George Inve$tment View

Spring 1999 Volume 4, Number 2

WELCOME! This year's participants in the Roland George Investments Program have watched the market with awe and speculated about the variables responsible for today's exceptional earnings multiples. The students' focus this year has been on fundamental research, and decisions have been driven by a desire to reduce both market and company risk. The eclectic security decisions reflect the unique nature of this year's participants. Their strategies, approaches, and decisions are contained in this edition of their newsletter.

By Frank G. Castle, CFA
Roland & Sarah George
Chair of Investments

THE QUICK ROAD UP!

Mr. Market has been running rampant lately. We are in the midst of the biggest, highest priced Bull market ever. The Dow just crossed 10,000 — now 11,000. Can this continue? Nobody really knows. Lately many articles have been written about how overvalued the market is and how it is due for a correction. Every time the equity markets have shown signs of weakness, they have recovered on slightly better volume, generating greater confidence for both institutional and individual investors. Soon there will be articles forecasting "Dow 15,000", "Dow 20,000". Can the market conceivably get that high? We don't know and realistically neither do the well-paid professional prognosticators, although they do present interesting arguments for both Bull and Bear markets.

We like to rely on Don Hays (www.Wheatfirst.com) and other market prognosticators for market commentary, but we have long since realized that it is very tough to predict the market X-factor. Timing or "guessing" the market is nearly impossible. We believe that the X-factor in the market today is investor psychology – that and a few other factors such as the FED, rates, the turn around of some foreign economies in Asia, massive liquidity flowing into the market, and great earnings just produced in the first quarter. All these factors combined have propelled the market forward, but we believe that investor psychology has allowed the market to climb to all time highs. Nobody really knows how high psychology can take this market.

One of the top problems with the market today is how to value the securities. We think the job of valuation may be tougher today because no one can measure how much investor psychology is going to effect the sector and stock prices and because we are not sure how long benevolent psychology will play a roll in valuation. The Internet sector is a perfect example. Unprofitable Internet companies continue to have fantastic valuations that gyrate daily. EBAY swings 20+ points in a single day with no fundamental reason for the movement. The X-factor in the market is unpredictable and it worries savvy investors. We think the X-factor reflects that a growing number of investors are not paying attention to fundamentals. Instead, investors continue to invest because they are hoping for even higher valuations, despite the current overvaluations.

Another issue in the back of the minds of a limited number of investors is the year 2000 Y2K problem. With 2000 rapidly approaching, we believe that investors may sell stocks quickly and with greater volume at any sign of a problem. In short, the Y2K market today is a perilous place to be investing — extreme valuations, the possibility of higher rates from credit demands and/or inflation, and the danger of Y2K. The market is an extremely hard thing to predict. Add in today's market, psychology and prediction are nearly impossible. We are excited about what Mr. Market may bring us in the coming months. We only hope that the bargains he offers us do not come with a total wash-out of positive investor interest.

by Walter Ballard and Kevin Korey

Robert H. Stovall, CFA, is President and Chief Investment Officer of Stovall/ Twenty-First Advisers, Inc., a money management firm. Since receiving degrees at the University of Pennsylvania's Wharton School and New York University, he has been a security and market analyst for over thirty-five years. A frequent contributor to the financial press, he is a columnist for several publications. He is also a regular panelist on WALL $TREET WEEK WITH LOIUS RUKEYSER, a public television program of investing, as well as, a regular commentator on CNN and CNBC.

Mr. Stovall was a guest speaker for the Roland George Program in the spring semester. The following are excerpts from an interview conducted with him on April 7, 1999.

What is your outlook on interest rates for 1999?

If rates change in 1999, I believe that it is likely that the Fed will nudge them up rather than down.

Where do you see oil prices going in the next 6-12 months?

The question on everyone's mind is will OPEC be able to keep production down. I don't foresee much of a change in oil prices unless it is spiked by quicker recovery in Asia and Latin America.

