing first-rate technology to market. And more importantly, the company demonstrates an intrinsic understanding for the dynamics of a networked world. The company is organized with a non-hierarchy hierarchy; the president is as accessible as a customer service rep. So far, this has resulted in shorter product development cycles and more rapid decision-making in the heat of a fast-moving industry. Look to Nokia for long-term growth and continuing to drive the state-of-the-art in wireless networking activity.

Handset Net

Anticipating the growing platform for wireless Internet content and commerce, a handful of companies have made an early rush for IPO cash with plans to pump data through your wireless phone. Given the advanced stage of development, two of these companies should become attractive performers in the IPO aftermarket.

With software applications like its "microbrowser," **Phone.com (PHCM-NASDAQ)** helps users of mass-market wireless telephones access Internet-based information such as email, news, stocks, weather, travel and sports. The company had one of the summer's better-received IPOs in June, more than doubling in its first month. After a sell-off in late July, however, a number of strategic announcements have fed a climb that has seen a fourfold increase in the company's stock value.

The company recently inked deals with NEC, Sony, Hitachi, Motorola, Sprint and Philips, among others, to put Phone.com's "microbrowser" on these companies' handsets, enabling those phones to browse Phone.com's version of the Web. More recently, Phone.com and database software giant Oracle announced plans to work together to develop software which will provide wireless e-commerce capabilities and Internet access to corporate enterprise networks. And Phone.com has put its stock run-up to good use, acquiring Irish wireless application protocol (WAP) software developer APiON. The acquisition will enable Phone.com to develop wireless Internet applications for European markets.

Though operating at a loss, the company's earnings are encouraging. Quarterly revenue is tracking up year-over-year at over 400%, and up quarter-to-quarter at nearly 100%; the company's quarterly net loss was a little more than double the year's previous quarter. The company has been plowing cash into R&D and marketing, and its recent licensing success with the major handset manufacturers seems to have justified the investment.

Aether Systems also provides wireless data services and systems, but focuses on financial information and transactions. Aether's products include Reuters MarketClip (real-time financial market information, graphs, alerts and news stories) and TradeRunner from Discover Brokerage. TradeRunner packages the MarketClip information with the capability to place trades.

Aether recently announced a huge deal with online broker Charles Schwab (NYSE:SCH) to partner in the development of a wireless trading service. The service will enable customers to access their accounts and conduct transactions from a wide range of mobile information appliances.

In August, the company announced its acquisition of mobeo, another wireless financial information provider specializing in foreign market data. It is estimated that nearly 80 percent of all foreign exchange traders use mobeo-enabled pagers to receive real-time financial market information.

Aether Systems filed its S-1 prior to the mobeo acquisition. After filing its amended registration statement with the SEC, the company is expected to price very soon. It will be listed on the Nasdaq National Market with the ticker symbol "AETH." While Aether Systems is not quite the wireless data category-killer Phone.com is, its rapid foothold in the financial information space should attract the attention of more than a few institutional investors.

What about Craig?

Perhaps no single individual has derived as much wealth from the mobile phone business as Craig McCaw. And since selling McCaw Cellular to AT&T for US\$11.5 billion in 1993, he's been busy. In 1994, he founded Nextlink (NXLK-NASDAQ) a competitive local exchange carrier (CLEC) delivering communications services to businesses over fiber optic and fixed wireless broadband facilities. Nextlink is the largest holder of fixed wireless spectrum in North America. Its licenses cover 95 percent of the population in the top 30 markets in the United States.

In addition, Nextlink has acquired exclusive rights to a 16,000 mile, high-speed, fiber optic backbone network connecting more than 50 U.S. and Canadian cities. The backbone network is currently under construction, with completion expected by the end of 2001.

Between its local loop, national Internet backbone and fixed wireless facilities, Nextlink aims to bypass local telephone companies to deliver a premium digital telecommunications infrastructure. And Nextlink is not a "network company" selling bandwidth and connectivity to other telecommunications companies. The company is building its own customer base for services including local, long distance, data, Internet and video.

