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Industry Overview

November 26, 2002

Option Practices: A Look at the Past…Update

In this updated report, we add net options grant data which complement our gross options grant data included in the earlier version, published on September 20, 2002.

- **In this report we look at the option practices of the US companies that have been most successful at creating wealth for investors.**

- **Specifically, in this report, we focus on: F2001, F2000, and F1999 option grant levels; stock options outstanding as a percentage of fully diluted shares; option grants to executives vs. non-executive employees.**

- **We found that of the 5,406 US companies that have gone public in US markets since 1980, fifty were responsible for creating 82% of the net wealth.** Note that this concentrated success level is consistent with the data derived from our *Technology IPO Yearbooks* published over the better part of the past decade.

- **Of the 59 top net wealth-creating non-acquired companies that were founded after 1970, average options outstanding as a percentage of fully diluted shares outstanding were 13% in F2001, vs. 12% in F2000 and 12% in F1999**. For this same set of companies in F2001, gross/net options granted represented 4%/1.4% of fully diluted shares outstanding vs. 3%/0.3% in F2000. Finally, the share of stock options granted to senior executives was 21% in F2001, vs. 20% in F2000 and 19% in F1999.

- **Of the 59 companies, the 29 technology companies compared favorably to the 30 non-tech companies in terms of net wealth creation – at 73% vs. 27%;** the breadth of option distribution -- with 89% of F2001 options granted to non-executive employees vs. 70% at non-tech companies, but compared unfavorably to non-tech companies on the issue of outstanding stock options as percentage of fully diluted shares outstanding in F2001 -- 17% at tech companies vs. 8% non-tech, and with regard to new gross/net options granted in F2001 as a share or fully diluted shares -- 6%/2% at tech companies vs. 3%/1% at non-tech companies.

- **Please see technology Industry Views at the end of the report.**

Option Practices: A Look at the Past…Update

Summary

In this report we look at the option practices of the US companies that have been most successful at creating wealth for investors. Owing to recent allegations of accounting irregularities at certain companies, the significant wealth destruction for so many companies, and the heightened focus on senior executives who cashed in lots options at high stock prices, we felt that it was important to conduct a review of how the largest net wealth creators have dealt with option grants in recent years in an effort to determine a framework for potential best practices.

Specifically, in this report, we focus on:

- F2001, F2000, and F1999 option grants;
- Stock options outstanding as a percentage of (fully diluted) shares outstanding;
- Option grants to executives (as defined in proxy statements) vs. non-executive employees.

While we are advocates of increasing transparency of information on a quarterly basis about option grant practices, in this report we *do not* address key issues such as:

- Expensing vs. not expensing options;
- Methods for valuing options;
- How to factor options into long-run valuation models;
- Vesting schedules and liquidity provisions;
- Tax benefits related to option grants;
- Mix of share repurchase levels vs. option issuance levels;
- Stock vs. option grant composition;
- Governance related to limiting hedging of options/stock -- something we are in favor of, especially for senior executives;
- Examining the arguments for different types of option-related incentive plans to suit the needs of private vs. early-stage public vs. late-stage public companies;
- How judging the impact of options, which have been around for many years, based on a “bubble” period may be shortsighted.

We intend to address the aforementioned issues in forthcoming reports.

Net Wealth Creation -- Calculation Methodology

In collaboration with our equity capital markets team, we compiled a database of the 5,406 US companies that went public in the US from 1980-2002YTD (7/30/02) with IPO market caps of greater than $10MM. Securities Data Corp (SDC) was the primary source for this data.

We calculated net wealth creation in the following way:

We calculated stock price appreciation/depreciation (adjusting for splits) from the IPO price to the closing price on 7/30/2002 (or last trading price for acquired or delisted companies). Then we applied this price appreciation to the IPO market value to calculate a current market value that, in effect, neutralizes the dilutive impact of acquisitions, stock offerings, and exercised options issuance. Note that we did not include dividends in our net wealth creation methodology and our returns are calculated over time, not on an annual basis. Also note that we have looked at a large volume of data from multiple sources; we have endeavored to ensure the accuracy of the data and are confident in the directional significance. Using these estimates we selected the 150 companies with the highest total wealth creation.

Net Wealth Creation -- Key Highlights

- We found that of the 5,406 companies, 50 were responsible for creating 82% of the net wealth (defined as above (see Exhibit 8). Note that this concentrated success level is consistent with the data derived from our *Technology IPO Yearbooks* published over the better part of the past decade.

- Of the 150 companies, 38% (57 companies) have been acquired since their IPO, and their contribution to the net wealth creation (of the 5,406 companies) was 34%.

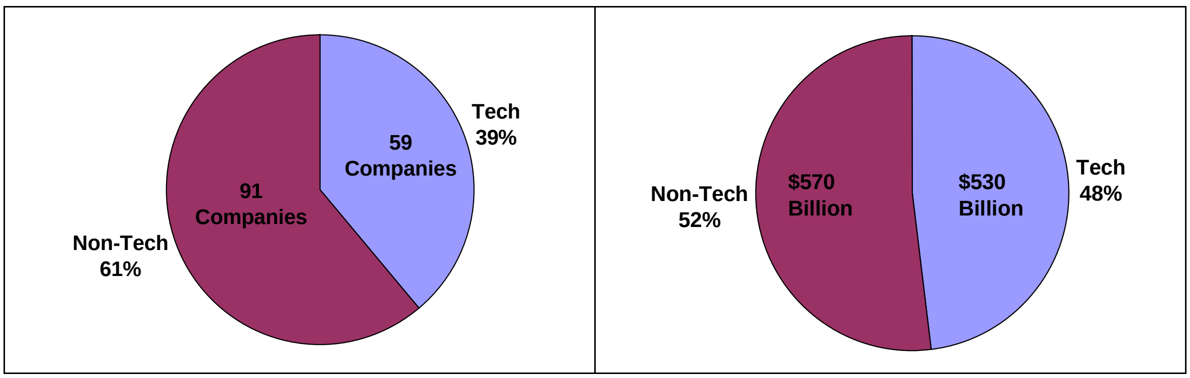
- Of the remaining 93 non-acquired companies that created 79% of the net wealth (of the 5,406 companies), 59 (63%) were founded after 1970. Note that the top 150 collectively account for greater than 100% of the net wealth creation (113%). This is because the companies toward the lower part of the list actually made negative contributions (i.e., destroyed wealth).

- Of these 59 non-acquired companies founded after 1970: 30 (51%) were non-technology companies and the five biggest net wealth creators were: Amgen, MBNA, AutoZone, Bed Bath & Beyond, and Wellpoint Health Networks (see Exhibit 9). And, 29 (49%) were technology companies and the five biggest net wealth creators were: Microsoft, Cisco, Oracle, Dell, and eBay (see Exhibit 10).

- While 39% (59 companies) of top 150 net wealth creators were tech companies vs. 61% (91 companies) non-tech companies, based on dollar share of the $1.1 trillion in wealth created by the top 150 companies, tech companies accounted for a disproportionate 48%, thanks in large part to a $171 billion contribution from Microsoft (33% of total tech net wealth creation).

