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WIRELIN WEEKLY

A NEWSLETTER OF THE COMMUNICATIONS EQUIPMENT GROUP

FOR THE WEEK ENDING MARCH 1, 2002

NEWS HIGHLIGHTS (FEBRUARY 25 - MARCH 1, 2002)

- On February 25, **Marconi** announced that it is in preliminary discussions with a number of parties concerning the future of its Italian-based Strategic Communications business.
- On February 25, **NEC** introduced the NEAX® IPX(DM) and NEAX IPS(DM) "Distributed Model" versions of both the NEAX 2400 IPX and NEAX 2000 IPS. These new IP PBX systems allow enterprises to place their telephony solutions adjacent to the enterprise networking infrastructure, reducing the physical footprint and increasing efficiency. The NEAX IPX(DM) and NEAX IPS(DM) are designed to work in an open IP environment, operating with NEC's Dterm® IP family of phone sets.
- On February 25, **Ericsson** announced an ENGINE contract with **Telecom Egypt** to modernize Egypt's national telecommunications network. The agreement between Telecom Egypt and Ericsson is the basis of a long-term strategic partnership, valued at approximately \$163 million over the coming five years. In addition to access expansion, an important element of the frame agreement is to accelerate the migration of the core backbone network from a circuit-switched to an open layered packet-based mega network.
- On February 25, **Alcatel** announced it has been awarded a \$45 million contract by the **Sea-Me-We 3** consortium to upgrade their network to support 10 Gbit/s transmission, representing a 40% capacity increase. Alcatel is the sole provider for the terrestrial portion of the project, including Dense Wavelength Division Multiplexing (DWDM) systems and end-to-end network management. Alcatel will also supply the major part of the undersea optical networking infrastructure. The installation and commissioning of the 10 Gbit/s upgrade will be completed and operational by February 2003. The upgrade will be performed on seven out of the ten Sea-Me-We 3 segments and in the landing stations of more than nine countries, from Portugal to Hong-Kong.
- On February 25, **Avaya** introduced 10 new products in an effort to accelerate wider adoption of Internet Protocol (IP) telephony by businesses, a market expected to surge in the next four years. The new products - servers, gateways and software - will make it easier and more cost-effective for businesses, or enterprise customers, to integrate voice onto a single packet-based network, and will enable migration from existing networks to IP telephony by allowing retention of existing telephones, equipment and infrastructure. The products do not tie the businesses to any one system, allowing ease of operations in a network made up of equipment from a variety of vendors.
- On February 25, **Sonus Networks** announced that it continues to increase its leadership position in the market for carrier-class packet voice equipment, and has been ranked the worldwide market share leader for a sixth consecutive quarter. Reports issued by **Cahners In-Stat/MDR**, **Infonetics Research** and **Synergy Research Group** verified Sonus' expanded its leadership position in a number of market segments for the fourth quarter of 2001, as well as for the full calendar year.
- On February 25, **Scientific Atlanta** announced that it has begun licensing its cable TV tap technology by granting a license to **PCT International**, a cable technology manufacturer and subsidiary of **Andes Industries**. Under the agreement, PCT will manufacture its own line of taps using Scientific-Atlanta's patented power-passing technology and trademarked design. PCT has also licensed the trademarked shape of the tap, which will promote

compatibility between the back housings and faceplates that are manufactured by the two companies.

