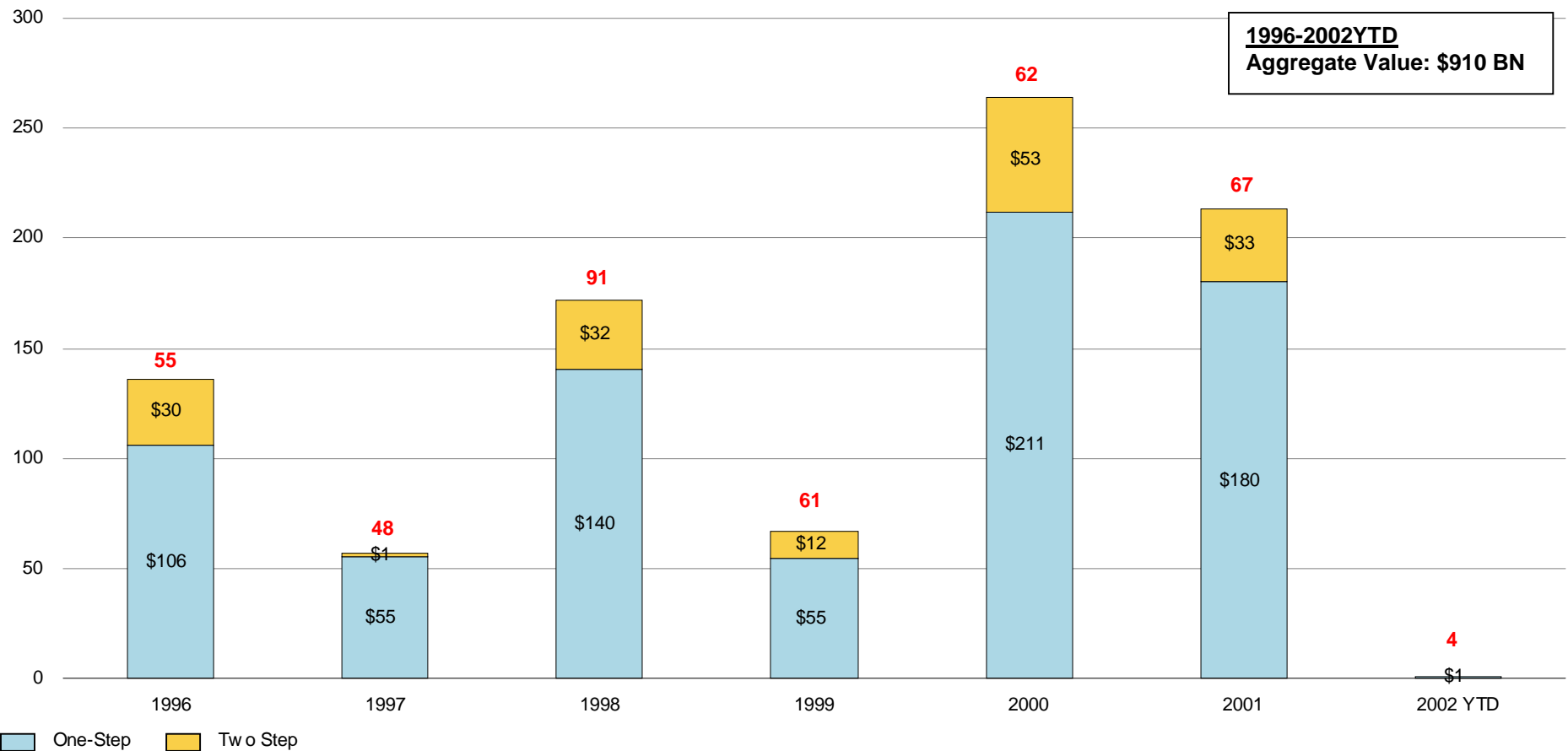


Spin-Off Activity Levels

1996-2002YTD – Completed Transactions ⁽¹⁾

Dollar Volume
\$BN



Source SDC

Notable Spins

Completion Date	SpinCo	Parent	Type	Value \$MM
6/00	Agilent Technologies	HP	2-Step	31,179
6/96	EDS	GM	2-Step	29,688
4/98	Associates First Capital	Ford	2-Step	26,625
9/96	Lucent	AT&T	2-Step	24,067
7/01	AT&T Wireless	AT&T	2-Step	18,816
7/00	Palm	3Com	2-Step	17,865
7/95	Allstate	Sears	2-Step	11,761
5/99	Delphi	GM	2-Step	11,626
10/97	Tricon Global Restaurants	PepsiCo	1-Step	9,392
12/95	ITT Destinations	ITT Industries	1-Step	6,337
12/95	ITT Hartford Group	ITT Industries	1-Step	5,709
10/00	Avaya	Lucent	1-Step	5,424
3/97	Ciba Specialty Chemicals	Novartis	2-Step	5,417
11/96	Cognizant	D&B	1-Step	5,369
7/93	Dean Witter Discover	Sears	2-Step	5,021
3/00	Sabre Holdings	American Airlines	2-Step	4,782

Spin-Offs and the Equity Market

(or, "How to Write Your CEO's Press Release")

- Generally, spin-off creates revaluation forum due to materiality
 - 2-step IPO/spin forces revaluation at IPO and at distribution
 - 1-step spin forces revaluation at distribution
 - Both are fully marketed
- Separate SpinCo as part of plan to renew parent “focus” on “core business”
 - Full legal and equity market separation
 - “Synthetic” separation using letter/tracking stock
- Plan to create/enhance “shareholder value”
 - “Unleash” the subsidiary (predicted higher P/E for SpinCo)
 - “Unburden” the parent (predicted lower P/E for SpinCo)
 - More transparency on lines of business
 - Management focus on parent and SpinCo
 - Independent access to capital
 - Independent acquisition currencies