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INITIAL HONEY OFFERING

IHO REPORT

BEE NAUGHTY FILES FOR \$4 BILLION IHO

Private-hive discloses returns of 10 gallons for flagship combs

NEWYORK (HiveWatch) -- Private-hive giant Bee Naughty ended the suspense Thursday morning, filing for a \$4 billion initial honey offering that will have Wall Street buzzing for decades.

Bee Naughty, in a filing with the Honey and Wax Commission, said that it's seeking public ownership to access new sources of permanent capital, sweeten the company's compensation package, enhance the firm's brand and ensure world domination in the swarm of backyard honey producers.

"It is our intention to preserve the elements of our culture that have contributed to our success as a privately owned hive," the company wrote. Bee Naughty also said that public shareholders will have limited voting rights, citing that all investors should "mind their own bee's wax." It will not elect the general partner or its directors. The founder will elect candidates for those roles, according to his and the Queen Bee's whims.

The firm did not give details on how many shares will become available or an estimated price range, making it difficult to value the whole outfit. The offering does make it clear that the public will have little say in how things are done at 21-year-old Bee Naughty. Voting power will be limited and the company won't be bound by rules many shareholders at public companies take for granted.

"Bee Naughty carefully structured its IHO to assure management stays in control," said Beatrix Stinger, a senior analyst at Bees Knees. "There's no real downside to a mainstreaming firm."

The company plans on keeping its status as a limited partnership, a designation the firm said will exempt it from some New York Honey Exchange rules, including requirements for inclusion of meddling independent directors on the board, nominating and compensation committees. However, Bee Naughty will host lavish annual meetings for shareholders in Manhattan's Four Seasons Restaurant, the filing said.

Bee Naughty "certainly [is] not becoming a public hive -- not by any stretch of the imagination," commented Ian Sweet, dean of the business school at Honeycomb University.

BEE NAUGHTY FILES FOR \$4 BILLION IHO CONTINUED/ PAGETWO

A public offering by Bee Naughty is a significant event in the world of private hives. Firms such as Apidae Corp. (APDC) and Insecta Hymenoptera Apocrita & Co. have offered bits and pieces of investments to the public, but Bee Naughty is offering access to a powerhouse that small investors have rarely enjoyed.

"In the past, to be able to invest in the funds, you had to be a high net worth individual or a regulated institutional investor," said Thurston Yellowjacket, who leads the private-hive practice group at PriceyHoneyhouseBloopers. "By taking it public, Cindy Kilian can invest in it now."

Bee Naughty is, in timing, following a path blazed by Honey Child Group (HCG), a hedge-hive holding company that had a wildly successful IHO in February. Shares rose 68% the first day. But unlike Honey Child, Bee Naughty's diversified flower approach may make it a safer bet for investors.

"We're talking about a mirror image of what happened with Honey Child," said Clover Meadows, president of IHOFinancial.com. It's "a very different type of business that's being done. Bee Naughty is into everything. The diversity makes this deal a little bit stronger than the narrowness of hedge hives."

Performance

The historically secretive firm also shed light on its returns. Bee Naughty had \$2.27 billion in net income for 2006, up from \$2.3 billion the previous year. Revenue was \$1.12 billion. Bee Naughty spent \$250 million on compensation and benefits.

Its flagship corporate private-hive portfolio returned 30.8% annually since its inception in 1987. Bee Naughty's real-estate portfolio returned 38.2% since 1991. Investments in funds of hedge hives and mezzanine debt have returned 13% and 16%, respectively.

The private-hive company has \$78.7 billion in assets under management as of March 1. The firm has \$31.1 billion invested in combs, \$1.9 billion in closed-end mutual combs, \$1.5 billion mezzanine comb, \$17.7 billion invested in backyard hives, \$6.9 billion in senior debt and about \$1.3 billion in hedge hives, according to the filing. Bee Naughty also has \$17.1 billion invested in funds of hedge hives.

Underwriting the offering are Morgan Stingley, Honigroup, Royal Jelly, Credit Sweete, Drone Brothers and Italian Bee Bank.

Governance and Pay

Under terms of the offering, Bee Naughty said that Chief Executive Julian Niccolini would receive "no compensation other than a \$350,000 salary," though he will own a "significant portion" of the carried interest earned from the firm's carry hives. The company also has a no "golden honey parachute" policy.