- On February 25, **Agere Systems** announced that **ADC Telecommunications** has chosen Agere's family of asynchronous transfer mode (ATM) port controller (APC) products for the Avidia™ family of integrated access switches and iAN™, the intelligent Access Network platform. Both Avidia and iAN are multi-service platforms that enable service providers to efficiently and more profitably deliver voice, video and data services in today's highly competitive broadband market.
- On February 25, **JDS Uniphase** successfully tested its fully functional multiport wavelength switch prototype with excellent results in key performance areas. Using a new technology, JDS Uniphase researchers routed, added and dropped signals on 64 wavelengths simultaneously in a device that is substantially smaller and potentially much less costly than current methods required to deliver the same functionality. This type of multiple wavelength switch represents breakthrough technology that can be used to reduce both operating and capital costs of optical networks by enabling remote, dynamic, channel reconfiguration and by reducing the number of opto-electronic regenerators required in the network.
- On February 25, **CIENA** announced it would receive \$36.7 million if another bidder emerges for **ONI Systems**, according to documents filed with regulators. CIENA, which agreed last week to buy ONI for \$900 million in stock, would receive the break-up fee, as well as up to \$2 million in expenses if ONI's board supports another bidder, according to an ONI filing with the U.S. Securities & Exchange Commission. If CIENA breaks off the deal because a company bids for ONI, ONI would receive \$87.2 million, as well as up to \$2 million in expenses, according to the documents. The deal is expected to close in the second or third quarter.
- On February 25, **F5 Networks** announced that the company continues to hold its No. 1 position for worldwide market share for SSL (Secure Sockets Layer) acceleration hardware. **Infonetics Research** reported that F5 is the clear leader in the category of multi-purpose devices with SSL hardware acceleration in the second half 2001, with 74% revenue market share and 57% unit market share. For the multi-purpose SSL acceleration hardware market, revenue grew 93% and unit shipments grew 29% between 1H 2001 and 2H 2001, in line with Infonetics' forecast of 80% revenue growth and 31% unit growth.
- On February 25, **CommWorks** announced it again holds the number one position in the worldwide softswitch market. The company's leadership position is confirmed in new reports from **Infonetics Research** and **Synergy Research Group**. Infonetics Research reported this month that CommWorks had 31% market share of the worldwide softswitch market in the fourth quarter of 2001. Synergy Research Group reported that CommWorks topped all competitors in the worldwide softswitch/application server market with 16% market share during the fourth quarter of 2001. CommWorks is also ranked second in the overall worldwide service provider VoIP market with 18%, a gain of 4% from the previous quarter.
- On February 25, **3Com** announced an agreement to deliver the SoundStation® IP 3000 - 3Com® NBX® phone, a new IP-based conference phone that integrates fully with the 3Com NBX platform. Combining the rich sound quality of **Polycom's** SoundStation IP 3000 conference phone and the industry-leading 3Com NBX IP-based business telephone system will give customers an exceptional conference phone for headquarters and branch locations. This offer is the first result of Polycom's participation in the 3Com Solution Providers Program, which is designed to expand the array of software, hardware and services that can be integrated with converged voice and data networks.
- On February 25, **Enterasys Networks** announced the signing of a system integrator (SI) agreement with **Computer Tech**, a Houston-based systems integrator with six locations nationwide. This agreement is designed to offer enterprise customers the highest levels of technology and services in the areas of security, infrastructure and wireless. Under the agreement, Computer Tech will combine Enterasys' award-winning product portfolio with its 18 years of experience in IT services and consulting to offer enterprise customers a comprehensive approach for meeting their information technology needs. Computer Tech is now fully trained on Enterasys' entire suite of networking solutions to complement its well-established integration services practice.
- On February 26, **Juniper Networks** announced **Cable & Wireless** is building out its global Internet Protocol (IP) network using Juniper Networks M-series Internet routers. This latest initiative is part of Cable & Wireless' rollout of the most accessible, reliable and advanced IP network in the industry. This latest enhancement of its global IP network allows Cable & Wireless to rapidly create numerous quality IP services using multiprotocol label switching (MPLS). The MPLS capabilities, provided by Juniper Networks M160 routers, make way for the deployment of new, concurrent IP services that leverage high-speed access lines for end-customers at OC-3 (155 megabits per second) speeds and above.
- On February 26, **Verizon** and **Alcatel** announced they have signed an agreement calling for Verizon to distribute Alcatel's products to support the communications requirements of large business and government customers. The pact, which covers Alcatel's Internet protocol-based (IP) voice and data networking products, makes Verizon the largest North American distributor for Alcatel. Verizon's Enterprise Solutions Group will market Alcatel's products to Fortune 1000, government, education and healthcare customers throughout the United States, as well as provide complete technical and customer service support. Alcatel

will provide Verizon with training, sales and proposal assistance, as well engineering and technical consultation.