Are there any sectors that you feel are grossly undervalued in the market today?

The market is largely a perception device. "Undervalued" is a questionable term these days. If investors don't want it, what is its value? The sectors I see as fundamentally undervalued are the industries linked to commodities, but these will not move unless a change in supply or demand occurs. Also the small and medium-cap stocks are undervalued according to the fundamentals.

How would you describe your asset allocation strategy for 1999?

That depends on the category of account. For example, for a person not interested in much personal involvement with the market, my suggestion would be: 5% moneymarket/cash reserves, 20-25% tax-free bonds, 10% Income REITs, and approximately 60% equities. If I were discussing my strategy for an aggressive equity fund, I would go where the money is. This portfolio would consist of: 10-15% in laddered treasury bills and the rest in equities. In all my accounts, I want to have an instrument like the Nasdaq 100 index (QQQ) that tracks the performance of the Nasdaq 100. By having this sort of index in your portfolio, it gives you diversified exposure to the technology sector.

When do you feel that investors will begin to recognize the small caps as an area of value?

Well, having a memory and a lot of experience has been a handicap in today's market. In the past, if the small caps didn't perform well in December, January, and February, then they would not do well for the remainder of the year. My advice would be to buy the S&P 400 if you wish to take a position in the small caps.

What impact do you see Y2K having on the financial markets as we move closer to this milestone?

Y2K has definitely helped the consulting firms. We've seen profits by firms such as Pitney Bowes (PIB), and probably IBM. I feel that investors could profit from positions in companies that manufacture batteries, survival food, candles, generators, and bottled water. A few such companies are: Blyth Industries (candles), Gillette and Ray-O-Vac (batteries), Briggs-Stratton and Tecumseh (generators), and Hersheys's (energy food).

What do you feel have been the biggest changes in the equity market in the last 10-15 years?

In my opinion, the rule book seems to have been rewritten. The old measurements like book value don't necessarily apply. Book value was useful when we were mainly focused on manufacturing and extractive industries. Now, the focus is on extrapolating sales growth. Also, companies like Sears and JC Penny are not doing well, while modern merchandisers like The Gap are performing well. Investors need to consider where the consumer is spending.

Do you see 10,000 as the last milepost in this tremendous market, for a while?

I believe that the Dow could challenge 11,000 between now and the end of the year. In my opinion, investors need to be involved with some of the newer companies to participate successfully in this market.

By Dennis Clark and Russell Kelton

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AU BON PAIN CO., INC. (ABPCA)

After struggling for years, Au Bon Pain finally won approval from its shareholders on March 5th to sell its namesake enterprise and concentrate on its more profitable brand names, Saint Louis Bread and Panera Bread. Panera should generate a lot of revenue growth and profitability in the next few years with over 500 franchises and company owned restaurants to be built.

The deal to sell Au Bon Pain will be complete if the buyers, a New York Based firm, finalize the financing agreements. The company made $0.04 per share this past quarter, after posting losses for the preceding four quarters. The Saint Louis/Panera Bread division made $4 million in EBIT with their 125 restaurants compared to $1.6 million for the 268 Au Bon Pain cafes. This figure shows exactly how much more profitable Panera is. We like Panera management, and we think that the company will generate super EPS growth and a nice P/E multiple.

by Shiran Samarawickrama

PAXSON COMMUNICATIONS (PAX)

Paxson Communications was added to the Roland George Investments Program Equity Portfolio in the Fall semester of 1998 given its profit potential and the significant margin of safety from the liquidation value of its stations. Paxson was starting up their new PAXTV portion of the company when the George Program purchased shares, and the goal was for Paxson to obtain a 1.0 on the Nielson ratings to indicate that Paxson was on schedule. With a 1.0 rating Pax should be able sell local advertising at a premium through its locally owned stations. Paxson reached and passed that 1.0 rating they were looking for, but recently their ratings have dropped, not uncommon for a start-up network. Their shows, "Touched by an Angel" and "Diagnosis Murder" are leading the way for Paxson with well over a million viewers each week.

