

VOLUME 2 - ISSUE 23 - JUNE 11, 2001

EPOCH DIRECT

Research

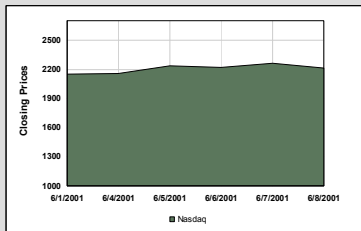
Matthew Adams, CFA
 Mark Langley
 Mark Langner
 Seth Spalding
 Mark Verbeck

Epoch Indices for the Week

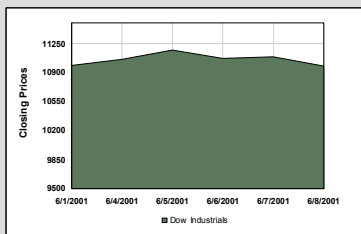
Broadband & IP Svcs: -6.96%
 Comm Equipment: 1.73%
 Internet: -2.64%
 Software: 4.93%

Market Statistics (5-Day)

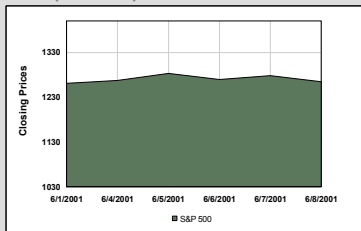
Nasdaq (+3.05%)



Dow (-0.12%)



S&P (+0.32%)



Seismic Shift

By Mark Verbeck, Managing Director, Senior Analyst

Not far from the San Andreas fault, 15,000 Java enthusiasts and hundreds of corporate sponsors gathered for the JavaOne conference, Sun's worldwide forum for Java developers.

While Sun executives (including Bill Joy, the company's visionary chief scientist) delivered the majority of the keynotes, Pekka Ala-Pietilä, President of Nokia Corporation, William Coleman, Founder, Chairman, and CEO of BEA Systems and Larry Ellison, Chairman and Chief Executive Officer of Oracle also spoke at the San Francisco confab.

These high-profile presenters are a testament to the importance of Java.

We believe that the support for Java and advances in the standards, particularly Java 2 Enterprise Edition (J2EE) place the enterprise software industry on the brink of important changes. The final J2EE 1.3 specification, which includes internal support for XML along with several other new features, is expected to be available in the third quarter of this year although beta versions are already being used. J2EE lifts Java standards to meet the requirements of commercial business applications. Indeed, early movers such as MatrixOne already have a robust J2EE-compliant application and more are hopping on board every day.

- [Crossworlds Software Announces Support for J2EE](#)
- [Iona Moves Java 2 Platform, Enterprise Edition to the Mainframe](#)
- [Sitraka Software and Mercury Interactive Team to Provide Comprehensive J2EE Performance Testing](#)
- [Sybase Executives Say Java Interoperability Integral to E-Business Success](#)
- [Bea and webMethods Collaborate to Simplify Application Integration Through Support of J2ee Connector Architecture](#)
- [Open Market Shows Off Its Unique J2EE Advantage](#)
- [Intranet Solutions Announces Release of Xpedio 5.0 with Expanded Enterprise Content Management Capabilities](#)
- [SAP Fully Embraces Java](#)
- [BroadVision Ships J2EE Version of E-Business Application Platform](#)
- [Hyperion Introduces First J2EE-Compliant OLAP Development Tool](#)

An Internet architecture implies much more than a Web interface. The real benefits are transparent to users and include features such as high scalability thanks to multi-tiered server architecture, portability across various hardware platforms, heavy-duty security, and easy integration.

[more]



Top 10 Stocks Bought*

New Focus (NUFO) ²	+10.16%
Juniper Networks (JNPR)	+9.72%
Micomuse (MUSE)	+8.71%
Redback (RBAK)	+5.79%
Telaxis (TLXS)	+4.94%
Commerce One (CMRC)	+4.13%
Metromedia Fiber (MFNX)	+3.86%
Avanex (AVNX)	+3.59%
Network Appliance (NTAP)	+3.33%
Brocade (BRCD)	+3.29%

Top 10 Stocks Sold*

Digital Island (ISLD)	-6.23%
Bookham (BKHM)	-4.68%
Inktomi (INKT)	-3.71%
Visual Networks (VNWK)	-2.92%
Rhythms Netconn. (RTHM)	-2.83%
Digital Lightwave (DIGL)	-2.66%
Sycamore (SCMR)	-1.83%
Priceline.com (PCLN)	-1.69%
Next Level (NXTV)	-1.63%
ONYX (ONXS)	-1.52%

*Notes

Percent change from the prior week in the number of technology-related shares held by customers of our brokerage partners.

What does this mean for the enterprise software industry? We believe that J2EE is becoming the “right” architecture that customers will want their commercial applications to support. Customers will appreciate the benefits of having a common architecture across various applications and, unlike previous generations such as client server or proprietary architectures, the standards-based J2EE promises a high level of compatibility.

We also believe the J2EE movement will have another interesting impact on the industry. Because J2EE is a standards-based, object-oriented development environment, the integration of applications for different vendors is much simpler than it was even with C++. We believe that this may well fuel merger and acquisition activity as companies realize that the integration issues that acquisitions once raised should diminish if both parties have adopted J2EE. Indeed, Manugistics said Talus’ J2EE architecture would speed its product integration. Since integration costs are factored into the price of an acquisition, we expect companies with a J2EE architecture to be valued at a premium.