- On February 26, **Lucent** announced that **Sichuan Telecom** has purchased the Lucent next-generation optical transport system and switch, the LambdaUnite™ MultiService Switch (MSS), as part of a multi-million dollar optical contract. Sichuan Telecom will deploy LambdaUnite™ MSS, plus the WaveStar® TDM 10G, and the WaveStar® ADM 16/1 to build a high speed optical network in the Chengdu metropolitan area. The network will support the growing voice and data traffic of the more than 90 million people of the Sichuan province. Sichuan Telecom has already started deploying the equipment and expects completion of its network by the end of this month. LambdaUnite™ MSS provides a bridge between data-intensive metro networks and high-speed optical core networks.
- On February 26, **VINA Technologies** announced it has increased its Integrated Access Device (IAD) worldwide unit market share by 180% in 2001. **Infonetics Research** also forecasted that T1-based IAD units in North America would grow by 43% in 2002. VINA's IADs offer integrated voice, data, and Internet broadband networking solutions that enable carriers to better meet the growing bandwidth needs of the small and medium business (SMB) market.
- On February 27, **Alcatel** announced it had made the biggest multiservice wide area network (WAN) market share gain in 2001 based on port shipments, according to **Dell'Oro Group**. Alcatel showed significant momentum in 2001, rising to number-two position in the second half of the year. Of the top three vendors, Alcatel was the only company to increase its market share for the year. Alcatel's multiservice WAN portfolio includes the Alcatel 7670 Routing Switch Platform (RSP), 7470 Multiservice Platform and 7270 Multiservice Concentrator.
- On February 27, **Avaya** announced the appointment of Ronald Zarrella to its board of directors. Zarrella is

chairman and CEO of **Bausch & Lomb** and is a member of the board of **FIRST USA**. Zarrella was president of **General Motors North America** before returning to Bausch & Lomb as chairman last November. He had been with Bausch & Lomb for nine years first as president of its international division, then as president and COO.

- On February 28, **Alcatel** announced that it continues to lead the worldwide market for digital subscriber line (DSL) equipment according to industry analysts, the **Dell'Oro Group**. With a 38.2% share of cumulative port shipments through 2001, Alcatel's DSL market share is more than three times that of its nearest competitor. As evidence of its worldwide market leadership, Alcatel held the number one market share in every regional market tracked by the Dell'Oro Group.
- On March 1, **Nortel** announced it was dissolving the three-member team set up to help Frank Dunn's transition to chief executive last year, and that former chief executive John Roth would step down as a director. A statement issued after markets closed also said William Owens, a former vice chairman of the U.S. Joint Chiefs of Staff, has joined the board of directors. Dunn took over from Roth on Nov. 1, but Roth and Lynton R. (Red) Wilson joined him in creating the "office of the chief executive" to help Dunn in his transition from chief financial officer.
- On March 1, **Westell Technologies** warned it would miss revenue and loss estimates for the fourth quarter and said it plans to cut about 200 jobs, or 17% of its work force. The company said it expects fourth-quarter revenues of \$48 million to \$50 million and a pro forma EPS loss excluding goodwill, amortization and one-time charges, of (\$0.12) to (\$0.14). It expects revenues of \$56 million to \$60 million in its first quarter with break-even earnings per share. Westell said the job cuts will save about \$9 million annually. It will take a charge of \$4.6 million in the fourth quarter related to the cuts.

- On February 24, Steve Levy and Arnab Chanda reiterated their rating (**STLW \$4.17, 1-Strong Buy, A, C**) for **Stratos Lightwave** in anticipation of the company reporting third quarter earnings on February 27. Stratos' management will likely continue to be cautiously optimistic regarding the company's outlook, perhaps even slightly more confident than last quarter's investor conference call as business has slightly improved on the margin as expected. To reflect the **Tsunami** acquisition, CY'02 sales are now expected to be \$65.5 million versus previous forecasts of \$62.5 million. CY'02 expected EPS losses remain (\$0.21).
- On February 25, Tim Luke reiterated his rating (**QCOM \$35.91, 1-Strong Buy, A, C**) for **Qualcomm** following management's more positive tone during an investor conference call. Management endorsed EPS guidance of \$0.20 in March, and suggested that June would see a sequential improvement as 1x gains momentum in the U.S. and Japan. Management did not alter FY'02 EPS guidance of \$0.90 to \$0.97. While CY'02 estimates could be fine tuned, EPS in the worst case is expected to be between \$0.90 and \$0.95. Strong growth is expected in 2003, with CY'03 EPS expected to be between \$1.15 and \$1.25.
- On February 26, Andrea Green provided a **Broadband Access Technologies** industry update following recent legislative and policy efforts, specifically the Tauzin-Dingell Bill and the FCC's recent NPRM (Notice of Proposed Rulemaking). Approximately 40% of homes in the U.S. receive their narrowband voice services through DLCs which sit in remote terminals. Most DLCs that are in the field today, are not broadband enabled. The current regulatory environment does not encourage RBOC investment to roll out DSL service from RTs but legislative efforts, such as the Tauzin-Dingell Bill, and the FCC NPRM are working to clarify the regulations. When regulatory relief is obtained, carriers are expected to increase their spending to offer DSL services to more households. Relief is not expected to come in 2002.
- On February 28, Steve Levy and Arnab Chanda reiterated their rating (**STLW \$4.28, 1-Strong Buy, A, C**) for **Stratos Lightwave** after the company posted fourth-quarter results that were comfortably in line with estimates and demonstrating stabilized sales. Management expects sales to grow 5% - 15% sequentially and based on increasing overall order backlog, relatively healthy demand from key existing customers such as **McData** and **Cisco** among others, and a growing list of new customer orders, this financial guidance should be quite achievable and suggests sales should begin to grow again earlier than expected. Sales for the quarter came in at \$12.9 million with an EPS loss of (\$0.07). CY'02 sales are expected to be \$68 million, with a normalized EPS loss of (\$0.21).
- On February 28, Tim Luke reiterated his rating (**RSTN \$4.00, 2-Buy, A, C**) and lowered his price target from \$18 to \$7 for **Riverstone Networks** after the company preannounced weak results for fiscal 4Q'02. Management guidance suggests \$50 - \$54 million in revenues and breakeven to slightly negative EPS for 4Q'02, compared to recently lowered estimates of \$65 million in sales and EPS of \$0.04. Management attributed the shortfall to continued softness in capex in Europe and the U.S. Additionally, the company announced cost cutting initiatives, including headcount reassessment aimed at a 10% operating expenses reduction. CY'02 estimates now call for \$205 million in sales and an EPS loss of (\$0.01), down from \$295 million and \$0.24 respectively. CY'03 estimates move to \$250 million in sales and EPS of \$0.17, down from \$378 million and \$0.42 respectively.

