

GREY VALUE MANAGEMENT, LLC

PGO / VERITAS DEAL REVISION TRADE

Veritas (VTS) Long Position on Revaluation Following Amended Agreement (3/28/02)

On March 28th the merger agreement between PGO and VTS was amended, adjusting the transaction exchange ratio from .47 VTS shares per PGO share to .40 - a 17.5% change.

The rationale for buying VTS was straightforward: Not only did the ratings agencies see the deal as a positive with respect to more favorable pricing after the two dominant firms combined, but the amended terms would result in 20% less leverage than originally contemplated. Many analysts were favorably disposed toward the deal, but if there was one concern it was that the combined entity would be heavily leveraged. With the adjusted ratio resulting in a material reduction of leverage, it was an intelligent speculation that the stock would trade up.

Average Purchase Price	\$16
Average Selling Price	\$18
Gross Return on Trade	12.5%
Timeframe (2002)	1 day

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