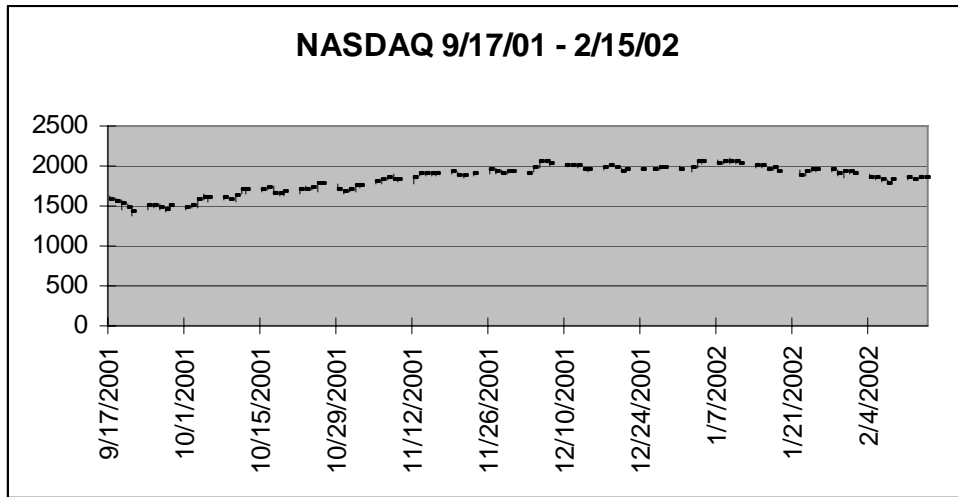
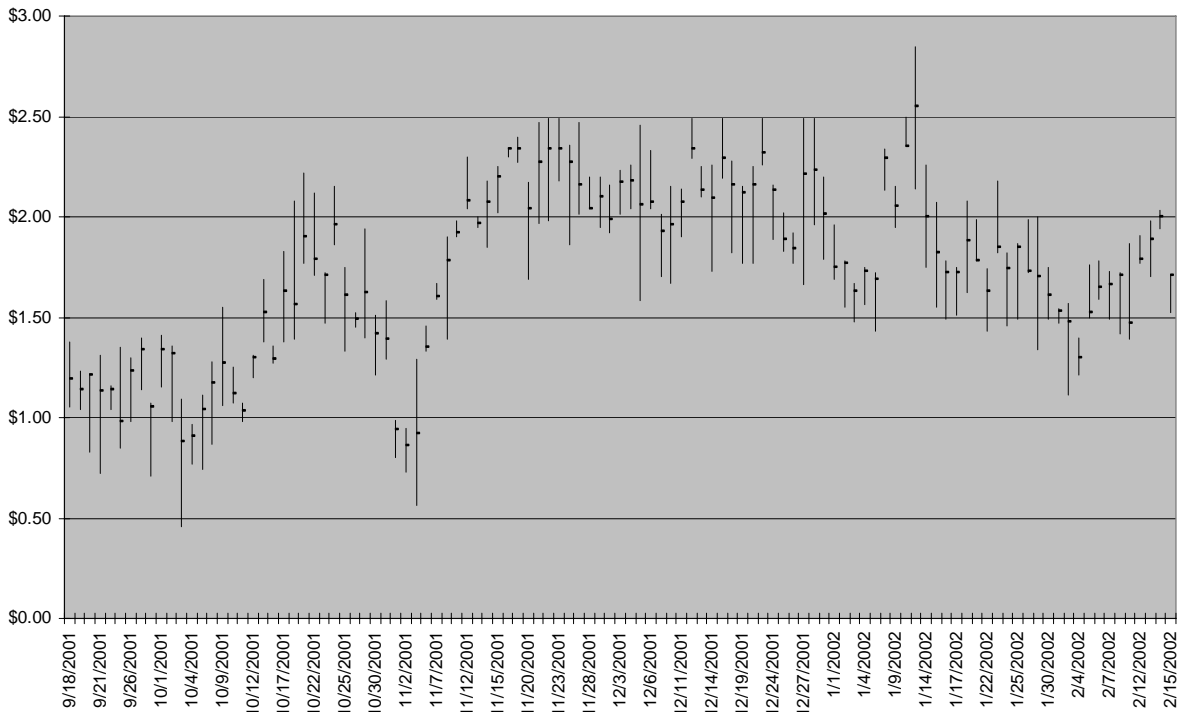