PRIVATE FINANCINGS FOR THE WEEK OF MARCH 1, 2002

- **Cedar Point Communications**, which develops voice switching equipment for cable system operators, is expected to announce a commitment of \$19 million in its first round of financing. Investors included **Charles River Ventures** and **Battery Ventures**. The round included \$14 million in new equity financing and \$5 million in bridge financing that converted to equity during this funding. The funds will be used for development of an innovative PacketCable™ based telephony technology for cable system operators.
- **Agility**, a developer of widely tunable lasers for the metro, switching, and long-haul markets, is expected to announce it has raised an additional \$27 million in Series C equity financing and credit lines, bringing the round to a close at \$110 million. The round was led by **GM Investment Management Corp.**
- **Innovance Networks**, an optical networking company, said it closed a Series B round of funding with \$88 million. **JDS Uniphase** and **Corning** participated in the financing as key industry investors. In addition, seven major investment firms participated in this round of funding: **Advanced Technology Ventures (ATV)**, **Morgenthaler**, **Thomas Weisel Capital Partners**, **Azure Capital**, **Banc of America Securities LLC**, **Kalkhoven**, **Pettit & Levin Ventures** and **Archery Capital**. The largest investor in this round was ATV. The new funds will be used to support the commercial launch of Innovance Networks' industry-leading agile, photonic networking system, which follows the successful completion of testing and trials with several major North American service providers.
- **Chiaro Networks**, a developer of data switching routers for optical networking, announced it has closed \$80 million in Series D financing.
- **Transparent Networks**, which develops intelligent photonic switching systems, announced it raised \$20 million in its Series B round of financing. The lead investor in this round was **U.S. Venture Partners (USVP)**. Reaffirming its commitment to Transparent Networks, the latest round included pro-rata funding from previous round investor **Benchmark Capital**. The funding will be used for product development.
- **Salira Optical Network Systems**, which provides IP/Ethernet optical systems for broadband access, announced the closing of another \$7 million in Series B funding, bring the round to a close with \$22.1 million in total. **Sofinnova Ventures** becomes the latest investor to participate in Salira's Series B round which was led by **Mobius** (formerly **Softbank**) **Venture Capital**. **Pac Rim Venture Partners** and **Manitou Ventures** also participated in the official closing of the round. Salira also disclosed that it has secured a \$2 million revolving credit facility from **Heller Financial**, a division of **GE Capital**. The new funding will be used to accelerate deployment of Salira's systems into trials and general availability.
- **Xtellus**, which develops optics components and modules for multiwavelength, reconfigurable optical networking systems, said it closed its first round of funding with \$8 million. Investors included **Alta-Berkeley**, **AIG-Orion** and **Israel Seed Partners**.
- **Caspian Networks**, a networking company developing new hardware for the Internet, said it has secured \$120 million in its fourth round of financing. The round was co-led by existing investors **U.S. Venture Partners**, **New Enterprise Associates** and **Merrill Lynch**, and new investors **Morgenthaler** and **Oak Investment Partners**.

