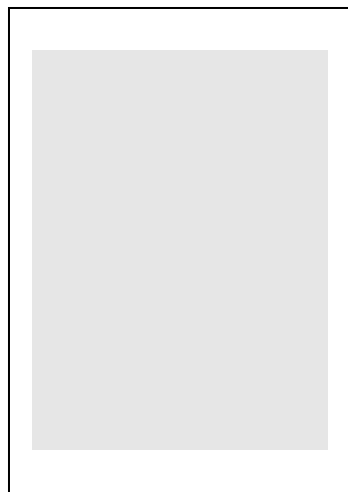


Growing Independence

Independent Research Flourishes Down on the Farm

by Meghan Leerskov

Farmhouse Equity Research



J.P. Mark
Founder and Director of Research

From the second floor of a 150-year-old converted barn, J.P. Mark is doing what he loves: Providing institutional research of the highest quality. Since leaving Wells Fargo where he served as director of research, Mark has founded his own independent research firm, Farmhouse Equity Research. And while his office location may be unconventional, it's his approach to research that's turning heads.

Mark had been toying with new platforms for research since he was running the equity research department at Wells Fargo in San Francisco. Catching wind of a beginning trend, Mark felt there was a huge opportunity for independent research. "The world has changed and there is definitely a place for good independent research,"

he says. "And I have been doing it for years, so why not do it on my own?"

Mark decided that Farmhouse would focus its high-powered perception on companies ignored by the Street, generally in the \$50 million to \$2 billion market cap range and in any industry that offered opportunity. Farmhouse is not a broker-dealer and is compensated by hard or soft dollar trades through Bear Stearns & Co. and Capital Institutional Services. The firm doesn't have an internal sales force, however their products are carried by First Call, Multex and Zacks.

Farmhouse has also recently joined Investorside Research Association, an affiliation of research providers who are approved as free of investment banking conflicts. Members of this esteemed association — which boasts members such as Sanford C. Bernstein & Co., The Precursor Group and Argus Research — display the Investorside logo on their products.

While a farmhouse in Rhode Island might not seem an ideal place to carry out equity research, Mark is adamant in his philosophy that it is what you're doing that's important, not where you are doing it. "The best analysts are the ones that are out digging for information and you don't have to be in a big office building in New York to do that," he says.

Along the way, Mark has picked up several like-minded analysts — Tim Kellis, Dr. Yong Zhu and Gregg Speicher — who work from locations in Texas and California. "The three

analysts I have working with me were tired of the investment banking state of mind and wanted to just provide a good product," Mark says. "I would say that we are really more of a loose confederation than a typical model."

A principle tenet at Farmhouse is constant and thorough channel checks. "One of the things that I am really focused on is constantly talking to suppliers and customers," says Mark. "I know that a lot of firms talk about that, but few really do it. You can call one customer and say you have talked to the customers, or you can call 20 customers and really get the information. Of course, there is a point of diminishing returns and you make that decision each time. But channel checks really add value and investors want to know about it."

BUILDING BUSINESS

Since initiating coverage on its first company in December 2002, Farmhouse has picked up coverage on 12 companies and is taking on custom research projects for its clients. "We are a start-up in a lot of ways. We aren't trying to project an image of white shoe Goldman Sachs-type research," he says. "This is 'get your hands dirty' research."

Mark believes that a lot more independents will be springing up over the coming months. "Investment banks are laying off analysts because they can't afford them. If you can't cover costs with investment banking, then you have to have a lot of trading

RESEARCHPROFILE

Farmhouse Equity Research

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–Gregg Speicher, Software Analyst

fees and you can't follow the smaller companies,” he says. “There are so many companies in that boat that aren't getting any coverage. That is the opportunity out there for firms like mine. We go after that unknown company, while an investment bank will look at its size and not be interested.”

As Farmhouse expands, Mark and the team plan to host a “Best Ideas” conference. “We are still in the early stages of planning, but we want to have a forum for us to put our best ideas out there,” he says. The conference will most likely come together next year.

SATURATED SOFTWARE

A recent addition to the research effort, Analyst Gregg Speicher also believes in the power of the independents. “Honestly, Farmhouse being independent was the reason that I joined,” he says. “I talked to a lot of my past buy-side clients about independent research and they were very positive about it and suggested that I go for it.” A software analyst, Speicher values the freedom that independents offer in coverage of his sector. “It gives me the power to cover software the way that I want to and the way that it should be done, instead of boxed into some illogical parameters.”

Since joining several months ago, Speicher has picked up coverage on three companies, two of which he rates a Buy: Manhattan Associates (MANH) and Opsware (OPSW).

Speicher doesn't have a very positive outlook on software as a whole. He believes that while software is critical, businesses can survive on what they have for quite a while. “People are hoping for an increase in spending, but I don't think there is going to be an up-tick in spending any time soon. I think some of the valuations are a little too optimistic.”

While Speicher believes that most of the software market is saturated and overvalued, he does like the IT lifecycle management niche. “Companies are turning money inward to their own networks — to keep them up and running,” he says. Opsware is the leader and is creating a new niche in the space. “It is a pretty good company,” he says. ✦

Farmhouse Equity Research Coverage List

<u>Company</u>	<u>Coverage Date</u>	<u>Rating</u>
Antigenics (AGEN)	5/12/03	Buy
AT Cross (ATX)	1/7/03	Strong Buy
Deswell Industries (DSWL)	1/2/03	Buy
DOR Biopharma (DOR)	1/30/03	Market Perform
GTECH Holdings (GTK)	4/22/03	Buy
Innovo Group (INNO)	4/21/03	Strong Buy
JDA Software (JDAS)	5/12/03	Market Underperform
KVH Industries (KVHI)	12/16/02	Strong Buy
Liberty Corp. (LC)	3/26/03	Strong Buy
Manhattan Associates (MANH)	5/27/03	Buy
ON Technology (ONTC)	12/12/02	Buy
Opsware (OPSW)	06/02/03	Strong Buy