Exhibit 1

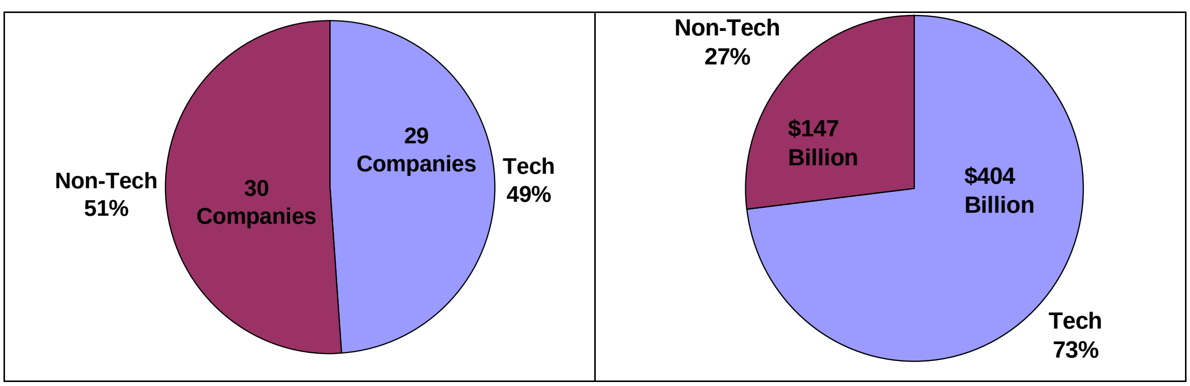
Top 150 Net Wealth Creators by Segment (Tech vs. Non-Tech) for Number of Companies and Dollar Net Wealth Creation Contribution – Includes Acquired Companies



Source: Morgan Stanley Equity Research, SDC
Note that we isolated the top 150 net wealth creating companies from a database of 5,406 US companies that went public in the US from 1980-2002YTD (7/30/02) with IPO market caps of greater than $10MM. Net wealth creation was based upon stock price appreciation/depreciation (adjusting for splits) from the IPO price to the closing price on 7/30/2002 (or last trading price for acquired or delisted companies). Then we applied this price appreciation to the IPO market value to calculate a current market value, which in effect neutralizes the dilutive impact of acquisitions, stock offerings and options issuance.

Exhibit 2

Top 59 Public Market Net Wealth Creators by Segment (Tech vs. Non-Tech) for Number of Companies and Dollar Net Wealth Creation Contribution – Excludes Acquired Companies



Source: Morgan Stanley Equity Research, SDC
Note that we isolated the top 150 net wealth creating companies from a database of 5,406 US companies that went public in the US from 1980-2002YTD (7/30/02) with IPO market caps of greater than $10MM. We then further refined the data to get the 59 non-acquired public companies taken from the list of the top 150 net wealth creators that were founded after 1970, with IPOs after 1980. Net wealth creation was based upon stock price appreciation/depreciation (adjusting for splits) from the IPO price to the closing price on 7/30/2002 (or last trading price for acquired or delisted companies). Then we applied this price appreciation to the IPO market value to calculate a current market value, which in effect neutralizes the dilutive impact of acquisitions, stock offerings and options issuance.

Stock Options Analysis

For our list of top net wealth creating companies, we then looked through 10-Ks, proxy statements, and other public information to collect their options data for F1999, F2000, and F2001.

For comparison purposes, for a starter, we look at the practices of Intel, which falls outside the parameters of our study, given that it was founded in 1968 and had its IPO in 1972. In Silicon Valley, Intel is widely regarded as a key role model for a successful technology company. As a point of reference, when considered in conjunction with the companies identified in this report, Intel's use of options puts it on the more conservative side of our data sort.

Intel's stock options outstanding as a share of fully diluted shares were 11% at the end of F2001, below the 13% average for the 59 non-acquired companies in our study. In terms of incremental dilution from gross/net new option grants in F2001, Intel granted in the amount of 3%/1.9% of fully diluted shares outstanding, vs. the 4%/1.4% average. This compares to Intel's gross/net option grants of approximately 2%/-0.2% and 2%/0.4% of fully diluted shares outstanding in F1999 and F2000, respectively. Drilling down further, top executives at Intel received only 1% of new options granted in F2001, with the remaining 99% going to other employees, as compared to 21% and 79%, respectively, for the 59 non-acquired companies. In addition, for Intel, in both F2000 and F1999 senior executives at these companies received less than 1% of new options granted.

- **In this report, specifically, we drill down on the stock option practices of the 59 non-acquired public companies founded after 1970, as we believe these companies represent the best examples of *new* entrepreneurial US enterprises that have created wealth for investors. Also note that these companies currently, in aggregate, have over 1 million employees (including employees added through acquisitions), demonstrating their significant job creation. Although a number of these jobs are likely based internationally, it is interesting to look at the 1 million employees in the context of the fact that there are about 100 million households in the US, meaning that, on average, (again not excluding international employees) it could be viewed that 1 in 100 households has an employee of one of the 59 more successful entrepreneurial companies.**

- **On average, we found for the 59 non-acquired companies, stock options outstanding as a share of fully diluted shares were 13% at the end of F2001**. Drilling down further, for the tech companies in this group, options outstanding represented 17% of fully diluted shares outstanding vs. 9% for the non-tech companies. And in terms of the incremental dilution from F2001 gross/net option grants, the tech companies were also more liberal than their non-tech counterparts, doling out options that amounted to 6%/2% of fully diluted shares outstanding, compared with 3%/1% for the non-tech companies.

- **The data for the aforementioned 59 companies for F1999 and F2000 do not differ dramatically from the F2001 data**, with only a slight up-tick in options outstanding as a percentage of fully diluted shares outstanding to 13% in F2001 from 12% in both F1999 and F2000.

Exhibit 3

Current Option Dilution Exposure and Incremental Option Dilution in F1999, F2000 and F2001

F2001	Tech (29 cos.)	Non-Tech (30 cos.)	Total (59 cos.)
Options outstanding as % of fully diluted shares	17%	9%	**13%**
Options granted (Gross) as % of fully diluted shares	6%	3%	**4%**
Options granted (Net) as % of fully diluted shares	1.9%	1.0%	**1.4%**

F2000	Tech (29 cos.)	Non-Tech (30 cos.)	Total (59 cos.)
Options outstanding as % of fully diluted shares	16%	8%	**12%**
Options granted (Gross) as % of fully diluted shares	5%	2%	**3%**
Options granted (Net) as % of fully diluted shares	0.8%	-0.2%	**0.3%**

Source: Company 10-K and Proxy filings
While use of fully diluted shares creates some double counting for in the money options, use of basic shares shows similar relationships.
Data is for the 59 non-acquired public companies taken from the list of the top 150 net wealth creators (methodology described above) which were founded after 1970, with IPOs after 1980.

On average, we found that for the 59 non-acquired companies, top executives received 21% of new options granted in F2001, with the remaining 79% going to other employees. Interestingly, the tech companies granted options more evenly to employees than the non-tech firms, who tended to grant a higher allotment of stock options to top executives. While top executives at the tech firms received, on average, 11% of F2001 options granted (89% for other employees), top executives at the non-tech companies received 30% of options granted (70% for other employees). The reason for this, we believe is, in part cultural, as at many tech companies there's been a keen focus (thanks in part to the legacies of Intel and Hewlett-Packard) on stock incentives for all employees, and, in part, to especially competitive labor markets. Also, we would note that, in many cases, executive founders already have substantial equity interests in their companies, making additional option grants less important to aligning their interests with the company.

Note that there is only a slight trend toward a greater share of option grants to top executives from F1999 to F2001, with share reaching 21% in F2001 from 19% in F1999.

Exhibit 4

Option Distribution to Top Executives as a Share of Total Options Granted in F1999, F2000 and F2001

F2001	Tech (29 cos.)	Non-Tech (30 cos.)	Total (59 cos.)
Options granted to top executives as % of total	11%	30%	**21%**
F2000	**Tech (29 cos.)**	**Non-Tech (30 cos.)**	**Total (59 cos.)**
Options granted to top executives as % of total	14%	25%	**20%**
F1999	**Tech (29 cos.)**	**Non-Tech (30 cos.)**	**Total (59 cos.)**
Options granted to top executives as % of total	11%	27%	**19%**

Source: Company 10-K and Proxy statement (executives are defined as those whose option grants are individually broken out in their company's Proxy statement). While use of fully diluted shares creates some double counting for in the money options, use of basic shares shows similar relationships.
Data is for the 59 non-acquired public companies taken from the list of the top 150 net wealth creators (methodology described above) which were founded after 1970, with IPOs after 1980.