The George Program is waiting for higher revenues from advertising to show up in the next quarterly report. If the report is positive, the George Program is poised to purchase more Paxson shares for the portfolio. Other positives for this company include: selling the remaining percent of the Travel Channel for $55 million; Paxson receiving offers of up to $16 a share to buy out Paxson from Disney and other interested parties; and Paxson selling off three of their unprofitable stations and aligning with two other top 50 stations in the nation. Most recently PAX purchased a Boston station from Boston University. We think the outlook is positive for Paxson.

by Tscharner Upjohn

GULFSTREAM AEROSPACE (GAC)

Since our purchase of Gulfstream Aerospace, the stock has visited new highs. At the present time however, the stock is below our purchase price. This does not worry us because the company has been making steady progress towards its goal of an EPS of $3.75. Since the first of the year, GAC has secured three Gulfstream V orders from the U.S. government. The planes will be used by the military to provide fast, safe, and reliable worldwide transportation for (high ranking) government officials involved in military and government special missions. In addition, Gulfstream has secured the services of BT Squared Technologies to improve the complex ordering and configuring process involved with these planes. The two-order interactive selling system from BT Squared automates sales, quotation and order management for inside sales, outside sales, and distribution channels.

Companies with complex products, services and pricing can streamline sales activities by enabling their sales staff to more accurately analyze customer requirements and configure, price and quote their products and services. This new system is another step toward efficiently producing GAC's $3.9 billion order backlog. This step will further improve Gulfstream's completion capabilities and should reduce cancellations. Gulfstream is continuing to make strides toward increasing its world-class reputation and share of market. GAC is generating higher gross margins, very strong cash flow, and a growing back-log, reflecting its market dominance. We believe the stock remains undervalued.

by William Laird

MIRAGE RESORTS

Many felt that the gaming industry was "played out" and that as the competition for the gambler's dollar becomes fierce, some casinos are bound to fall by the wayside. Questions were raised as to our investment in Mirage Resorts earlier in the year. One question was about new capacity, not due to their balance sheet or near term earnings potential, but rather the anticipated downturn in the gaming industry. To date these fears remain unfounded.

In February the Las Vegas gaming industry reported a 20% surge over last year's revenues. As for our investment in Mirage, the company seems motivated and dedicated to being the premier gaming company in the United States. Their primary casinos are The Mirage, Treasure Island, The Golden Nugget, and the newly opened Bellagio. They own controlling interest in The Monte Carlo and have recently opened a $600 million resort in Biloxi, Mississippi known as Beau Rivage. The newly opened Bellagio is currently the hottest casino in Las Vegas and is actually drawing more business to the area. Analysts feared that Bellagio would take the business away from other casinos, but total industry revenue increases suggest that the industry is in a strong upward swing. As the U.S. economy continues to expand, more people have discretionary income to spend on vacations and entertainment. Moreover, increasing numbers of foreign tourists are "excited" about visiting U.S. gaming sites.

We in the Roland George Investments Program continue to believe that Mirage Resorts has the best management in Steve Wynn and is the premier asset in the gaming industry.

by Chad Robinson

FREQUENCY ELECTRONICS

(A Watershed Year is in Progress.)

Early last semester the portfolio purchased FEI at an undervalued level, trading well below book value. Currently the stock trades at approximately $8 per share, with $5.25/sh. in cash and $7.68 in hard book value. On May 4, 1999, the company announced a major order from Motorola for rubidium oscillators (cellular). We expect that FEI will become a preferred supplier to Motorola in a market that is growing geometrically. Their principal competition, Datum, appears to be experiencing significant problems with their manufacturing costs.