Chapter 11: Bear Hug, February 19 – 25, 2002



HOFC Daily Trading 9/17/01 - 2/15/02



###

Media Contact:

Donna Langhorne
Chief Financial Officer
212 555 1000
donnal@hackoff.com

For Immediate Release**HACKOFF.COM ANNOUNCES FOURTH QUARTER AND ANNUAL RESULTS**

February 19, 2002 — New York, NY — hackoff.com.® (NASDAQ: HOFC) had revenues of \$3.35 million for the fourth quarter of 2001, a decrease of 72% from the revenues reported for the same quarter of 2000 and a sequential decrease of 33% from the third quarter of 2001.

The Company's net loss for the fourth quarter of 2001 was \$42 million. This compared to a net loss of \$10 million for the fourth quarter of 2000 and a net loss for the third quarter of 2001 of \$29.0 million.

The Company's net loss per share was \$1.13 for the fourth quarter of 2001 compared to a net loss per share of \$0.26 for the fourth quarter of 2000 and a \$0.78 net loss per share in the third quarter of 2001. The weighted average shares outstanding for the fourth quarter of 2001 were 37.2 million compared with 38.8 million for the fourth quarter of 2000 and 37.3 million for the third quarter of 2001.

The company had a cash-basis loss of \$12.4 million in the fourth quarter of 2001 compared to a cash-basis loss \$14.1 million in the fourth quarter of 2001 and a cash-basis loss of \$13.2 million in the third quarter of 2001. Cash-basis profit and loss is calculated by subtracting sales paid in equity from reported sales and subtracting write offs of equity acquired in equity sales from total write offs.

During the fourth quarter of 2001 the Company had SG&A expense of \$8.9 million. Of this amount, \$.8 million were termination expenses related to reductions in headcount.

During the fourth quarter of 2001, the Company wrote down the value of portfolio stocks to the lesser of price at acquisition or the current ascertainable value of the equities. Equities for which no equity valuation was reasonably attainable were valued at zero. These write-downs and write-offs totaled \$30.0 million for the quarter. This compared with similar write downs and write offs of \$5.0 million for the fourth quarter of 2000 and \$18.0 million for the third quarter of 2001.

The Company used \$10.2 million in cash during the quarter compared with \$12.4 million in the fourth quarter of 2000 and \$10.9 million during the third quarter of 2001. The Company ended the quarter and year with over \$26.8 million of cash and cash equivalents. Equities in the Company's portfolio are currently valued at \$8.1 million. The Company has no long-term debt.

During the quarter, the Company did not purchase any of its own shares and still has an outstanding authorization to purchase up to 1.2 million shares.

Full Year Results

Revenues for the year 2001 were \$26.4 million, down 55% from \$58.0 million in 2000. The Company's net loss in 2001 was \$106.8 million compared to a net loss of \$18.0 million in 2000. For 2001, the Company's net loss per share was \$2.87 compared to a reported loss of \$0.47 in 2000.

Other Recent News

- In Q401, hackoff introduced its Monitored *hackaway* Service®. This service provides hackoff customers with 24x7 active monitoring of their e-commerce sites by the experienced staff of the hackoff Network Operations Center (NOC). It is available for a variable monthly charge to licensees of *hackaway* software. A new Monitored *hackaway* Service logo has been developed to further distinguish those e-merchants who provide this extra level of protection to their users.
- During Q401, a majority of new *hackaway* licensees purchased their licenses under traditional 30 day net cash rather than equity payment terms. In all previous quarters, a majority of new customers have been on an equity rather than cash-basis.
- Significant new licensees announced during Q401 include leading bookseller iHudson.com, ibillpaynow.com, and cable giant Conphilia.

Chairman Lazard's Comments

"No one can be happy about the size of the write-down and write-off we took. However, it is important to recognize that, although the Internet bubble has burst, the Internet has changed all of our lives forever. The share of the national economy devoted to e-commerce continues to grow and hackoff's services are vital to the growth of e-commerce.

