

Posted to the Gilder forum - December 4, 2000

Holding LNOP or XLA?

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skymac2

12/4/00 17:23

Similar to my post on Cache & Carry, what if another company buys MII from XLA or EZchip from LNOP?

Look what happened to SPCT after CREE bought the UltraRF division of SPCT. SPCT got hammered. Why? Because the only reason investors were holding SPCT was UltraRF. Therefore, if MII gets bought (or even goes public?), wouldn't we possibly see the same negative effect on XLA shares? Same with LNOP and EZchip? Please advise. Thanks.

Not long/short XLA or LNOP

* RE: Holding LNOP or XLA?

Denny

12/4/00 18:11

You have seen the light! Pun intended!

If Mirror Image was a division of XLA and if EZ-Chip was a division of LNOP, then it would make sense to buy XLA and LNOP because management could not sell the division without benefitting the shareholders. Not so when the companies in question are just "investments" as is the case with both of these. I would love to hear what JeffSt has to say about this!

Denny

"Demand creates queues.

Supply gets rid of them."

[Software Times](#)

* RE: Holding LNOP or XLA?

sb

12/4/00 19:20

Vik brothers have a huge stake in XLA. Hard to believe XLA shareholders will be left without any stake in MI.

Comments ?

* RE: Holding LNOP or XLA?

Denny

12/4/00 19:53

Will they lose any sleep if you lose your money? Somehow, I don't think so! There is a good reason for the old saw: "A fool and his money are soon parted." I mean no offense but I think it is a bad risk to rely on other people's honesty. Not only that, if XLA were a US corporation you might go after them legally. Being off shore in the Cayman Islands, they are a lot further away from the long arm of the law. And, as far as I understand, their reporting requirements are nowhere nearly as strict as US based corporations. It all boils down to this: Can't you find a place for your money where you don't have these risk that you don't really need. I can't believe that XLA promises a better future than all US based companies, with or without Mirror Image.

Denny

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* LNOP, XLA

jeffst

12/4/00 21:14

Denny--I agree that as a general principle it is better to own directly the entity that has the sizzle. There are plenty of exciting investments on Page 8 and elsewhere that don't have this element of nervewracking drama that you get with XLA and LNOP. I made this point during the Q&A at the Charleson Investor Conference. There is, I think, some comfort to be had in the fact that your interests in XLA and LNOP are --to some extent, anyway--aligned with the management insiders. (As of February, for example, Eli Fruchter, the CEO of both LNOP and EZChip, owned 11% of LNOP.) That said, I agree with your fundamental premise.

Jeff