PRICINGS AND FILINGS FOR THE WEEK OF MARCH 1, 2002

- **UTStarcom** priced a \$202.5 million follow-on offering. The company offered 10 million shares, all secondary, at \$20.25, flat from the last bid. The shares were down 8% from filing to pricing. UTStarcom provides communications equipment for service providers that operate wireless and wireline networks. **Softbank America** was the selling shareholder.

SELECTED M&A ACTIVITY (FEBRUARY 25 - MARCH 1, 2002)

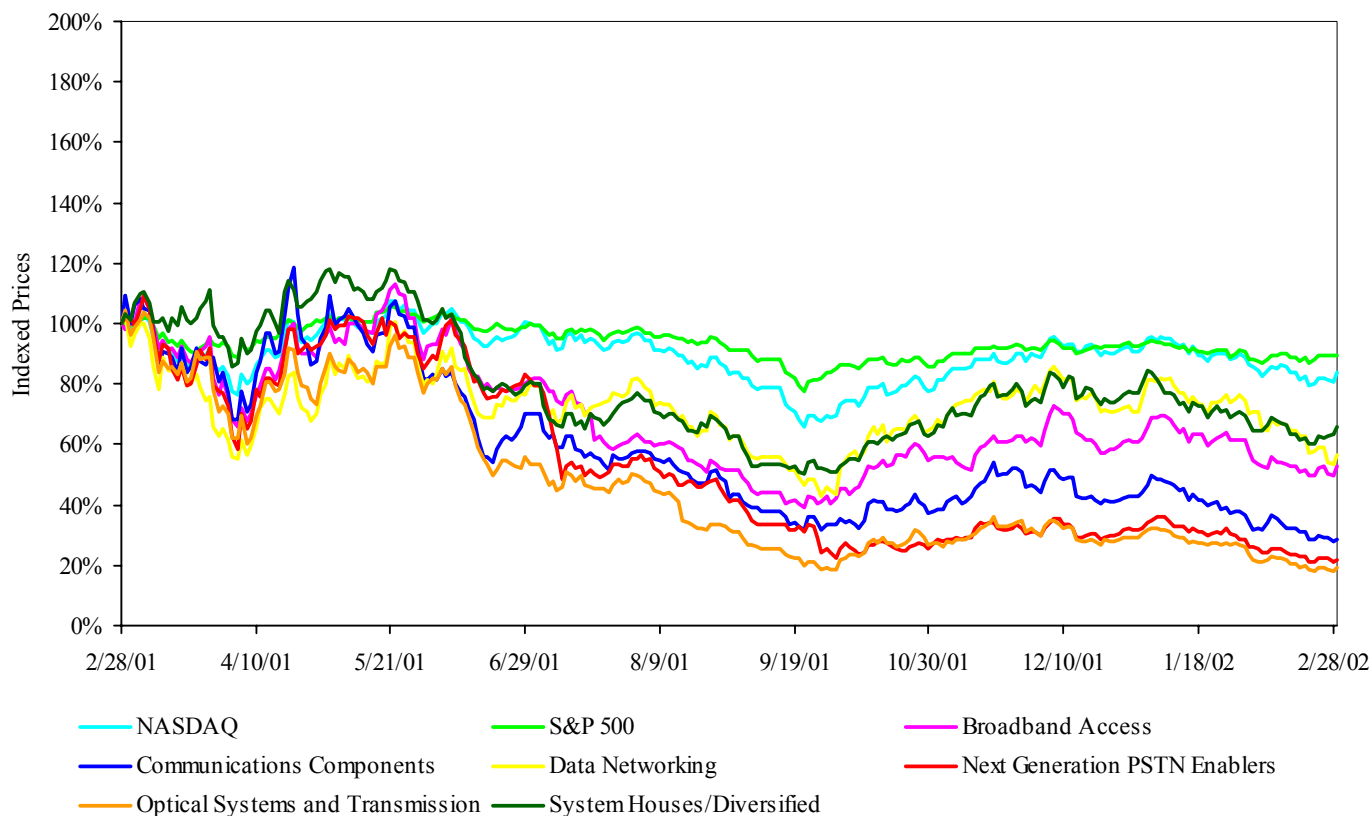
- None

SELECTED M&A ACTIVITY YTD

Acquirer	Target	Target Description	Date Announced	Value of Transaction
Coller Capital	Lucent Technologies	80% of Lucent's Venture Capital portfolio	1/3/02	~\$100 million
Verisign	H.O. Systems	Provider of billing and customer relationship management (CRM) solutions to wireless carriers	1/7/02	\$340 million
Danahar Corporation	Marconi PLC	Data Systems Business	1/10/02	\$400 million
Netro	AT&T Wireless	Fixed Wireless Assets	1/15/02	\$45 million
Platinum Equity LLC	Alcatel SA	European Distribution unit	1/15/02	NA
Western Multiplex	Proxim	Designs, manufactures, and markets wireless LAN products	1/17/02	\$223 million
Alcatel	Astral Point Communications	SONET metro optical solutions	1/22/02	\$135 million
Stratos Lightwave	Tsunami Optics, Inc.	Fiber optic modules and components	1/23/02	\$24 million
Corvis	Dorsal Networks	Undersea optical network equipment	1/29/02	\$90 million
CIENA	ONI Systems	Metro and regional area optical networking equipment	2/18/02	\$1,200 million
Andrew Corp.	Celiant Corp.	Wireless network subsystems	2/19/02	\$470 million