"Despite the write-offs, we believe that we have more than ample assets to take us to the time when hackoff not only returns to profitability but also is cash-flow positive. We have over \$26 million in cash and cash equivalents and, even after the write-offs and write-downs, our accountants and the Company agree that equity portfolio is accurately valued at an additional \$8 million. Of course, there cannot be any assurance that there will not be further write-offs and or write-downs; on the other hand, a stock market recovery could make the equity portfolio more valuable than it is today.

“Because it is impossible to predict the future of the equity market, we are managing day-to-day as if our equity portfolio did not exist. We have reduced cash burn significantly from last year and even from last quarter. Part of this reduction is masked by the fact that we have one-time expenses for termination as part of these reductions so the full benefits of reduction don’t flow through immediately.

“Moreover, the majority of new licensees now pay us on a 30 day net cash-basis. Although these cash payments don’t have the upside of equity, they are better for our cash flow.

“Finally, our new Monitored *hackaway* Service should provide us with additional cash-flow. It is not being offered on an equity basis except to some customers whose contracts require us to offer them all services for equity. It requires monthly payments from many customers.”

Future Guidance

The Company believes:

- It has adequate resources to fund its ongoing operations until they are cash-flow positive without the need for an equity or debt offering or any other form of borrowing.
- The Company expects to return to profitability in 2002.
- The Company expects to become cash-flow positive in 2003.

Conference Call and Webcast

hackoff.com Chairman and CEO Larry Lazard and Chief Financial Officer Donna Langhorne will host a conference call for interested press and industry analysts at 5:30 PM Eastern Time today (February 19, 2002). Shareholders and other members of the investing public are invited to listen via a webcast. The webcast can be accessed from the Company site at www.hackoff.com/webcast.

Questions may be submitted prior to and during the call to ir@hackoff.com. These will be answered on a time-available basis and may be combined, condensed, or otherwise edited by the Company at its sole discretion. All submitted questions become the property of hackoff.com.

The webcast will be archived and available for a period of time through the same web address.

###

It’s 5:00 PM on February 19, 2002. The hackoff.com earnings press release was put on the wire half-an-hour ago. Larry Lazard, Donna Langhorne,

Aaron Smyth, and an admin whose black jeans have apparently been shrink-wrapped onto her long, thin legs are all sitting around the Polycom speaker phone at Larry's conference table. They are preparing for the 5:30 conference call with "industry analysts", which will also be webcast, as advertised in the earnings release.

Actually, Donna has carefully supervised who has the call-in number and which requests to take part live in the conference call will be honored. She has, as always, encouraged the analysts who work for the brokerage firms and write about hackoff to participate. She includes analysts who don't currently write about hackoff in the hope that they will. Companies are judged partly by how many analysts "cover" them. A company covered by few or no analysts gets less respect than one with good coverage. Individuals and funds are more likely to buy stock in firms they can get information about — though they say they no longer trust what analysts write.

hackoff has been losing coverage. At its peak, it was covered by analysts from nine brokerage firms, most of them fairly respectable. But the brokerage firms themselves have lost most of their revenue since there are currently no IPOs and very little other financial activity in this scary post-bubble, post-9/11 time. Analysts have been getting sacked, and only the major companies are reassigned to other analysts who complain about being overloaded (but not loudly).

hackoff is not among the companies that get reassigned. Now only Barcourt & Brotherson, FCBC, and WSTUC cover the company. Barcourt & Brotherson and FCBC were both leaders of the syndicate that managed hackoff's IPO. WSTUC was formed by a merger of a number of smaller firms including Web & Stinger, which was also part of hackoff's IPO. WSTUC, especially, seems to be losing interest in hackoff, and Donna has made several calls and sent a storm of email to encourage them to call in for today's conference.

Eve Gross has called her contacts in the financial press to get them to call in. She doesn't think it likely that any will.

Donna has also called mutual fund managers like John Signal from Semper who still has his job. Tom Chen, hackoff's original champion at Semper, lost his after the huge fund he managed lost seventy-five percent of its value during 2001 and wound up on the cover of Business Week pictured as a sinking ship. While about-to-be drowned investors clung to the swiftly submerging rigging, a particularly nasty cartoon image Tom Chen prepared his personal lifeboat.