Exhibit 5

Option Distribution to Non-Executive Employees as a Share of Total Options Granted in F1999, F2000, and F2001

F2001	Tech (29 cos.)	Non-Tech (30 cos.)	Total (59 cos.)
Options granted to non-executive employees as % of total	89%	70%	**79%**
F2000	**Tech (29 cos.)**	**Non-Tech (30 cos.)**	**Total (59 cos.)**
Options granted to non-executive employees as % of total	86%	75%	**80%**
F1999	**Tech (29 cos.)**	**Non-Tech (30 cos.)**	**Total (59 cos.)**
Options granted to non-executive employees as % of total	89%	73%	**81%**

Source: Company 10-K and Proxy statement (executives are defined as those whose option grants are individually broken out in their company's Proxy statement). While use of fully diluted shares creates some double counting for in the money options, use of basic shares shows similar relationships.
Data is for the 59 non-acquired public companies taken from the list of the top 150 net wealth creators (methodology described above) which were founded after 1970, with IPOs after 1980.

Of the 59 companies, the one with the greatest share of options outstanding is Siebel Systems with options totaling 47% of fully diluted shares outstanding at the end of F2001. In terms of incremental dilution from new option grants in F2001, Siebel Systems led the pack with gross/net options granted in the amount of 21%/14% of fully diluted shares outstanding.

While, as noted above, the overall trends for option granting for the 59 companies did not fluctuate dramatically between F1999 and F2001, we did see a trend of increasing option grants for some companies shown in Exhibits 7 below. Companies like Siebel, Broadcom, AmeriSourceBergen, Circus Circus, America Online, Charles Schwab, Coach, Yahoo! and Oxford Health Plans granted an increasing number of options (measured by net option grants as a share of fully diluted shares outstanding) over the past three years. In part, we believe that this may have been a result of the competitive labor environment, as well as the impact of option plans added as a result of acquisitions.

Exhibit 6

Top Net Wealth Creators with Greatest Options Dilution Exposure (sorted by F2001)

Company	F1999 Options outstanding as % of fully diluted shares	F2000 Options outstanding as % of fully diluted shares	F2001 Options outstanding as % of fully diluted shares
Siebel Systems	33%	35%	47%
Broadcom	24%	34%	40%
Apple Computer	10%	20%	26%
Maxim	29%	26%	26%
Yahoo!	20%	21%	22%
Network Appliance	20%	21%	21%
PeopleSoft	20%	20%	19%
Amazon.com	24%	20%	17%
BMC Software	11%	15%	17%
Intuit	16%	15%	17%

Source: Company 10-K filings
Companies are taken from the subset of 59 non-acquired companies that were among the top 150 net wealth creators. Note that we include options acquired through mergers in the total options granted for the year.

Exhibit 7

Top Net Wealth Creators with Greatest Incremental Options Dilution (sorted by F2001)

Company	F2000 Options granted (Gross) as % of fully diluted shares	F2000 Options granted (Net) as % of fully diluted shares	F2001 Options granted (Gross) as % of fully diluted shares	F2001 Options granted (Net) as % of fully diluted shares
Siebel Systems	9%	0%	21%	14%
Broadcom	11%	8%	22%	11%
Apple Computer	13%	9%	10%	7%
AmeriSourceBergen	2%	0%	4%	7%
Circus Circus Enterprises	1%	-1%	6%	6%
America Online	3%	0%	4%	6%
Charles Schwab	2%	0%	5%	4%
Coach	1%	0%	4%	4%
Yahoo!	5%	-1%	11%	3%
Oxford Health Plans	3%	-5%	7%	3%

Source: Company 10-K filings
Companies are taken from the subset of 59 non-acquired companies that were among the top 150 net wealth creators. Note that we include options acquired through mergers in the total options granted for the year.

Exhibit 8

Top 150 Market Net Wealth Creators - IPO'd 1980 to 2002 YTD (7/30/02)