Bold denotes advised by Lehman Brothers.

MARKET PERFORMANCE



	Week over Week	Year to Date	Year over Year
S&P 500	1.5%	(3.6%)	(10.7%)
NASDAQ	4.5%	(7.6%)	(16.2%)
System Houses/Diversified	8.8%	(14.7%)	(34.4%)
Data Networking	(2.0%)	(20.4%)	(43.5%)
Optical Systems and Transmission	3.8%	(34.4%)	(81.0%)
Communications Components	0.4%	(33.4%)	(71.5%)
Broadband Access	6.6%	(12.5%)	(47.0%)
Next Generation PSTN Enablers	1.1%	(31.2%)	(78.4%)

Source: FactSet.

Indexed Prices are Market Cap weighted.

Composite for graph made up of sectors as segmented within the valuation snapshot on the following pages.

COMMUNICATIONS EQUIPMENT VALUATION SNAPSHOT

(\$ in millions, except per share amounts)

Company	Ticker	Stock Price 3/01/02	LTM Price Range		Market Value of Equity	Enterprise Value	Enterprise Value/ Revenue(a)		P/E(b)		5-Year Proj. EPS CAGR	2002 PEG Ratio
			Low	High			CY 2002E	CY2003E	CY 2002E	CY2003E		
System Houses / Diversified												
Nokia	NOK	\$21.40	\$12.70	\$35.50	\$101,039	\$96,808	3.1x	2.7x	29.7x	25.2x	18%	1.7x
Siemens	SI	60.50	32.52	80.00	53,359	57,109	0.7x	0.7x	26.3x	NA	NA	NA
Ericsson	ERICY	4.42	3.05	9.59	36,010	37,582	1.9x	1.8x	NM	44.2x	14%	NM
Lucent	LU	5.78	5.00	14.00	19,785	18,557	1.0x	0.9x	NM	NA	13%	NM
Nortel	NT	5.20	4.76	19.69	16,633	19,011	1.4x	1.2x	NM	86.7x	16%	NM
Alcatel	ALA	14.21	10.53	45.35	16,256	18,748	0.9x	0.9x	NM	41.8x	20%	NM
NEC	NIPNY	7.69	6.30	19.73	12,717	30,260	0.7x	0.7x	NM	NA	6%	NM
Avaya	AV	5.30	4.68	17.06	1,523	2,313	0.4x	NA	75.7x	13.9x	14%	5.5x
Marconi	MONI	0.58	0.40	15.63	801	7,036	0.9x	NA	NA	NA	15%	NM
Somera	SMRA	8.05	3.69	9.38	392	337	1.3x	1.1x	19.6x	15.2x	26%	0.8x