Donna hopes there will be at least a few fund managers or large individual investors on the call, but isn't sure there will be.

"Well, here goes nothing," says Larry. "What are the chat groups saying about the release?"

"You don't want to know," says Aaron. "It won't help. It'll just piss you off."

"Why? What're they saying that'll piss me off? What are you trying to protect me from?"

“I don’t know what they’re saying,” says Aaron. “I never look at them. I just know whatever they’re saying is worthless bullshit and sure to piss you off.”

“The hell you don’t look at them! The hell you don’t! Anyway, I need to know what they’re saying. They’re assholes, but if there are parts of the press release they consistently don’t understand, maybe it’s something we should clarify on the call.”

“You’re just going to get pissed off,” Aaron persists.

“Lar, you sure you want to do this?” asks Donna.

“You want me to print it out?” asks the admin.

“Good idea,” says Donna before Larry can answer. “Print it out just back to when the release hit the wire and bring us all copies. Beats staring at a screen. Thanks.”

When the admin leaves the room, Donna says: “Look, Lar, they aren’t going to like it.”

“We were honest. And we gave them constructive guidance,” objects Larry.

“We had a thirty million dollar write-off. The value of our portfolio is almost gone.”

“They had to know that was coming. That must already be in the price of the stock.”

“Trust me. They won’t like it and it doesn’t matter that they don’t like it. We had no choice but to report what we reported.”

“But we gave them guidance that the company’ll be fine,” insists Larry.

“If it were up to me, we wouldn’t have given them ANY guidance,” says Aaron. “It’s just evidence somebody’ll use in a stockholder suit against us.”

“The analysts don’t do projections any more because Reg FD doesn’t let us whisper secrets in their ears,” Larry says. “It’s not like the good old days when we ‘helped’ the analysts figure out the numbers and they made predictions. They’re too lazy to do any fucking work and the new regulations don’t let us do their work for them.”

SEC Reg FD — Regulation Fair Disclosure — went into effect in October of 2000. The proclaimed target of the regulation was the cozy relationship between company managers and security analysts at brokerage firms that clearly existed prior to the issuance of the regulation. These analysts were regularly briefed on a “confidential” basis by the company, and given a “heads-up” if there were significant changes from what they had been writing. It was just this sort of “heads-up” that hackoff gave analyst John Braxton at Barcourt & Brotherson when it looked like the second quarter of 2000 might be worse than anticipated.

Even under the law at the time, trading on insider information was illegal. However, it was a legal and common practice for companies to give this information confidentially to the analysts who covered them, as long as the company didn’t know the information was being used illegally. Each quarter companies like hackoff would hold a “confidential” call with the analysts who covered them prior to the release of earnings. The stated purpose of the call,

whose contents the analysts were not supposed to reveal until after the company made a public release, was to allow the analysts to ask questions and have their commentary on the company ready to issue concurrent with the company's results. What actually happened, as the SEC knew full well, was that analysts called their favored (read: "big") clients with the information before the information reached the general public. This meant that the favored clients could buy or sell on the basis of this information before it became generally known and affected the price of the stock.

This practice, of course, affected the price of the stock.

This advance information not only endeared the analysts to their firms and the firms to their clients, it also was powerful leverage. In the unusually lucid words of the SEC: "Selective disclosure also may create conflicts of interests for securities analysts, who may have an incentive to avoid making negative statements about an issuer for fear of losing their access to selectively disclosed information."

It was certainly not unheard of for company management to stop returning phone calls from analysts who wrote negative things about them. So Reg FD said, roughly, that top company management cannot make any significant non-public information selectively available to people such as security analysts or investors who may be able to trade or help others trade on the basis of that information. If a company has something significant to announce, it must do it in a public forum such as an SEC filing or a press release. In other words, no more private little chats with goodies for the analysts.

But now the analysts don't know any more about the company than anyone else. In the jargon of the day, they have lost most of their "value add". Why read what an analyst writes if the analyst doesn't know anything that you don't know? There is always the possibility that analysis is valuable because of the THOUGHT that went into it rather than the nonpublic material information, but nobody really believes that. Just one more reason there are fewer analysts available to cover companies like hackoff.