In addition, FEI should become a major supplier to Loral, Hughes, and Alcatel for satellite transponders, a $4 billion market in the next ten years. Analysts agree that FEI is still well positioned to participate in every major system in the satellite market. We estimate that FEI will generate nearly $50 million in revenues for the year ending March 31, 2000, and that they should earn in excess of $.80 per share. Thereafter, we expect FEI could grow its EPS in excess of 35%. We are hoping for a triple dip; an increase in EPS, a higher multiple, and finally a take out by a major aerospace supplier.

By Ryan Cournoyer

Globalstar Telecommunication Limited (GSTRF)

— *Investment Thesis* —

Recommended for the Income Portfolio

Company Description

Globalstar is a network of 48 low earth-orbiting (LEO) satellite based telecommunication system that will provide wireless mobile, fixed voice, data, facsimile, paging and position location services in areas with little or no wire line or cellular coverage. The LEO constellation of satellites works in conjunction with the existing phone and cellular infrastructure through ground-based gateways.

Recommendation
Buy

Current Price
$25

Coupon
8.0%

Convertible into
2 Shares

Solid Business Plan

Globalstar will provide high quality services at prices affordable to everyone. The Globalstar system utilizes a "bent-pipe" satellite system that allows the long-distance portion of the call to be routed from a satellite to a gateway that extends existing telephone and wireless networks. The gateways are owned and operated by the local service providers that are responsible for the billing, collecting and marketing of the Globalstar system. Globalstar will collect an average wholesale price of 47 cents per minute from its service providers!

Huge Potential Market

By the year 2000 the worldwide average for people connected to fixed lines will be between 12 percent and 17 percent and over 60 percent will not yet have cellular coverage. Over 50 million people are on waiting lists for phones even in areas where there are landlines. Globalstar estimates that 30 million people can pay for Globalstar's services worldwide. However, the network will only be able to serve a maximum of 10 million subscribers. By 2000, Globalstar estimates that it will have over 3 million subscribers.

Our Margin of Safety

Globalstar is a conglomerate of 12 of the leading international telecommunications and aerospace companies which include Airtouch Communications, Alcatel, Alenia, DaCom, Daimler-Benz Aerospace, Elsag Bailey Fimmeccanica, France Telecom, Hyundai, Loral Space and Communication LTD, Space Systems Loral, Qualcomm, and Vodafone Group. All provide a strategic component to the Globalstar system. Estimated Revenue in 2002 is expected to be 2.6 billion. Globalstar is expected to operate on margins greater than 90 percent (!), which translates into after-tax profits of 1.8 billion and free cash flow exceeding 2 billion.

Current News

Globalstar has successfully launched 20 satellites, all of which perform flawlessly, and is just three launches short of getting its system operational. We attended the Unterberg Tobin Satellite Conference where representatives from Globalstar (Bernard Schwartz), informed investors that the Globalstar system will be operational later this year. The George Program's income fund invested in Globalstar's preferred convertible issue that was generating a current yield of 10%.

by Dahl Curry

MFC Bancorp, Ltd. (MXBIF)

Recommendation
Buy
Current Price 6.75
Coupon 8.0
Convertible into 75.64 Shares
Maturity Date 4/2001
EPS Est 1999 $2
P/E 3.3X
CFO/SH $1.75
Price/Est BV Sh .5X

— Investment Thesis —
Recommended for Growth Portfolio

Acquisitions

In September of 1997 MXBIF acquired all of the shares of Bank Rinderknecht AG paying book value of $7.0 million. This broadened the bank's customer base and gave the company a tax loss carry-forward of close to $44.0 million. In the second quarter of 1997 the company finished the acquisition of the Bank for its net book value. In 1996 the company acquired Logan International Corp. for $13.4 million. With this purchase the company also received a block of real estate in the Pacific Northwest. Further, in 1996 the company acquired Drummond Financial Corporation for approximately $11.8 million.