Company	Wealth Creation	Tech	Company Still Public? (Acquired/Merged)	Year Company Founded	F1999 Options Outstanding as % of Fully Diluted Shares	F2000 Options Outstanding as % of Fully Diluted Shares	F2001 Options Outstanding as % of Fully Diluted Shares	F1999 Gross Incremental Option Grant Dilution	F2000 Gross Incremental Option Grant Dilution	F2001 Gross Incremental Option Grant Dilution	F2000 Net Incremental Option Grant Dilution	F2001 Net Incremental Option Grant Dilution	F1999 % of Options Granted to Executives	F1999 % of Options Granted to Employees	F2000 % of Options Granted to Executives	F2000 % of Options Granted to Employees	F2001 % of Options Granted to Executives	F2001 % of Options Granted to Employees	Employees
1 Microsoft	170,662	X	Public	1975	14%	15%	16%	1%	5%	4%	1%	1%	0%	100%	6%	94%	2%	98%	50,500
2 Cisco	47,990	X	Public	1984	12%	13%	14%	3%	4%	4%	1%	1%	2%	98%	3%	97%	3%	97%	38,000
3 PacTel(Pacific Telesis)	40,974		Acquisition or Merger	1884	--	--	--	--	--	--	--	--	--	--	--	--	--	--	13,000
4 Oracle Systems	39,956	X	Public	1985	8%	10%	8%	3%	4%	0%	2%	-3%	3%	97%	10%	90%	0%	100%	42,006
5 Dell Computer	34,816	X	Public	1984	12%	12%	13%	2%	6%	5%	1%	0%	37%	63%	2%	98%	3%	97%	34,600
6 Associates First Capital	29,812		Acquisition or Merger	1918	--	--	--	--	--	--	--	--	--	--	--	--	3%	97%	32,486
7 Conoco(El du Pont de Nemours)	29,595		Public	1875	--	--	--	--	--	--	--	--	98%	2%	0%	100%	24%	76%	--
8 Morgan Stanley	22,677		Public	1924	11%	12%	14%	2%	2%	2%	1%	1%	0%	100%	7%	93%	--	--	61,319
9 Amgen	22,654		Public	1984	11%	9%	9%	2%	1%	2%	-2%	0%	5%	95%	14%	86%	36%	64%	7,700
10 International Speedway	20,566		Public	1958	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
11 MBNA	18,701		Public	1990	5%	5%	6%	1%	1%	1%	0%	1%	33%	67%	37%	63%	32%	68%	28,000
12 United Parcel Service	15,969		Public	1907	3%	3%	3%	1%	0%	0%	-1%	0%	4%	96%	--	--	--	--	371,000
13 Equitable Companies	14,244		Acquisition or Merger	1859	--	--	--	--	--	--	--	--	--	--	--	--	--	--	9,900
14 Consolidated Rail	13,962		Acquisition or Merger	1826	--	--	--	--	--	--	--	--	--	--	--	--	--	--	21,280
15 eBay	13,185	X	Public	1995	10%	9%	12%	4%	3%	7%	0%	3%	4%	96%	13%	87%	10%	90%	2,560
16 Stop & Shop Cos	11,699		Acquisition or Merger	1914	--	--	--	--	--	--	--	--	--	--	--	--	--	--	36,000
17 Kraft Foods	10,341		Public	1903	0%	0%	1%	0%	0%	1%	0%	1%	--	--	--	--	6%	94%	114,000
18 Talbots(Jusco Co Ltd)	10,125		Public	1947	7%	8%	10%	2%	5%	2%	1%	1%	18%	82%	72%	28%	36%	64%	10,400
19 Ascend Communications	9,309	X	Acquisition or Merger	1989	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3,060
20 AutoZone	9,136		Public	1979	7%	9%	8%	1%	2%	8%	0%	-2%	--	--	5%	95%	31%	69%	44,557
21 Bed Bath & Beyond	8,532		Public	1971	9%	8%	8%	2%	2%	1%	-1%	0%	20%	80%	31%	69%	44%	56%	19,000
22 America Online	8,468	X	Public	1985	15%	15%	14%	4%	3%	4%	0%	6%	--	--	--	--	10%	90%	89,300
23 Qualcomm	8,333	X	Public	1985	16%	14%	14%	2%	1%	2%	-2%	0%	0%	100%	12%	88%	10%	90%	6,500
24 Paychex	8,256	X	Public	1971	3%	3%	2%	0%	1%	0%	0%	0%	6%	94%	2%	98%	5%	95%	7,400
25 General Instrument	8,191	X	Acquisition or Merger	1967	--	--	--	--	--	--	--	--	--	--	--	--	--	--	7,800
26 Compaq Computer	8,094	X	Acquisition or Merger	1982	--	--	--	--	--	--	--	--	--	--	--	--	--	--	63,700
27 Estee Lauder Cos	7,939		Public	1946	6%	9%	10%	2%	3%	1%	3%	1%	43%	57%	34%	66%	30%	70%	19,900
28 E-Tek Dynamics	7,915	X	Acquisition or Merger	1981	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1,316
29 Nabisco Holdings	7,877		Acquisition or Merger	1898	--	--	--	--	--	--	--	--	--	--	--	--	--	--	50,700
30 HBO & Co	7,606		Acquisition or Merger	1833	--	--	--	--	--	--	--	--	--	--	--	--	--	--	6,286
31 Linear Technology	6,964	X	Public	1981	14%	12%	13%	3%	1%	2%	-1%	1%	3%	97%	0%	100%	16%	84%	3,193
32 Travelers/Aetna Ppty Casualty	6,740		Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
33 MGIC Investment	6,607		Public	1957	3%	3%	3%	1%	1%	0%	0%	0%	38%	62%	35%	65%	--	--	1,223
34 Teleport Communications Group	6,415		Acquisition or Merger	1983	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
35 Netscape Communications	6,382	X	Acquisition or Merger	1994	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2,936
36 Wellpoint Health Networks	6,337		Public	1993	8%	8%	11%	3%	3%	5%	0%	3%	17%	83%	15%	85%	20%	80%	13,900
37 Maxim Integrated Products	6,330	X	Public	1983	29%	26%	27%	6%	5%	7%	-2%	2%	4%	96%	6%	94%	5%	95%	6,317
38 Krispy Kreme Doughnuts	6,327		Public	1937	370%	16%	16%	0%	3%	4%	3%	1%	--	--	54%	46%	--	--	3,632
39 Sun Microsystems	6,265	X	Public	1982	13%	13%	15%	3%	4%	4%	1%	1%	1%	99%	1%	99%	3%	97%	43,700
40 Intimate Brands(Limited)	6,145		Acquisition or Merger	1995	--	--	--	--	--	--	--	--	--	--	--	--	--	--	69,000
41 United Video Satellite Group	6,125		Acquisition or Merger	1965	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3,300
42 Duracell International	6,057		Acquisition or Merger	1948	--	--	--	--	--	--	--	--	--	--	--	--	--	--	9,600
43 Morningstar Group	5,975	X	Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	1,403
44 First USA	5,731		Acquisition or Merger	1985	--	--	--	--	--	--	--	--	--	--	--	--	14%	86%	3,800
45 StrataCom	5,723	X	Acquisition or Merger	1997	--	--	--	--	--	--	--	--	--	--	--	--	--	--	997
46 Green Tree Acceptance	5,590		Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
47 Student Loan Marketing Assn	5,587		Public	1967	--	--	--	--	--	--	--	--	0%	100%	0%	100%	--	--	--
48 Lexmark International Group	5,580	X	Public	1978	10%	10%	10%	2%	2%	3%	0%	0%	21%	79%	18%	82%	9%	91%	12,700
49 John Hancock Financial Svcs	5,524		Public	1862	0%	1%	4%	0%	1%	4%	1%	3%	--	--	--	--	--	--	8,355
50 SDL	5,452	X	Acquisition or Merger	1992	--	--	--	--	--	--	--	--	--	--	--	--	--	--	998
51 Hospitality Franchise Systems	5,139		Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	16,900
52 EW Scripps(Edward Scripps Tr)	4,978		Public		5%	5%	6%	1%	1%	1%	1%	0%	126%	-26%	146%	-46%	24%	76%	7,400
53 MFS Commun(Peter Kiewit Sons)	4,868		Acquisition or Merger	1988	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3,592
54 MBIA	4,726		Public	1974	6%	5%	6%	2%	1%	1%	0%	0%	--	--	--	--	50%	50%	601
55 Omnipoint	4,678	X	Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	1,947
56 Career Education	4,604		Public	1994	15%	14%	13%	8%	4%	4%	2%	0%	13%	87%	27%	73%	38%	62%	7,600
57 Electronic Arts	4,475	X	Public	1982	17%	16%	15%	6%	4%	4%	-1%	1%	4%	96%	--	--	10%	90%	3,500
58 American Television & Commun	4,441		Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	7,900
59 Cox Radio	4,434		Public	1934	2%	2%	3%	1%	1%	1%	1%	1%	9%	91%	24%	76%	23%	77%	2,336
60 Xilinx	4,321	X	Public	1984	16%	16%	16%	1%	2%	3%	0%	1%	29%	71%	5%	95%	7%	93%	2,611
61 King Pharmaceuticals	4,305		Public	1993	5%	3%	2%	1%	1%	0%	-2%	-1%	3%	97%	5%	95%	10%	90%	1,843
62 Software.com	4,266	X	Acquisition or Merger	1983 Enertech-Parent Co.	--	--	--	--	--	--	--	--	--	--	--	--	--	--	309
63 EchoStar Communications	4,224		Public	1993	6%	5%	5%	5%	1%	0%	-1%	0%	12%	88%	41%	59%	0%	100%	11,000
64 Kohl's	4,224		Public	1938	8%	6%	6%	1%	1%	1%	-1%	0%	25%	75%	18%	82%	--	--	60,000
65 Outdoor Systems	4,147		Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	2,500
66 Pepsi Bottling Group	4,108		Public	1904	7%	11%	14%	8%	4%	3%	4%	2%	7%	93%	4%	96%	29%	71%	37,000
67 First Data	4,067	X	Public	1871	4%	3%	4%	1%	0%	1%	-1%	0%	14%	86%	41%	59%	10%	90%	29,000
68 Burr-Brown	3,975	X	Acquisition or Merger	1981 Digiterra-Parent Co.	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1,522
69 Amazon.com	3,800	X	Public	1994	24%	20%	17%	9%	6%	12%	-3%	-1%	24%	76%	10%	90%	16%	84%	7,800
70 Yahoo!	3,795	X	Public	1994	20%	21%	24%	6%	5%	11%	-1%	3%	6%	94%	5%	95%	24%	76%	3,000
71 Starbucks	3,774		Public	1971	12%	11%	11%	4%	2%	3%	-1%	0%	12%	88%	10%	90%	22%	78%	54,000
72 King World Productions	3,752		Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	418
73 Tuesday Morning (Madison)	3,745		Public	1974	--	--	--	--	--	--	--	--	--	--	--	--	83%	17%	--
74 Allstate	3,738		Public	1931	3%	3%	4%	1%	1%	1%	0%	0%	14%	86%	6%	94%	--	--	40,830
75 McCaw Cellular Communications	3,726		Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	9,860

Source: Morgan Stanley Equity Research, Company filings, SDC, FactSet (note that for fully diluted shares, FactSet uses data from the last quarter of the fiscal year.)
Note that we isolated the top 150 net wealth creating companies from a database of 5,406 US companies that went public in the US from 1980-2002YTD (7/30/02) with IPO market caps of greater than $10MM.
Net wealth creation was based upon stock price appreciation/depreciation (adjusting for splits) from the IPO price to the closing price on 7/30/2002 (or last trading price for acquired or delisted companies).
Then we applied this price appreciation to the IPO market value to calculate a current market value, which in effect neutralizes the dilutive impact of acquisitions, stock offerings and options issuance.