Ironically, the companies still want coverage because their investors still ask: "Who covers you?" though they profess to believe the analysts less than they ever did.

Now that management is no longer able to talk privately to them, analysts can't begin to forecast for a company they never really understood and that has no real history, in an industry they don't understand that has no history either.

"So," Larry says, "since the fucking analysts can't tell people what our earnings are going to be unless we whisper in their ears and the SEC says we can't fucking whisper in their ears, there's no fucking way for people to know what the company is going to do unless we tell them."

"Larry, we don't know either," says Aaron. "We don't know what the company's going to do. We've always been wrong with our forecasts."

“We’ve always told the truth,” says Larry. “We’ve always said what we thought the company was going to do. We’re not claiming to be fucking infallible.”

“Yeah,” grumbles Aaron. “I’m going to love defending this shareholder suit.”

The admin returns and gives them each a couple of pages of recent chat group effluvia to look at.

#

The Chat Board

Earnings Out!

by: [thewatcher02](#) (37/M/New Rochelle, NY)

02/19/02 4:40 pm

Msg: 77120 of 77136

The earnings release is on yahoo!

Re: Earnings Out!

by: [ChorusLine](#) (24/F/Paramus, NJ)

Long-Term Sentiment: Buy

02/19/02 4:41 pm

Msg: 77121 of 77136

Posted as a reply to: [Msg 77120](#) by [thewatcher02](#)

This looks bad. 30mil writeoff! Huge loss! The street wont like it!

Re: Earnings Out!

by: [pooper](#)

Long-Term Sentiment: Sell

02/19/02 4:43 pm

Msg: 77122 of 77136

Posted as a reply to: [Msg 77121](#) by [ChorusLine](#)

hackoff is as bankrupt as social security.

The Earnings Release

by: [Jumbo10](#) (45/M/New York, NY)

Long-Term Sentiment: **Sell**
Msg: 77123 of 77136

02/19/02 4:45 pm

I've changed my sentiment to sell. This is very, very bad. We knew there'd be some write-off but the company never warned us it would be like this; probably giving themselves and their friends time to sell before the news got out. The stock is going to be shit and no one is going to believe that there won't be more write-offs as long as there is still stock in the so-called portfolio.

No wonder the stock has been acting the way it has. The market-makers must have had inside info and been manipulating it ahead of the announcement. They're all a bunch of crooks.

The company is giving guidance that it won't go bankrupt but I'm not sure the Street's going to buy that either.

Re: Earnings Out!

by: [scooper](#)

Long-Term Sentiment: **Buy**
Msg: 77124 of 77136

02/19/02 4:48 pm

Posted as a reply to: [Msg 77122](#) by [pooper](#)

pooper, your just as much an asshole as your buddy al gore and this isnt a political board. Social security has nothing to do with hackoff and hackoff has plenty of cash not even counting the stock in its portfolio that's got to go up sometime.

Re: The Earnings Release

by: [Alaska60-60](#)

Long-Term Sentiment: **Strong Sell**
Msg: 77125 of 77136

02/19/02 4:52 pm

Posted as a reply to: [Msg 77123](#) by [jumbo10](#)

Well looks like jumbo got all his stock sold. Pump and dump works again. Now he changes to a 'sell' probably means he's going to buy more jerkoff. Good chance to lose even more when it goes down the tubes.

Lets see how the lizard and the cunt try to spin this one in the press conference. This is real shit, huge loss. Bankruptcy coming. Assets arent worth shit. All the past sales were just bullshit.

Don't say I didn't try to warn all you jerkoffs. antihack is the only real company in this space.

Re: The Earnings Release

by: [scooper](#)

Long-Term Sentiment: **Buy**

02/19/02 4:56 pm

Msg: 77126 of 77136

Posted as a reply to: [Msg 77125](#) by [Alaska60-60](#)

alaska, you're as much an asshole as your friend pooper and this is not the antihack board. why don't you stay there where you belong so you can pump and dump that and not bother us here on this board

does antihack have any new product like hackoff monitored hackaway? Maybe they will in a year when they copy hackoff as usual.