Proprietary Investing

This part of the company concentrates on identifying and acquiring a controlling interest in companies whose intrinsic values are not properly reflected in their share price. One of these investments was a Wabush Iron Ore Mine located in the Province of Newfoundland, Canada. The company's interest in Wabush Mine began in 1956 and expires in the year 2055. The operators of the Wabush Mine pay royalties to the company based on the amount of iron ore shipped from the mine. Revenues from the royalty interest are subject to a minimum annual royalty of $3.25 million. In 1997 the revenue generated from the mine was $9.45 million. The company also has a controlling interest in ICHR on the Nasdaq, but this interest is considered temporary.

Margin of Safety

The interest in the Wabush Mine is listed on the balance sheet at its historical cost of $1.7 million. The mine has been valued by independent auditors to be worth $31.4 million.

Off Balance Sheet Items

The company has many items that are listed on the balance sheet at their historical costs. These items when added to the book value of MXBIF would increase book very significantly: Mines, $3/sh; Goodwill of $1B in managed assets, $4/sh; ICHR, $.5/sh; shares in Mercer International and other holdings, $.5/sh; Land $2/sh. Total off balance sheet items $10.00. Stated book value $6.00. estimated BV appears to be $16.00. MXBIF reported EPS of $1.50 for 1998, and management expects to improve earnings to the $1.85+ level.

Convertibility

The bond carries an 8% coupon and is convertible into 75.64 common shares of MXBIF stock. The bond has complete call protection until April of 2001. Coverage of the bond by this small under-leveraged bank appears to be excessive at this time. The issue was $15.176 million, so the issue is small and illiquid (but available for the small value investor). We purchased the bonds for their convertibility into the common shares of MXBIF. We believe that the stock is truly undervalued. We paid a price of 80 for the bonds.

by Russell Kelton

Thoratec Laboratories (THOR)

— Investment Thesis —
Recommended for Growth and Value

Recommendation	Buy
Current Price	$7
Current Ratio	4.0
Gross Margin	57.58%
Market Cap	137.57 million
EPS Est 1999	.07

Company Description

Thoratec Laboratories develops, produces, and markets medical devices that participate in the circulatory support and vascular graft markets.

* $5.0 billion worldwide market with high barriers to entry
* No long-term debt
* Diverse product line
* Close to break even
* 3 straight quarters of better than expected earnings

Diverse Product Portfolio

Thoratec Laboratories holds a diverse portfolio of products that participate in large potential markets with little competition. The company currently has two very promising products that are highly differentiated and are gaining market share worldwide.

- *Ventricle Assist Device or VAD:* According to the American Heart Association, there are over 58.8 million Americans with some sort of heart disease. In 1999, it is estimated that cardiovascular disease will cost the nation $ 286.5 billion. The VAD is a product targeted to those with congestive heart failure. It is a mechanical device that pumps blood throughout a patient's body when the heart can no longer adequately circulate blood. Thoratec's current potential market for the VAD is estimated at $2.9 billion.
- *Vascular Access Graft or VAG:* The VAG provides access to the patient's blood to allow the removal of harmful toxins. It is used to replace damaged or severely diseased arteries. Medical experts believe that THOR's VAG could soon become the standard in the industry. This product has received an IDE approval from the FDA and is in clinical trials. Recently, Guidant issued Thoratec a $10 million unsecured line of credit after signing a distribution agreement to distribute the VAG product. The worldwide market for prosthetic grafts is estimated at approximately $100 million.
- In the pipeline is the company's CABG graft, now beginning clinical testing in Canada and the U.S. It is designed for use in coronary artery bypass surgery and is a synthetic replacement for the use of autologous grafts using veins from a patient's legs. Many companies over the years have tried to manufacture such a graft but have failed because the material used was too bulky to manufacture the small veins necessary. THOR has a patented material (thoralon) that may allow this manufacturer to make the veins needed for transplant operations. We know that both sheep and compassionate human cases are living nearly two plus years after implantation. The company expects the CABG graft product to be approved in the year 2000 and to come to market by the year 2001. The potential market for the CABG is in excess of $1 billion.