Exhibit 8 Continued

Top 150 Market Net Wealth Creators - IPO'd 1980 to 2002 YTD (7/30/02) *continued…*

Company	Wealth Creation	Tech	Company Still Public? (Acquired/Merged)	Year Company Founded	F1999 Options Outstanding as % of Fully Diluted Shares	F2000 Options Outstanding as % of Fully Diluted Shares	F2001 Options Outstanding as % of Fully Diluted Shares	F1999 Gross Incremental Option Grant Dilution	F2000 Gross Incremental Option Grant Dilution	F2001 Gross Incremental Option Grant Dilution	F2000 Net Incremental Option Grant Dilution	F2001 Net Incremental Option Grant Dilution	F1999 % of Options Granted to Executives	F1999 % of Options Granted to Employees	F2000 % of Options Granted to Executives	F2000 % of Options Granted to Employees	F2001 % of Options Granted to Executives	F2001 % of Options Granted to Employees	Employees
76 EOG Resources	3,713		Public	1930	11%	6%	6%	1%	1%	1%	-5%	0%	--	--	--	--	21%	79%	960
77 Trigon Healthcare	3,680		Public	1996	8%	8%	9%	1%	1%	2%	-1%	1%	33%	67%	44%	56%	32%	68%	4,208
78 CDW Computer Centers	3,672		Public	1984	14%	13%	14%	4%	1%	2%	0%	1%	17%	83%	12%	88%	90%	10%	2,800
79 CH Robinson Worldwide	3,498		Public	1905	2%	3%	4%	1%	1%	1%	1%	1%	8%	92%	19%	81%	21%	79%	3,770
80 Broadcast.Com	3,402	X	Acquisition or Merger	1994 Yahoo!- Parent Co.	--	--	--	--	--	--	--	--	--	--	--	--	--	--	283
81 ArrowPoint Communications	3,388	X	Acquisition or Merger	1997	--	--	--	--	--	--	--	--	--	--	--	--	--	--	148
82 Altera	3,386	X	Public	1983	11%	12%	15%	2%	3%	3%	1%	1%	5%	95%	23%	77%	14%	86%	1,987
83 Calpine	3,378		Public	1984	12%	10%	8%	3%	1%	1%	0%	-1%	15%	85%	9%	91%	8%	92%	3,719
84 Charles Schwab	3,269		Public	1975	7%	7%	11%	1%	2%	5%	0%	4%	2%	98%	6%	94%	5%	95%	19,600
85 IPC Information Systems	3,264	X	Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	925
86 Transatlantic Holdings	3,233		Public	1977	3%	3%	3%	0%	1%	0%	0%	0%	27%	73%	24%	76%	--	--	400
87 Hot Topic	3,218		Public	1988	13%	11%	10%	5%	5%	3%	-1%	-1%	13%	87%	27%	73%	35%	65%	4,000
88 Arterial Vascular Engineering	3,207		Acquisition or Merger	1991	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2,177
89 SEI Investments Co	3,190	X	Public	1968	17%	14%	13%	2%	1%	1%	-2%	-2%	0%	100%	4%	96%	4%	96%	1,890
90 Federated Investors	3,141		Public	1955	5%	10%	10%	1%	5%	0%	5%	-1%	--	--	--	--	53%	47%	1,829
91 Hartford Life(ITT Hartford)	3,116		Acquisition or Merger	1810	--	--	--	--	--	--	--	--	--	--	--	--	--	--	5,000
92 Cytyc	3,095		Public	1987	10%	10%	13%	3%	5%	5%	1%	3%	11%	89%	7%	93%	26%	74%	554
93 Harley-Davidson	3,087		Public	1903	4%	3%	3%	0%	0%	0%	0%	-1%	60%	40%	121%	-21%	--	--	8,100
94 HCA-Hospital of America	3,079		Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	66,000
95 Fort Howard	3,076		Acquisition or Merger	1919	--	--	--	--	--	--	--	--	--	--	--	--	--	--	7,000
96 Jones Apparel Group	3,002		Public	1970	10%	13%	13%	2%	5%	4%	3%	2%	0%	100%	32%	68%	18%	82%	16,690
97 Owens-Illinois	2,970		Public	1903	--	--	--	--	--	--	--	--	27%	73%	27%	73%	30%	70%	--
98 AMBAC(Citibank/Citicorp)	2,964		Public	1971	5%	5%	6%	1%	2%	2%	0%	0%	30%	70%	35%	65%	--	--	370
99 Medco Containment Services	2,948		Acquisition or Merger	1985	--	--	--	--	--	--	--	--	--	--	--	--	--	--	9,250
100 US Robotics	2,923	X	Acquisition or Merger	1976	--	--	--	--	--	--	--	--	--	--	--	--	--	--	6,313
101 Circus Circus Enterprises	2,913		Public		7%	7%	14%	4%	1%	6%	-1%	6%	72%	28%	0%	100%	75%	25%	33,300
102 T Rowe Price Associates	2,894		Public	1937	18%	20%	21%	3%	4%	3%	1%	1%	--	--	--	--	3%	97%	3,650
103 AmeriSourceBergen	2,893		Public	1977	7%	7%	11%	2%	2%	4%	0%	7%	--	--	--	--	13%	87%	13,700
104 Coca-Cola Enterprises	2,827		Public	1986	11%	11%	13%	5%	0%	4%	0%	3%	9%	91%	5%	95%	15%	85%	72,000
105 Network Solutions	2,804	X	Acquisition or Merger	1979	--	--	--	--	--	--	--	--	--	--	--	--	--	--	888
106 PeopleSoft	2,779	X	Public	1987	20%	20%	19%	11%	12%	5%	3%	-1%	15%	85%	4%	96%	8%	92%	8,436
107 Clarify	2,775	X	Acquisition or Merger	1990	--	--	--	--	--	--	--	--	--	--	--	--	--	--	630
108 Intuit	2,705	X	Public	1983	16%	15%	17%	8%	5%	6%	0%	2%	4%	96%	10%	90%	7%	93%	6,100
109 Coach	2,701		Public	1941	--	3%	6%	--	1%	4%	0%	4%	--	--	--	--	40%	60%	2,700