Re: The Earnings Release

by: [Alaska60-60](#)

Long-Term Sentiment: **Strong Sell**

02/19/02 5:01 pm

Msg: 77127 of 77136

Posted as a reply to: [Msg 77126](#) by [scooper](#)

does monitored hackaway means that somebody watches you jerkoff? You'd probably like that. if you don't want to get jerked off, buy antihack

Re: The Earnings Release

by: [Jumbo10](#) (45/M/New York, NY)

Long-Term Sentiment: **Sell**

02/19/02 5:05 pm

Msg: 77128 of 77136

Posted as a reply to: [Msg 77123](#) by [jumbo10](#)

Somebody might buy the company when the stock gets really clobbered. It does have cash and some of the stocks in its portfolio might be worth something. Maybe Microsoft or somebody wants some of the products or patents to or maybe vultures will snap it up.

But that's not enough to make me buy, because insiders always make out like the bandits they are in a deal like that and the stockholders get screwed. Lazard should do the right thing and quit, but he won't because he wants his payoff.

Re: The Earnings Release

by: [PacPhil](#) (24/M/New York, NY)

Long-Term Sentiment: **Buy**

02/19/02 5:07 pm

Msg: 77129 of 77136

Posted as a reply to: [Msg 77128](#) by [jumbo10](#)

Jumbo, good analysis as always. Do you really think the company might get bought? Wouldn't that make it go up?

Re: The Earnings Release

by: [scooper](#)

Long-Term Sentiment: **Buy**

02/19/02 5:07 pm

Msg: 77130 of 77136

Posted as a reply to: [Msg 77128](#) by [jumbo10](#)

Do you think Lazard might quit? Maybe he will.

Re: The Earnings Release

by: [Alaska60-60](#)

Long-Term Sentiment: **Strong Sell**

02/19/02 5:10 pm

Msg: 77131 of 77136

Posted as a reply to: [Msg 77130](#) by [scooper](#)

Your an idiot jumbo or just getting reddy to dump more stock. the company is toast — stick a fork in it. Only hope is antihack buys them but they're not going to pay up for this piece of shit when they can just wait for it go bust and take the customers.

First the stocks going under a buck and gets delisted then it falls to pennies then maybe someone buys it for a penny more.

scooper why don't you ask the lizard if hes going to quit. He wont answer anyway but better then asking pump and dump jumbo.

What was the quarter like

by: [CLess](#)

02/19/02 5:15 pm

Msg: 77132 of 77136

What kind of quarter did hackoff have???

Re: The Earnings Release

by: [scooper](#)

Long-Term Sentiment: **Buy**
Msg: 77133 of 77136

02/19/02 5:15 pm

Posted as a reply to: [Msg 77130](#) by [Alaska60-60](#)

I will send in a question. I bet Lazard does answer. I bet he does.

New product

by: [TestTost \(34/M/San Francisco, CA\)](#)

Long-Term Sentiment: **Strong Buy**

Msg: 77134 of 77136

02/19/02 5:15 pm

The porno sites need the monitoring product. People are always trying to hack into them either to see the cunts for free or steal the credit cards of everyone else who is watching them. And the porno sites pay cash to hackoff because they have it. They don't give nobody a piece of the action for nothing.

Re: Earnings Out!

by: [ChorusLine](#) (24/F/Paramus, NJ)

Long-Term Sentiment: **Buy**

Msg: 77135 of 77136

02/19/02 5:16 pm

Posted as a reply to: [Msg 77121](#) by [ChorusLine](#)

It's bad! The street wont like it!

After Market

by: [thewatcher02](#) (37/M/New Rochelle, NY)

Msg: 77136 of 77136

02/19/02 5:16 pm

hackoff's trading in the aftermarket. 5k shares down to \$1.45.

#

“Those fucking assholes,” says Larry.

“We already knew they were assholes,” says Aaron. “So what else did you learn?”

Larry scans the printout again. “Well, some of them don't know the difference between a paper loss and a real loss of cash. We've gotta make clear

on the call that we're not going bankrupt; that we have plenty of cash and even more other assets."

"You already said that in the guidance. You said it more than you probably should."

"They didn't get it."

"Hopefully most people are smarter than pooper," Donna says. "That's not who we sell stock to. Actually, TestTost turns out to be smarter than I thought, some of the blood must've gone back to his brain. Maybe he ran out of Viagra. But he's right about the porno sites and monitored service. Lar, you might want to make that point."