Revenues and Earnings

Sales were up 56% over last year. The company reported a loss of $0.09 per diluted share for the first nine months of fiscal 1998, compared with a loss of $0.19 per diluted share for the same period a year ago. Thoratec also reported better than expected earnings in the first three quarters of 1998.

Biotech Sector - The Opportunities and the Worries

The small-cap biotech sector, as a whole, is thought by many analysts to be undervalued. The increasing number of the nation's elderly (largest consumers of medical products and services) and recent takeover interest in this sector make Thoratec an appealing takeover. Analysts estimate that the VAD business alone is worth $10 per share.

Margin of Safety

Thoratec's margin of safety are the patents that it holds on the biomaterial Thoralon used in both VAD and VAG technologies. The company has no long-term debt and is on the verge of profitability. Also, Thoratec's recent distribution agreement with Guidant gives the company a $10 million line of credit, progress payments of nearly $3 million, and notoriety.

by Dennis Clark

Plains Resources, Inc. (PLX)

Recommendation	Buy
Current Price	$17
Book Value/Share	3.02
Cash Flow/Share	2.24
Shares Outstanding	16.89 Million
Debt to Assets	45.39%

— Investment Thesis —
Recommended for Growth Portfolio

Company Description

Plains Resources, Inc., is an independent energy company involved in the acquisition, development, and production of oil and natural gas. It markets, transports and stores crude oil. Upstream oil and natural gas activities are concentrated in the Los Angeles Basin of California, the Sunniland Trend of South Florida, the Illinois Basin, and the Gulf Coast area of Louisiana.

Valuation

PLX is undervalued compared to its peers, trading at a discount of 19% (as of 5/7/98) to the $21 estimated for its NAV. Its peer group is trading at an average premium of 12%. The $21 per share NAV estimate is based on Plains year-end 1998 reserves (135 million boe) and its interest in Plains All-American Pipeline, LP which is a strategic distributor of oil and gas.

Sound Liquidity

At year-end 1998, Plains' unused revolving credit stood at $173 million. Plains used only $52 million of its $225 million borrowing base. Also, Plains owns roughly 17 million units in Plains All-American Pipeline, LP, (approx. 57%). An estimated 7 million of these units are common units that have a market value of approximately $122 million and are equivalent to marketable securities. Another point is that close to 43% or 9,000 boe per day of Plains' oil production in 1999 is hedged at WTI price of 18.25/barrel and 9% of 2000 production is hedged at $15.25/bbl. These contracts provide assurance of cash flows in 1999 and 2000. Many of Plains' reserves have lives in excess of 18 years.

Sound Management

Management has employed a strategy of growing through exploitation. The company exploits large mature underdeveloped properties. By replicating this technique with new acquisitions, Plains has grown fourfold since 1993. To mitigate risk to ROI from volatility in crude oil prices, production is currently hedged at $18-$20 per barrel.

Acquisitions and Business Expansions

Plains aggressively acquires mature oil properties previously owned by the major oil companies in order to expand production while at the same time managing the production properties with PLX's lower cost structure. Because of its capital structure, PLX has the ability to acquire business while its smaller competitors can not compete on price or rate.

Cash Flow and Earnings

Cash flow per share is expected to rise 16% to $2.36 for YE 1999. The variable driving earnings and cash flow is Plains' ownership in its All-American Pileline, (PAA-$19). Plains' upstream business should generate strong earnings growth for the year 2000 and EPS should be in excess of fifty cents.

by Derek Mears, MBA

EUREKA!
THE GEORGE PROGRAM PLACES A BET ON ENERGY

For the first time since 1997, the oil service and oil drilling industries are showing signs of positive momentum. At the beginning of the first quarter of 1999, the majority of oil and energy companies hit their 52-week lows and some even hit their all-time lows. Now, in the second quarter of 1999, the outlook is positive. Some energy companies will make profits despite poor pricing, the Asian economy has lifted just a bit, and the middle east has again tried to cut back on production quotas. For these reasons the Roland George Investments Program over-weighted its portfolio in oil and energy stocks and bonds. The four oil and energy companies that we have included in our portfolio are: Halliburton, Global Marine, ENSCO, and Plains Resources. The rationale behind our decision is based on our expectation that oil prices will increase to the upper teens. In turn, we expect the oil services industry to outperform estimates this year and into the Year 2000.