This Past Week at Epoch

- 06/08/2001 [Juniper Gets Pinched](#)
- 06/07/2001 [Global Crossing Starts Year with Solid Quarter](#)
- 06/07/2001 [SuperComm 2001 Highlights](#)
- 06/07/2001 [Oracle's Ellison Presents at JavaOne; Brighter Days Ahead](#)
- 06/06/2001 [Integrating the Infrastructure](#)
- 06/06/2001 [Siebel Jockeying to Capture More Government Spending](#)
- 06/06/2001 [Initiation of Coverage on Global Crossing](#)
- 06/05/2001 [Amazon Sticks by Its Guns](#)
- 06/05/2001 [Initiation of Coverage on webMethods](#)

Heard on the Desk

Compiled by the Epoch Partners Equity Capital Markets Team

Retail Investors Support Communications Equipment as Sector Slides

For the week ending June 1, communications equipment stocks made a **comeback among retail investors** even while the sector and broader market took a dive. The Nasdaq closed down 4.5% for the week ending. During the same week, Morgan Stanley Dean Witter's communications equipment analyst Alkesh Shah, who was bullish on the sector during last year's stock slide, now says **Nortel** (NYSE: NT, \$ 12.53) and **JDS Uniphase** (Nasdaq: JDSU, \$ 16.05) are not worth buying at current prices. His public statement caused network shares to follow the Nasdaq's downward trend.

Surprisingly, while all but one of the top 10 stocks on our bought list experienced **double digit declines** in share prices, retail investors went in and supported them. **New Focus²** (Nasdaq: NUFO, \$ 7.99), who is in the middle of a class-action suit filed on behalf of purchasers of its common stock during the period between Oct. 24, 2000 and March 5, 2001, ended the week down 27.5%, while Epoch's partners' retail investors **added 10.2%** to their positions. New Focus purchasers charge that certain of its officers and directors violated securities laws by providing materially false and misleading information about the company's financial condition and growth potential.

Similarly, retail investors also **supported Commerce One** (Nasdaq: CMRC, \$ 6.17) and **Network Appliance** (Nasdaq: NTAP, \$ 18.71) by adding 4.1% and 3.3% respectively, to their positions; the stocks were down 18.8% and 26.8%, respectively. Commerce One shares were down even though the company announced the completion of its acquisition of Exterprise, a leading provider of software solutions for building and managing collaborative business networks.

Retail investors were more diverse in their sales for the week. Investors unloaded a mix of software, communications equipment, and services stocks; many of these had a tough week. **Rhythms NetConnections** (OTCBB: RTHM, \$0.195) hit a 52-week low while **Priceline.com** (Nasdaq: PCLN, \$ 7.71) hit a 52-week high.

Visual Networks (Nasdaq: VNWK, \$7.67) announced it would cut costs by closing its New York City office and eliminating 40 jobs in conjunction with the closure.

Rhythms NetConnections' announced that its common stock would begin trading on the OTC Bulletin Board as a result of formal delisting by Nasdaq.

Priceline.com announced the addition of resorts to its "name your own price" travel offerings.



Company Highlight: Global Crossing (GX)

Investment Thesis

We believe that Global Crossing shares represent a good opportunity for investors to profit from the growing reliance of large enterprise customers on data communications to manage and drive efficiencies across their far-flung operations. Global Crossing has successfully pursued a strategy to build a global high-speed data network of owned assets. Now, with this unique asset almost fully operational, the company is offering a suite of value-added services on a single unified platform to the biggest and best international customers. The company's worldwide infrastructure is a competitive advantage over both incumbent carriers and more narrowly focused providers of data services pursuing this large and growing market segment. We believe GX stock is undervalued at current prices and represents an attractive long-term investment opportunity.

Company Description

Global Crossing provides core and managed data services as well as traditional voice services to large global enterprise customers via its worldwide fiber-optic communications network.

Key Investment Points

- **Unique Global Data Network:** Global Crossing has built a worldwide data network. This asset is unique among carriers, creating the opportunity for Global Crossing to offer differentiated data services based on the geographic reach of its network.
- **Targeting Best Customers:** Global Crossing has built this asset to serve the biggest, most stable and highly desirable customers in the communications services market. Customers include AT&T, Cable & Wireless, J.P. Morgan Chase, and Motorola.
- **Significant Market Opportunity:** According to IDC, the market for global telecommunications carriers was more than \$146 billion in 1999.
- **New Technology Provides Competitive Advantage:** The Global Crossing network incorporates next generation technologies that give it a competitive advantage over the older facilities of many of its traditional PTT competitors.

Companies mentioned: Global Crossing (NYSE: GX, \$ 13.00), AT&T (NYSE: T, \$ 22.07), Cable & Wireless (NYSE: CWP, \$ 19.49), Motorola (NYSE: MOT, \$ 15.20), BEA (Nasdaq: BEAS, \$37.88), Nokia (NYSE: NOK, \$29.83), Oracle (Nasdaq: ORCL, \$17.01), Sun (Nasdaq: SUNW, \$17.01)

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