Mean	1.0x	1.0x	40.6x	28.8x	15%	3.1x
Median	0.9x	0.9x	26.3x	28.5x	14%	3.1x

Data Networking

Cisco	CSCO	\$15.00	\$11.04	\$25.00	\$110,024	\$102,664	5.0x	4.4x	36.6x	25.0x	25%	1.5x
Brocade	BRCD	24.92	12.60	55.25	5,776	5,520	8.8x	NA	71.2x	42.2x	42%	1.7x
Juniper Networks	JNPR	9.83	8.90	69.50	3,177	3,249	4.8x	3.8x	57.8x	28.9x	29%	2.0x
3Com	COMS	4.84	3.37	9.19	1,704	526	0.3x	NA	NM	NA	15%	NM
Extreme Networks	EXTR	7.22	5.85	40.00	827	714	1.5x	NA	45.1x	12.2x	23%	1.9x
Foundry	FDRY	6.00	5.26	22.51	740	456	1.6x	1.3x	60.0x	27.3x	25%	2.4x
Enterasys Networks	ETS	3.75	3.26	15.99	727	569	0.7x	0.6x	15.0x	9.6x	21%	0.7x
F5 Networks	FFIV	21.45	3.75	28.73	541	468	3.4x	NA	85.8x	NA	37%	2.3x
Redback	RBAK	3.20	1.17	34.38	507	760	3.5x	NA	NM	NM	27%	NM
Riverstone	RSTN	4.09	3.70	24.10	496	372	1.8x	1.5x	NM	11.7x	40%	NM
Packeteer	PKTR	5.99	1.88	16.00	180	134	2.6x	1.9x	NM	24.0x	39%	NM
Cosine	COSN	1.40	0.32	9.75	143	(39)	NM	NM	NM	NM	40%	NM
Crossroads	CRDS	3.54	1.87	9.72	98	44	0.9x	NA	NM	NA	25%	NM
Avici	AVCI	1.70	1.10	18.13	85	(56)	NM	NM	NM	NM	35%	NM
Cacheflow	CFLO	1.01	0.84	9.90	44	(18)	NM	NM	NM	NA	28%	NM

Mean	2.9x	2.2x	53.1x	22.6x	30%	1.8x
Median	2.2x	1.7x	57.8x	24.5x	28%	1.9x

Optical Systems and Transmission

Tellabs	TLAB	\$11.06	\$8.98	\$49.50	\$4,534	\$3,485	1.7x	1.5x	69.1x	29.9x	21%	3.4x
Ciena	CIEN	8.11	7.13	78.25	2,660	2,422	4.9x	3.2x	NM	NM	26%	NM
Sycamore	SCMR	3.77	3.00	18.75	1,032	303	3.2x	NA	NM	NA	28%	NM
ONI Systems	ONIS	5.73	3.50	40.95	810	720	3.8x	2.8x	NM	NM	31%	NM
Harmonic	HLIT	11.75	2.75	17.30	693	642	2.5x	1.9x	NM	32.6x	23%	NM
Corvis	CORV	1.08	1.10	12.13	391	(585)	NM	NM	NM	NM	24%	NM
Tollgrade	TLGD	21.51	15.25	40.35	289	198	2.4x	1.8x	29.5x	17.9x	19%	1.6x
Tellium	TELM	1.92	2.01	29.73	216	(9)	NM	NM	32.0x	16.0x	42%	0.8x
Ditech	DITC	4.47	3.65	16.99	134	26	0.4x	NA	NM	NA	13%	NM

Mean	2.7x	2.2x	43.5x	24.1x	25%	1.9x
Median	2.5x	1.9x	32.0x	23.9x	24%	1.6x

(a) Based on Lehman Brothers' research and Wall Street research

(b) Based on First Call Estimates

COMMUNICATIONS EQUIPMENT VALUATION SNAPSHOT

(\$ in millions, except per share amounts)