FACTORS IMPROVING THE OIL INDUSTRY OUTLOOK

- With the recovery of the Asian economy underway, oil demand should increase.
- OPEC and Non-OPEC producers are trying to cut back oil production. OPEC managers have, to date, cut oil production by two million barrels per day.
- The World's oil inventories are at historic lows, a result of both oil management and reduced usage from good weather and poor economics.

HALLIBURTON (HAL)

www.halliburton.com

For large-cap exposure, we have chosen Halliburton. Halliburton is the largest and most diversified oilfield services provider. Halliburton is made up of three different business units: Energy Services, Engineering & Construction, and Dresser Equipment. When we purchased Halliburton, the stock was trading just above an all-time low. Rationale behind our purchase – Increased demand for oil and a shortage of oil infrastructure world-wide will drive demand for HAL's products and services.

GLOBAL MARINE (GLM)

www.glm.com

Global Marine is an oil drilling company that operates worldwide, providing turn-key solutions for the oil majors. GLM operates a modern fleet of 31 mobile offshore drilling rigs. GLM is the pioneer and world's largest provider of offshore turn-key drilling services, whereby GLM drills a well for a customer on a fixed price basis to a certain depth while assuming all of the risks involved in drilling. GLM was the first and only oil drilling company to reach revenues of over $1 billion in 1997 and in 1998. These revenues were earned while oil prices were at their lowest prices since the 70's. Our rationale for the purchase of GLM - Huge four-year contract backlog worth $1.3 billion. Rig replacement value was calculated to be $19 a share. GLM will be profitable at today's oil prices. Very good working relationships with the majors.

ENSCO INTERNATIONAL (ESV)

www.enscous.com

ENSCO International is one of the largest offshore oil and gas drilling contractors in the world. ENSCO operates 50 offshore rigs that service the domestic and international markets and operates a fleet of 36 oil field support vessels in the Gulf of Mexico. ENSCO's offshore contract drilling and marine transportation business play a key role in providing services to oil companies in their worldwide exploration and development efforts. ENSCO maintains strong relationships with these majors. ENSCO spent over $500 million in upgrading the capability and extending the service life of its jack-up fleet. Operating margins have been among the highest of contract drilling companies. Our rationale for the purchase of ENCSO - Increased demand for oil will increase the need for oil drilling services companies. ENCSO has a strong and experienced management team that focuses on maximizing their utilization rates and maintaining strong customer relationships.

Our analysts have covered many different companies in the oil industry and we feel the companies that we have added to our portfolio maintain the strongest presence in the industry. We will remain bullish on the oil industry as long as the Asian economy continues to grow and as long as OPEC oil producers continue to follow through with their decision to cut back oil production. We also feel that the oil drilling industry is next in line for consolidation. Robert Rose, CEO of Global Marine, has expressed his interest in finding a merger partner. He feels the oil-drilling sector can be better managed with fewer companies. Consolidation would benefit the majors that are moving to deal with a reduced number of suppliers.

by Chad Warrick

SEMICONDUCTOR INDUSTRY OUTLOOK

The semiconductor industry has been on a roller coaster ride since the beginning of the first quarter of 1999. The volatile ride has been fueled by the slowdown in PC sales. This slow down can be primarily attributed to two factors. The first factor relating to a decrease in PC sales is the Y2K problem. Consumers are delaying PC purchases until they see the effects of Y2K. The second factor that explains a decrease in PC sales relates to consumers delaying purchases until newer and faster motherboards (BUS speeds) are available on the market.