110 Staples	2,690		Public	1986	9%	11%	11%	3%	4%	2%	2%	0%	23%	77%	11%	89%	17%	83%	53,918
111 Excite	2,682	X	Acquisition or Merger	1999	--	--	--	--	--	--	--	--	--	--	--	--	--	--	711
112 Verio	2,677	X	Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	1,870
113 EarthLink Network	2,636	X	Acquisition or Merger	1994	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1,343
114 ARCO Chemical Co(ARCO)	2,595		Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	4,200
115 Principal Financial Group	2,567		Public	1879	--	--	--	--	--	--	--	--	--	--	--	--	--	--	17,138
116 Accenture LTD	2,548	X	Public	1999	--	--	--	--	--	--	--	--	--	--	--	--	29%	71%	75,000
117 Aspect Development	2,512	X	Acquisition or Merger	1988 i2 Tech-Parent Co.	--	--	--	--	--	--	--	--	--	--	--	--	--	--	837
118 Fiserv	2,487	X	Public	1984	7%	7%	7%	1%	1%	1%	-1%	0%	22%	78%	23%	77%	35%	65%	18,200
119 Washington Mutual,Seattle,WA	2,433		Public	1889	3%	4%	5%	1%	1%	3%	1%	1%	9%	91%	12%	88%	17%	83%	39,465
120 PMI Group	2,426		Public	1993	2%	2%	3%	1%	1%	1%	0%	1%	34%	66%	31%	69%	24%	76%	1,235
121 UNUMProvident	2,376		Public	1985	6%	7%	7%	2%	2%	1%	1%	1%	48%	52%	23%	77%	32%	68%	13,100
122 Reebok International Ltd	2,350		Public	1979	15%	14%	15%	3%	7%	5%	0%	2%	63%	37%	62%	38%	28%	72%	6,700
123 Dollar Tree Stores	2,349		Public	1986	3%	4%	5%	1%	2%	1%	0%	1%	5%	95%	7%	93%	8%	92%	22,700
124 Broadcom	2,335	X	Public	1991	24%	34%	41%	10%	11%	22%	8%	11%	0%	100%	1%	99%	6%	94%	2,728
125 MMC Networks	2,292	X	Acquisition or Merger	1992	--	--	--	--	--	--	--	--	--	--	--	--	--	--	187
126 Wellfleet Communications	2,284		Acquisition or Merger	1986	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
127 Veritas Software	2,277	X	Public	1989	14%	14%	15%	4%	5%	5%	0%	1%	12%	88%	24%	76%	13%	87%	5,605
128 Heller Financial	2,259		Acquisition or Merger	1919	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2,514
129 BMC Software	2,202	X	Public	1980	11%	15%	18%	4%	6%	5%	4%	2%	13%	87%	1%	99%	21%	79%	6,335
130 Patterson Dental Co	2,200		Public	1877	1%	1%	1%	1%	0%	0%	0%	0%	3%	97%	33%	67%	9%	91%	4,637
131 Newmont Gold Co	2,195		Acquisition or Merger	1921	--	--	--	--	--	--	--	--	--	--	--	--	--	--	6,760
132 Siebel Systems	2,187	X	Public	1993	35%	33%	48%	11%	9%	21%	0%	14%	11%	89%	19%	81%	12%	88%	7,403
133 Waters	2,183		Public	1962	15%	12%	13%	1%	1%	2%	-3%	1%	10%	90%	14%	86%	16%	84%	3,500
134 Lands' End	2,177		Acquisition or Merger	1963	--	--	--	--	--	--	--	--	--	--	--	--	--	--	10,200
135 Carnival Cruise Lines	2,169		Public	1972	1%	2%	2%	0%	0%	1%	0%	1%	20%	80%	12%	88%	15%	85%	33,200
136 Go2Net	2,154		Acquisition or Merger	1996	--	--	--	--	--	--	--	--	--	--	--	--	--	--	225
137 Safeway	2,092		Public	1925	--	--	--	--	--	--	--	--	4%	96%	31%	69%	5%	95%	--
138 Apple Computer	2,081	X	Public	1977	10%	20%	27%	3%	13%	10%	9%	7%	14%	86%	46%	54%	11%	89%	11,434
139 Affiliated Computer Services	2,054	X	Public	1988	5%	5%	4%	1%	1%	1%	0%	0%	25%	75%	13%	87%	26%	74%	21,000
140 Amphenol	2,029	X	Public	1932	8%	9%	10%	1%	3%	1%	2%	1%	18%	82%	40%	60%	32%	68%	10,300
141 Lycos(CMG@Ventures)	2,025	X	Acquisition or Merger	1995	--	--	--	--	--	--	--	--	--	--	--	--	--	--	785
142 Network Appliance	2,020	X	Public	1992	20%	21%	21%	7%	7%	5%	1%	0%	19%	81%	97%	3%	8%	92%	2,280
143 Microchip Technology	2,004	X	Public	1989	13%	12%	12%	3%	3%	2%	0%	0%	3%	97%	6%	94%	10%	90%	3,041
144 Cascade Communications	1,981	X	Acquisition or Merger	1990	--	--	--	--	--	--	--	--	--	--	--	--	--	--	833
145 Bear Stearns Cos	1,969		Public	1923	2%	9%	12%	2%	6%	4%	6%	3%	0%	100%	3%	97%	2%	98%	10,452
146 Oxford Health Plans	1,967		Public	1984	18%	10%	14%	4%	3%	7%	-5%	3%	30%	70%	28%	72%	33%	67%	3,400
147 Quantum Effect Devices	1,958	X	Acquisition or Merger	1991	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
148 Dreyer's Grand Ice Cream	1,956		Public	1928	18%	20%	17%	4%	3%	2%	3%	1%	43%	57%	--	--	33%	67%	4,700
149 Jabil Circuit	1,951	X	Public	1966	7%	7%	5%	2%	1%	2%	0%	-2%	15%	85%	9%	91%	8%	92%	17,097
150 Ortel	1,949	X	Acquisition or Merger		--	--	--	--	--	--	--	--	--	--	--	--	--	--	480
Average/Sum					**14.3%**	**10.2%**	**11.2%**	**2.9%**	**2.9%**	**3.5%**	**0.5%**	**1.2%**	**18.6%**	**81.4%**	**21.7%**	**78.3%**	**20.3%**	**79.7%**	**2,425,683**