Company	Ticker	Stock Price 3/01/02	LTM Price Range		Market Value of Equity	Enterprise Value	Enterprise Value/ Revenue(a)		P/E(b)		5-Year Proj. EPS CAGR	2002 PEG Ratio
			Low	High			CY 2002E	CY2003E	CY 2002E	CY2003E		
Communications Components												
Agere Systems	AGR.A	\$4.21	\$3.10	\$9.50	\$6,884	\$6,175	2.8x	NA	NM	NM	21%	NM
JDS Uniphase	JDSU	4.98	4.74	30.25	6,759	5,112	4.9x	NA	NM	71.1x	26%	NM
Corning	GLW	6.70	6.14	32.37	6,337	9,139	2.3x	2.0x	NM	NM	18%	NM
Finisar	FNSR	6.56	3.14	24.88	1,435	1,245	6.4x	4.8x	NM	NM	33%	NM
Alcatel Optronics	ALAO	5.10	4.04	41.75	554	713	2.6x	NA	NM	NA	NA	NM
Oplink	OPLK	1.60	0.60	9.19	262	38	0.8x	0.6x	NM	NM	33%	NM
Stratos Lightwave	STLW	3.80	3.18	14.25	244	117	1.7x	NA	NM	NA	31%	NM
Avanex	AVNX	3.48	2.70	23.75	241	103	2.0x	NA	NM	NM	30%	NM
Optical Communication	OCPI	2.00	1.87	16.49	216	75	1.8x	1.3x	NM	50.0x	32%	NM
Bookham	BKHM	1.61	1.07	8.38	207	(54)	NM	NM	NM	NM	NA	NM
New Focus	NUFO	2.49	2.10	26.13	190	(111)	NM	NM	NM	NM	29%	NM
Alliance Fiber Optic	AFOP	1.10	0.61	10.25	40	(13)	NM	NM	NM	NM	20%	NM
Mean							2.8x	2.2x	NM	60.6x	27%	NM
Median							2.3x	1.6x	NM	60.6x	30%	NM
Broadband Access												
Scientific-Atlanta	SFA	\$23.31	\$15.75	\$65.80	\$3,646	\$2,918	1.8x	1.8x	20.3x	NA	14%	1.4x
ADC Telecom	ADCT	3.92	2.63	12.69	3,112	2,695	2.1x	1.9x	NM	NA	18%	NM
UT Starcom	UTSI	22.93	12.50	35.66	2,589	2,303	2.8x	2.1x	24.7x	19.1x	39%	0.6x
Advanced Fibre	AFCI	17.06	11.88	29.00	1,404	490	1.3x	1.2x	53.3x	40.6x	24%	2.3x
Terayon	TERN	6.44	2.36	14.75	442	323	1.2x	1.0x	NM	NM	63%	NM
Turnstone	TSTN	4.48	1.78	8.50	296	96	6.4x	8.7x	NM	NM	18%	NM
Aware	AWRE	6.60	3.17	12.13	149	91	4.7x	2.8x	NM	22.0x	29%	NM
Next Level	NXTV	1.62	1.36	12.19	139	190	2.7x	1.9x	NM	NM	40%	NM
Paradyne	PDYN	3.51	0.97	6.49	116	89	0.6x	0.5x	NM	11.7x	18%	NM
Westell	WSTL	1.51	0.87	5.09	98	119	0.5x	NA	NM	NA	25%	NM
Copper Mountain	CMTN	0.92	0.65	5.73	52	(21)	NM	NM	NM	NM	33%	NM
Vina	VINA	0.94	0.52	2.38	35	16	0.3x	0.2x	NM	NM	35%	NM
Tuts System	TUTS	1.68	0.50	5.06	28	(34)	NM	NM	NM	NA	16%	NM
Elastic Networks	ELAS	0.81	0.39	3.97	26	(6)	NM	NM	NM	NA	30%	NM
Com21	CMTO	0.90	0.39	3.25	25	1	0.0x	NA	NM	NA	30%	NM
Mean							2.2x	2.0x	32.7x	23.4x	29%	1.4x
Median							1.6x	1.9x	24.7x	20.6x	29%	1.4x
Next Generation PSTN Enablers												
Comverse	CMVT	\$15.96	\$15.03	\$87.25	\$2,979	\$1,847	1.7x	1.5x	27.1x	20.7x	21%	1.3x
Tekelec	TKLC	12.40	11.50	35.90	743	692	2.1x	1.8x	36.5x	23.4x	27%	1.3x
Sonus	SONS	2.57	2.18	33.80	525	412	2.1x	NA	NM	NM	58%	NM
Ulticom	ULCM	6.48	5.90	36.26	266	47	0.9x	0.7x	58.9x	29.5x	35%	1.7x
AudioCodes	AUDC	3.90	1.60	19.56	162	27	1.2x	1.2x	NM	NM	24%	NM
Natural Microsystems	NMSS	3.60	1.52	10.31	133	9	0.1x	0.1x	NM	NM	21%	NM
RADvision	RVSN	5.68	4.52	10.13	111	58	1.1x	0.9x	47.3x	51.6x	29%	1.6x
Brooktrout	BRKT	5.88	2.72	9.50	73	38	0.5x	0.4x	NM	NM	16%	NM
Mean							1.2x	1.0x	42.4x	31.3x	29%	1.5x
Median							1.2x	0.9x	41.9x	26.4x	26%	1.5x

(a) Based on Lehman Brothers' research and Wall Street research

(b) Based on First Call Estimates

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