One of the semiconductor companies whose stock price has been affected by this slowdown (but not its production output) is Micron Technology (MU). The Roland George Investments Program holds a position in MU. Micron is the leading manufacturer of Dynamic Random Access Memory (DRAM) chips. Micron has continuously surprised Wall Street with better than expected earnings even with the slowdown in PC sales.

Achieving better than expected earnings in times of slow PC sales can be attributed to an increase in Micron's market share and their ability to be the low-cost producer in this industry. Many Asian firms have decided to pull out of the DRAM market due to the level of competition presented by companies such as Micron. Our expectations for the future of MU include a continued increase in market share, higher sales in an expanding market, and stronger less volatile earnings. These expectations are supported by the expected increases in PC sales influenced by increased popularity of the Internet. Additionally, PC users will realize that action must be taken in order to minimize the impact of Y2K problems. Expected 2000 EPS for Micron are $2.73.

The Roland George Investments Program intends to increase its position in the semiconductor industry with the purchase of shares in IBIS Technology (IBIS). IBIS Technology is a leading manufacturer in the next generation of microprocessor technology. IBIS developed SIMOX-SOI technology, which enables semiconductor manufacturers to produce higher speed microprocessors with lower power requirements. This technology has gained acceptance among the largest chip manufacturers such as IBM and Motorola. The value of the technology appears to have been confirmed by IBM in a number of technical articles published by the industry and in the WSJ. Although IBIS is a small company, it is directed by savvy experienced new management who have had success within the industry. For the moment IBIS is dominant in a technology that chip manufacturers must have to overcome the shortcomings of CMOS.

by Chad Warrick

PROF. FRANK G. CASTLE, CFA
Visiting George Professor of Applied Investments

Since graduating from Miami University in Ohio with a B.S. in Accounting, Prof. Castle has worked in investments and banking for twenty-eight years. He has an MBA from Babson College and attended the Stonier School of Banking at Rutgers University. After performing economic research for the National Security Agency, Prof. Castle worked for Bank of Boston in the Investment, International, and Merchant Banking divisions. Following the Bank of Boston, he worked for Feeley & Willcox, a Wall Street research and investment company. In 1994, Prof. Castle moved to the Middle East as a manager and teacher for the Abu Dhabi Investment Authority, returning to his own firm, Andover Research, in 1996.

DR. JAMES E. MALLETT
Professor of Finance

Prof. Jim Mallett has been teaching in the Finance Department at Stetson University since 1984. He also serves as the director of the Roland and Sarah George Investments Institute in the School of Business Administration. Prof. Mallett completed his Ph.D. in Economics at Wayne State University in 1981. At Stetson University, Jim Mallett teaches personal finance, investments, money and banking, and international finance. Prof. Mallett has written articles in investments and personal finance. He also serves as an investment committee member for Orange County, Florida.

Check out our new George Investments Institute web site and Prof. Mallett's Personal Finance site:

http://www.stetson.edu/departments/finance/institute.htm
http://www.stetson.edu/~jmallett/finplan.htm

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Comments & Disclaimer

The Roland George Investments Program was created in 1980 by Sarah George to provide a unique experience for future investment professionals. This bequest was intended to honor her husband, Roland, who, after completing his education, began to ply his trade and promptly lost money. Mr. George decided that serious flaws were evident in the traditional educational process for future investors since by over-coming his formal education he was able to master investing and in short accumulate wealth.

From this start, Mr. George formed the ideas of creating an investment curriculum that combined academic theory with real world experience. This dream came true when Sarah George funded the Roland George Investments Program. This program provides support for the applied investments program at Stetson University where students manage a $2 million dollar portfolio. Insights are gained through contact with professionals such as Robert Stovall, CFA, of Stovall/Twenty-First Advisers, Inc.

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