Source: Morgan Stanley Equity Research, Company filings, SDC, FactSet (note that for fully diluted shares, FactSet uses data from the last quarter of the fiscal year.)
Note that we isolated the top 150 net wealth creating companies from a database of 5,406 US companies that went public in the US from 1980-2002YTD (7/30/02) with IPO market caps of greater than $10MM.
Net wealth creation was based upon stock price appreciation/depreciation (adjusting for splits) from the IPO price to the closing price on 7/30/2002 (or last trading price for acquired or delisted companies).
Then we applied this price appreciation to the IPO market value to calculate a current market value, which in effect neutralizes the dilutive impact of acquisitions, stock offerings and options issuance.

Exhibit 9

Top Non-Tech Public Market Net Wealth Creators (IPO’d 1980 to 2002 YTD (7/30/02), and founded post-1970)

	IPO: Offer Date	Company	Wealth Creation	Year Company Founded	F1999 Options Outstanding as % of Fully Diluted Shares	F2000 Options Outstanding as % of Fully Diluted Shares	F2001 Options Outstanding as % of Fully Diluted Shares	F1999 Gross Incremental Option Grant Dilution	F2000 Gross Incremental Option Grant Dilution	F2001 Gross Incremental Option Grant Dilution	F2000 Net Incremental Option Grant Dilution	F2001 Net Incremental Option Grant Dilution	F1999 % of Options Granted to Executives	F1999 % of Options Granted to Employees	F2000 % of Options Granted to Executives	F2000 % of Options Granted to Employees	F2001 % of Options Granted to Executives	F2001 % of Options Granted to Employees	Employees
1	06/17/83	Amgen	22,654	1984	11%	9%	9%	2%	1%	2%	-2%	0%	5%	95%	14%	86%	36%	64%	7,700
2	01/22/91	MBNA	18,701	1990	5%	5%	6%	1%	1%	1%	0%	1%	33%	67%	37%	63%	32%	68%	28,000
3	04/01/91	AutoZone	9,136	1979	7%	9%	8%	1%	2%	8%	0%	-2%	--	--	5%	95%	31%	69%	44,557
4	06/04/92	Bed Bath & Beyond	8,532	1971	9%	8%	8%	2%	2%	1%	-1%	0%	20%	80%	31%	69%	44%	56%	19,000
5	01/27/93	Wellpoint Health Networks	6,337	1993	8%	8%	11%	3%	3%	5%	0%	3%	17%	83%	15%	85%	20%	80%	13,900
6	06/29/88	EW Scripps(Edward Scripps Tr)	4,978		5%	5%	6%	1%	1%	1%	1%	0%	126%	-26%	146%	-46%	24%	76%	7,400
7	07/01/87	MBIA	4,726	1974	6%	5%	6%	2%	1%	1%	0%	0%	--	--	--	--	50%	50%	601
8	01/28/98	Career Education	4,604	1994	15%	14%	13%	8%	4%	4%	2%	0%	13%	87%	27%	73%	38%	62%	7,600
9	06/25/98	King Pharmaceuticals	4,305	1993	5%	3%	2%	1%	1%	0%	-2%	-1%	3%	97%	5%	95%	10%	90%	1,843
10	06/20/95	EchoStar Communications	4,224	1993	6%	5%	5%	5%	1%	0%	-1%	0%	12%	88%	41%	59%	0%	100%	11,000
11	06/26/92	Starbucks	3,774	1971	12%	11%	11%	4%	2%	3%	-1%	0%	12%	88%	10%	90%	22%	78%	54,000
12	04/21/99	Tuesday Morning (Madison)	3,745	1974	--	--	--	--	--	--	--	--	--	--	--	--	83%	17%	--
13	01/30/97	Trigon Healthcare	3,680	1996	8%	8%	9%	1%	1%	2%	-1%	1%	33%	67%	44%	56%	32%	68%	4,208
14	05/27/93	CDW Computer Centers	3,672	1984	14%	13%	14%	4%	1%	2%	0%	1%	17%	83%	12%	88%	90%	10%	2,800
15	09/19/96	Calpine	3,378	1984	12%	10%	8%	3%	1%	1%	0%	-1%	15%	85%	9%	91%	8%	92%	3,719
16	09/23/87	Charles Schwab	3,269	1975	7%	7%	11%	1%	2%	5%	0%	4%	2%	98%	6%	94%	5%	95%	19,600
17	06/15/90	Transatlantic Holdings	3,233	1977	3%	3%	3%	0%	1%	0%	0%	0%	27%	73%	24%	76%	--	--	400
18	09/23/96	Hot Topic	3,218	1988	13%	11%	10%	5%	5%	3%	-1%	-1%	13%	87%	27%	73%	35%	65%	4,000
19	03/08/96	Cytyc	3,095	1987	10%	10%	13%	3%	5%	5%	1%	3%	11%	89%	7%	93%	26%	74%	554
20	07/11/91	AMBAC(Citibank/Citicorp)	2,964	1971	5%	5%	6%	1%	2%	2%	0%	0%	30%	70%	35%	65%	--	--	370
21	10/25/83	Circus Circus Enterprises	2,913		7%	7%	14%	4%	1%	6%	-1%	6%	72%	28%	0%	100%	75%	25%	33,300
22	04/04/95	AmeriSourceBergen	2,893	1977	7%	7%	11%	2%	2%	4%	0%	7%	--	--	--	--	13%	87%	13,700
23	11/21/86	Coca-Cola Enterprises	2,827	1986	11%	11%	13%	5%	0%	4%	0%	3%	9%	91%	5%	95%	15%	85%	72,000
24	04/27/89	Staples	2,690	1986	9%	11%	11%	3%	4%	2%	2%	0%	23%	77%	11%	89%	17%	83%	53,918
25	04/10/95	PMI Group	2,426	1993	2%	2%	3%	1%	1%	1%	0%	1%	34%	66%	31%	69%	24%	76%	1,235
26	11/06/86	UNUMProvident	2,376	1985	6%	7%	7%	2%	2%	1%	1%	1%	48%	52%	23%	77%	32%	68%	13,100
27	07/26/85	Reebok International Ltd	2,350	1979	15%	14%	15%	3%	7%	5%	0%	2%	63%	37%	62%	38%	28%	72%	6,700
28	03/06/95	Dollar Tree Stores	2,349	1986	3%	4%	5%	1%	2%	1%	0%	1%	5%	95%	7%	93%	8%	92%	22,700
29	07/24/87	Carnival Cruise Lines	2,169	1972	1%	2%	2%	0%	0%	1%	0%	1%	20%	80%	12%	88%	15%	85%	33,200
30	08/06/91	Oxford Health Plans	1,967	1984	18%	10%	14%	4%	3%	7%	-5%	3%	30%	70%	28%	72%	33%	67%	3,400
		Average/Sum			**8.2%**	**7.8%**	**8.7%**	**2.6%**	**2.0%**	**2.8%**	**-0.2%**	**1.0%**	**26.7%**	**73.3%**	**24.9%**	**75.1%**	**30.3%**	**69.7%**	**484,505**

Source: Company 10-K and Proxy filings, SDC, FactSet (note that for fully diluted shares, FactSet uses data from the last quarter of the fiscal year.)
Data are for the 30 non-acquired, public non-tech companies taken from the list of the top 150 net wealth creators (methodology described above) which were founded after 1970, with IPOs after 1980.

Exhibit 10

Top Tech Public Market Net Wealth Creators (IPO'd 1980 to 2002 YTD (7/30/02), and founded post-1970)