Though operating at a loss, Nextlink's stock price has been a one-way ride up, climbing to just north of \$60 per share since opening the year below \$20. Between its clean-slate approach, savvy acquisitions and McCaw's reputation, Nextlink will continue to be a popular and dominant force in the move toward wireless Internet access.

New technology, new acronym

Nextlink's success will be at least partially driven by the

**COMPANIES MENTIONED IN THIS ARTICLE**

<i>Name</i>	<i>Ticker Symbol</i>	<i>Web Site</i>
Nokia	NYSE:NOK	www.nokia.com
Nortel	NYSE:NT	www.nortel.com
Phone.com	NASDAQ:PHCM	www.phone.com
Aether Systems	NASDAQ:AETH*	www.aethersystems.com
Nextlink	NASDAQ:NXLK	www.nextlink.com
Formus Communications	NASDAQ:FMUS*	www.formus.net

**per S-1 registration, IPO yet to be priced*

success of a new technology called local multipoint distribution service (LMDS) which enables an office building to connect to the Internet with an antenna instead of a T-1 line. A single LMDS cell can get data throughputs equivalent to T-1 speed and support the equivalent of 3,800 telephone lines. Nextlink owns virtually all of the available spectrum in North America, but what about the rest of the world?

Enter Denver-based Formus Communications, which provides LMDS — or fixed wireless — Internet service to European markets. The opportunity for Formus is compelling for two reasons. First, because European Internet access has lagged behind that of the United States, it is now catching up at a faster rate. Analysts predict peak hour traffic for voice, Internet and corporate data in Europe will increase 87% annually through 2005. Second, Europe's government-owned telecommunications behemoths have been slow to implement the necessary infrastructure capable of delivering affordable and reliable broadband Internet connectivity.

LMDS is not perfect. A heavy fog might bring your network down if your antenna is on top of a 100-story skyscraper. Still, Formus has a great story to tell, and the company has found an audience. Since 1996, the company has raised more than \$200 million in venture financing. Investors include Intel, BancBoston, and Chase Capital Partners, among others.

Formus Communications filed its S-1 in early October. Its ticker symbol will be FMUS on the Nasdaq National Market.

Song remains the same

Like everything else with the blink-and-you-missed-the-future nature of the Internet, ubiquitous wireless access to the Web and email is virtually upon us. Fixed wireless will likely join DSL and cable modems to displace leased T-1 lines as our primary model for broadband carriage. The winners obviously will be those who have the technology to offer the most bandwidth at the lowest price. And regardless of how customers are connected to the Internet, content and commerce plays will there waiting for them.

Mine... Wine... Real Estate... Investing in Chile!

By Barbara Perriello

From March 23 through April 1, you can join us on our first-ever insider's expedition to Chile. This popular South American country is sandwiched between the Andes and the Pacific. Combined with a prosperous and growing economy, Chile is the ideal choice for our next investor tour.

Our journey will begin in Santiago, where you will meet analysts, economists and financial gurus who will detail the investment opportunities. Then we'll head to the fertile valleys to visit fabulous wineries. Not only will we take part in touring these wineries with some wine tasting, we'll also learn why and how you can cash in on Chile's growing export of wine.

Then it's on to La Serena for tours of Gold and Copper Mines. We'll base ourselves in this colonial city for a few days to explore the opportunities in mining and to see firsthand how gold and copper are mined.

For the final part of our excursion, we'll travel to Puerto Montt, a fishing port and the gateway to the Chilean lake District. Here you can unwind and enjoy cruising through the beautiful waterways.

If you'd like to extend your tour, we'll help set up excursions to Easter Island or any other destinations in Chile.

This tour will be limited to 35 people and we expect to sell out quickly. Contact Agora Travel immediately for more details: 800-926-6575 or 561-243-6276.



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