Larry doesn't answer.

"Larry, you okay?" asks Donna. "You hear what I said about the porno ... uh, adult sites?"

"Yeah, yeah. I heard. You think those assholes at antihack would try a hostile? You think we have to worry about that?"

"Now you're listening to Alaska," says Aaron. "I told you we shouldn't have wasted time on the chat group idiots. Is there anything else we need to do to get you two ready for the webcast?"

"We gotta make sure the stock doesn't fall too far," says Larry as if he doesn't hear Aaron. "Maybe we need some takeover defenses. Aaron, you need to think about that. We should plant a question about antihack in the webcast."

"How're we gonna answer that?" asks Aaron. "Sounds like a sure way to establish a case for plaintiff's lawyer or even antihack's lawyer."

"Just do your fucking job and stop being so fucking negative," says Larry. "If we're gonna get attacked we fight back, preferably BEFORE we're attacked. For now I just gotta emphasize the positive — the new product and stuff, the assets — in the webcast. And we gotta have a question — actually, the chat group suggests it — a question about whether antihack has any new product like monitored service."

"How do you know they don't?" asks Aaron.

"They haven't had time to copy us yet. They haven't announced it and we've announced ours so anything they announce now looks copycat and we've got to grab the position of innovators. Here's the question..." He dictates to the admin: "Do you have any competitors? If so, do they have any product like your Monitored *hackaway* Service? If not, why not?' Just type that up and get ready to read it when I hand it to you. Also another question: 'Does this announced loss for the quarter mean that hackoff.com is running out of money?' Might as well face that one head-on for people who don't get it. Donna, I'm gonna give that one to you when it comes up."

After a few minutes, the admin dials into the conferencing service on the Polycom.

"Hello, my name is Naomi; I'll be your conference coordinator," says a voice from the other end. "Do we have the name of the company right for the conference? It's ... uh..."

"hackoff.com," says Larry.

“Right, thank you. This is the ... uh ... hackoff.com fourth quarter and anal ... uh, I mean ... annual ... results conference call...”

“Get your mind out of the gutter,” says Larry. He is smiling for the first time today.

“Excuse me, sir?”

“Nothing, you’re doing fine. It’s the ‘hackoff.com fourth quarter and annual results conference call.’”

“Thank you. Are you Mr. Lay-zard?”

“Lazard,” says Larry. He is now fighting hard to speak through his laughter. “It’s pronounced ... (chokes on laughter) ... pronounced Luh-zard.”

“Yes, sir. Thank you. After the announcement of the call, I’ll be giving the participants some instructions and then I turn the meeting over to you; is that right?”

“Yes,” says Larry, regaining control. “By George, I think you’ve got it...”

“Excuse me, sir?”

“Nothing. You’ve got it right. All their phones should be muted when you hand off to me. I’ll be handing off to Ms. Langhorne — you should actually announce that she and I are co-hosting the conference — I’ll be handing off to her. Then she’ll give it back to me. Then I’ll talk for a while; then I’ll tell you to open up ... uh, to open the line up ... for questions.” He starts to laugh again.

“Yes, sir. I think I have that. They’ll be muted to begin the call. Then we unmute. What is Ms. Langhorny’s title?”

Larry can’t stop laughing enough to talk. He points at the admin to take over.

“Uh ... this is Michele Frankel, I’m Mr. Lazard’s assistant. Mr. Lazard’s title is Chairman and CEO, and Ms. Langhorne — that’s LANG-horne — is Chief Financial Officer.”

“Okay. Thank you. I show five minutes until the conference time and there are three participants on music hold.”

“Good,” says Larry recovering. “Let us know when we’re at start time.” He mutes the phone and grins at Donna who has her reading glasses on and is going over her script. “Langhorny,” he says, “Are you ready?”

She ignores him.

Michele the Admin makes last minute arrangements with another admin who will bring her questions as they come off the Web. She brings back a couple of questions that have already come in. Larry looks over them quickly and stops chuckling.

HAVE YOU BEEN INDICTED YET, LAZARD? He balls that one up and throws it away.

ARE YOU GOING TO QUIT, MR. LAZARD? He keeps that one and numbers it and three other questions and hands them to Michele.