	IPO: Offer Date	Company	Wealth Creation	Year Company Founded	F1999 Options Outstanding as % of Fully Diluted Shares	F2000 Options Outstanding as % of Fully Diluted Shares	F2001 Options Outstanding as % of Fully Diluted Shares	F1999 Gross Incremental Option Grant Dilution	F2000 Gross Incremental Option Grant Dilution	F2001 Gross Incremental Option Grant Dilution	F2000 Net Incremental Option Grant Dilution	F2001 Net Incremental Option Grant Dilution	F1999 % of Options Granted to Executives	F1999 % of Options Granted to Employees	F2000 % of Options Granted to Executives	F2000 % of Options Granted to Employees	F2001 % of Options Granted to Executives	F2001 % of Options Granted to Employees	Employees
1	03/13/86	Microsoft	170,662	1975	14%	15%	16%	1%	5%	4%	1%	1%	0%	100%	6%	94%	2%	98%	50,500
2	02/16/90	Cisco	47,990	1984	12%	13%	14%	3%	4%	4%	1%	1%	2%	98%	3%	97%	3%	97%	38,000
3	03/12/86	Oracle Systems	39,956	1985	8%	10%	8%	3%	4%	0%	2%	-3%	3%	97%	10%	90%	0%	100%	42,006
4	06/22/88	Dell Computer	34,816	1984	12%	12%	13%	2%	6%	5%	1%	0%	37%	63%	2%	98%	3%	97%	34,600
5	09/24/98	eBay	13,185	1995	10%	9%	12%	4%	3%	7%	0%	3%	4%	96%	13%	87%	10%	90%	2,560
6	03/19/92	America Online	8,468	1985	15%	15%	14%	4%	3%	4%	0%	6%	--	--	--	--	10%	90%	89,300
7	12/13/91	Qualcomm	8,333	1985	16%	14%	14%	2%	1%	2%	-2%	0%	0%	100%	12%	88%	10%	90%	6,500
8	08/26/83	Paychex	8,256	1971	3%	3%	2%	0%	1%	0%	0%	0%	6%	94%	2%	98%	5%	95%	7,400
9	05/28/86	Linear Technology	6,964	1981	14%	12%	13%	3%	1%	2%	-1%	1%	3%	97%	0%	100%	16%	84%	3,193
10	02/29/88	Maxim Integrated Products	6,330	1983	29%	26%	27%	6%	5%	7%	-2%	2%	4%	96%	6%	94%	5%	95%	6,317
11	03/04/86	Sun Microsystems	6,265	1982	13%	13%	15%	3%	4%	4%	1%	1%	1%	99%	1%	99%	3%	97%	43,700
12	11/14/95	Lexmark International Group	5,580	1978	10%	10%	10%	2%	2%	3%	0%	0%	21%	79%	18%	82%	9%	91%	12,700
13	09/20/89	Electronic Arts	4,475	1982	17%	16%	15%	6%	4%	4%	-1%	1%	4%	96%	--	--	10%	90%	3,500
14	06/12/90	Xilinx	4,321	1984	16%	16%	16%	1%	2%	3%	0%	1%	29%	71%	5%	95%	7%	93%	2,611
15	05/15/97	Amazon.com	3,800	1994	24%	20%	17%	9%	6%	12%	-3%	-1%	24%	76%	10%	90%	16%	84%	7,800
16	04/12/96	Yahoo!	3,795	1994	20%	21%	24%	6%	5%	11%	-1%	3%	6%	94%	5%	95%	24%	76%	3,000
17	03/30/88	Altera	3,386	1983	11%	12%	15%	2%	3%	3%	1%	1%	5%	95%	23%	77%	14%	86%	1,987
18	11/18/92	PeopleSoft	2,779	1987	20%	20%	19%	11%	12%	5%	3%	-1%	15%	85%	4%	96%	8%	92%	8,436
19	03/12/93	Intuit	2,705	1983	16%	15%	17%	8%	5%	6%	0%	2%	4%	96%	10%	90%	7%	93%	6,100
20	07/18/01	Accenture LTD	2,548	1999	--	--	--	--	--	--	--	--	--	--	--	--	29%	71%	75,000
21	09/25/86	Fiserv	2,487	1984	7%	7%	7%	1%	1%	1%	-1%	0%	22%	78%	23%	77%	35%	65%	18,200
22	04/16/98	Broadcom	2,335	1991	24%	34%	41%	10%	11%	22%	8%	11%	0%	100%	1%	99%	6%	94%	2,728
23	12/08/93	Veritas Software	2,277	1989	14%	14%	15%	4%	5%	5%	0%	1%	12%	88%	24%	76%	13%	87%	5,605
24	08/12/88	BMC Software	2,202	1980	11%	15%	18%	4%	6%	5%	4%	2%	13%	87%	1%	99%	21%	79%	6,335
25	06/27/96	Siebel Systems	2,187	1993	35%	33%	48%	11%	9%	21%	0%	14%	11%	89%	19%	81%	12%	88%	7,403
26	12/12/80	Apple Computer	2,081	1977	10%	20%	27%	3%	13%	10%	9%	7%	14%	86%	46%	54%	11%	89%	11,434
27	09/26/94	Affiliated Computer Services	2,054	1988	5%	5%	4%	1%	1%	1%	0%	0%	25%	75%	13%	87%	26%	74%	21,000
28	11/21/95	Network Appliance	2,020	1992	20%	21%	21%	7%	7%	5%	1%	0%	19%	81%	97%	3%	8%	92%	2,280
29	03/19/93	Microchip Technology	2,004	1989	13%	12%	12%	3%	3%	2%	0%	0%	3%	97%	6%	94%	10%	90%	3,041
		Average/Sum			**15.0%**	**15.5%**	**16.9%**	**4.4%**	**4.7%**	**5.7%**	**0.8%**	**1.9%**	**10.6%**	**89.4%**	**13.9%**	**86.1%**	**11.4%**	**88.6%**	**523,236**

Source: Company 10-K and Proxy filings, SDC, FactSet (note that for fully diluted shares, FactSet uses data from the last quarter of the fiscal year.)
Data is for the 29 non-acquired, public tech companies taken from the list of the top 150 net wealth creators (methodology described above) which were founded after 1970, with IPOs after 1980.

Technology Industry Views:

Semiconductors: Attractive — Valuations have improved significantly, and we expect sequential revenue growth and expanding margins to drive the average semiconductor stock higher during the next 12-18 months.
Semiconductor Capital Equipment: Attractive — Cyclical recovery underway. However, stocks likely to remain under pressure near term as expectations adjust for more muted ascent. End markets should eventually improve with seasonality and economy.
Wireline/Wireless Networking: Cautious — Challenging fundamentals, including weak demand, lower carrier capex and soft enterprise spending are likely to lead to another leg down in C2H02-2003.
Internet & PC Applications Software: Attractive — Given still strong 20%+ global growth in Internet users and usage, we continue to believe our stocks could outperform the market over the next 12-18 months.
Software: In-Line — Our thesis of an improving macroeconomic environment leading to an eventual upturn in capital spending results in our In-Line view of the Enterprise Software industry. We believe that software spending will continue to be constrained through 2002 followed by a modest recovery in 2003. We believe that overall tech spending should lag the pace of a general economic recovery due to cautious buying behavior and the lingering effects of over-buying in the past.
Computer Services & IT Consulting: Attractive — In general, we favor information processors. We believe these companies are solid secular growers with superior business models. We are constructive on IT consulting, but cautious on IT outsourcing.
Enterprise Hardware: In-Line — Low visibility, modest growth and an intensely competitive pricing environment are all issues facing our coverage universe over the next year. We believe these concerns are largely reflected in the stocks and expect most to perform in-line with the market.
PC Hardware: In-Line — Industry fundamentals appear to have reached a trough late last year and companies are arguably better positioned to deal with a slower growth environment. We continue to anticipate seasonal trends in the PC industry this year.
Enterprise Storage: Cautious — Our view reflects expectations of broad volatility-generated risk without the required return over the next 12 months, largely due to IT spending weakness in the subsystems market.
Electronic Components & Distribution: In-Line — We believe current order growth reflects a return to consumption, but soon order rates will depend on growth in end demand. Companies most likely to transition smoothly are those more closely tied to the industrial economy rather than IT & telecom spending.
Electronic Manufacturing Services: In-Line — Favorable long-term growth trends, reasonable valuations, strong balance sheets, and operating leverage, are offset by industry over capacity, low return on net operating assets, and some earnings estimate risk.

Global Stock Ratings Distribution

(as of October 31, 2002)

	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight	660	32%	249	37%	38%
Equal-weight	980	47%	315	47%	32%
Underweight	434	21%	105	16%	24%
Total	2,074		669		

Data include common stock and ADRs currently assigned ratings. For disclosure purposes (in accordance with NASD and NYSE requirements), we note that Overweight, our most positive stock rating, most closely corresponds to a buy recommendation; Equal-weight and Underweight most closely correspond to neutral and sell recommendations, respectively. However, Overweight, Equal-weight, and Underweight are not the equivalent of buy, neutral, and sell but represent recommended relative weightings (see definitions below). An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

ANALYST STOCK RATINGS

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

More volatile (V). We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "more volatile" can still perform in that manner.

Ratings prior to March 18, 2002: SB=Strong Buy; OP=Outperform; N=Neutral; UP=Underperform. For definitions, please go to www.morganstanley.com/companycharts.

ANALYST INDUSTRY VIEWS

Attractive (A). The analyst expects the performance of his or her industry coverage universe to be attractive vs. the relevant broad market benchmark over the next 12-18 months.

In-Line (I). The analyst expects the performance of his or her industry coverage universe to be in line with the relevant broad market benchmark over the next 12-18 months.

Cautious (C). The analyst views the performance of his or her industry coverage universe with caution vs. the relevant broad market benchmark over the next 12-18 months.

Stock price charts and rating histories for companies discussed in this report are also available at www.morganstanley.com/companycharts. You may also request this information by writing to Morgan Stanley at 1585 Broadway, 14th Floor (Attention: Research Disclosures), New York, NY, 10036 USA.

Additional information on recommended securities is available on request.

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