Aaron takes them from her and removes two.

Larry gestures to him to put them back. Aaron opens his mouth to argue.

“I show thirty seconds to start time and seven participants on music hold,” says Naomi the Coordinator.

Larry motions Aaron to silence and puts all the questions back in the pile.

Aaron picks up the gun from Larry's coffee table, puts it to his head, and mocks pulling the trigger.

"Don't worry," says Larry. "I know what I'm doing." He takes the gun from Aaron, puts it to his head, and pulls the trigger. It clicks and he puts it down.

"We are at start time and there are nine participants on music hold," says Naomi.

"Let's wait one more minute," says Larry.

"Sir, Mr. Lazard, are you there?"

"Yes. Let's wait thirty more seconds."

"Sir? Mr. Lazard?"

"The phone's still 'mooted'," says Donna acerbically, "she can't hear you."

Larry reaches to unmute the phone but, instead, hangs up the call. "Oh, shit," he says and lunges for the phone. "What the fuck's the number? Shit."

"I've got it," says Michele competently. She pulls the Polycom closer to her where Larry can't reach it and redials. They hear a busy signal.

"Oh, fuck," says Larry. "What else can go wrong? We've got to make this shitty announcement and now I disconnected the call. This is a fucking disaster."

"Blame it on the technology," says Aaron.

Michele gets reconnected with Naomi. "I show four minutes past start time and twelve participants on music hold." She sounds nervous.

"Let's go," says Larry glumly.

"Welcome to the hackoff ... I mean ... hackoff-DOT-COM... Excuse me. Welcome to the hackoff.com quarterly and an-nu-al results conference call. Our hosts are Mr. Larry Layzard ... uh, Chairman ... uh, and CEO of ... uh, the company, uh, and Ms. Langhorny, Chief Finance Officer."

Larry's not laughing.

Donna chuckles and looks back at her script.

"For the first part of the call, participants' phones will be mooted. Later there will be a questions and answer session and the participant phones will be unmuted. If you want to ask a question at that time, press star-one on your phone and you will be put in queue. If you want to cancel a request for a question, press star-two. If, at any time during the call you need technical assistance, press star-zero on your phone.

"I will now turn the call over to Mr. *Luh*-zard."

"Sorry for the uh ... delay in getting started. Thank you for joining us and welcome to hackoff's fourth quarter and full year conference call for 2001. Also welcome to those of you who are listening on the webcast. Remember that you can still email questions to ir@hackoff.com and we'll answer them as time allows.

"You've already seen the press release so you know we have both bad news and good news. Before I get into that, though, as usual, I'll ask our CFO Donna LANGhorne to go through the numbers for the quarter with you. After she gives you the numbers, I'll give you some color from my point-of-view and

then we'll take questions from those who are on the phone and, time allowing, we'll also answer emailed questions. Donna."

Donna reads: "Thanks, Larry. Thanks again for joining our call today. Let me start off again by reading the forward-looking statements disclaimer, then I'll review the line-by-line items of the release.

"I want to remind you that, as with our past conference calls, all of our non-historical statements today constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. As with any public company, our ability to perform in accordance with these statements could be materially adversely affected by numerous risks and uncertainties including the factors described in our press releases and the risks disclosed in our SEC filings."

Donna then goes on to recite the numbers in the press release with slightly more detail. She reveals that headcount has been reduced from 160 at the end of 2000 and 115 at the end of the third quarter of 2001 to 105 at the end of the fourth quarter. She emphasizes that some of the expenses in the fourth quarter are as a result of paying severance to those who have been let go and so this part of expense will come down in future quarters.

She also says that the company has done a good job of managing its receivables; on the average, money is collected in forty-six days, down from forty-eight days in the previous quarter. Total receivables are also down but, she is careful to say, this is partly a result of lower cash sales than in the previous year.

Very carefully, Donna reads the explanation of what the company means when it talks about cash-basis profit and loss.

While Donna is reading her script, Larry gets up from the table and wanders around the office. He checks the after-hours trading price of hackoff and mouths a curse when he sees it below \$1.40. He reads the growing pile of email questions and writes on them the order he wants them asked. He drinks some water, some coffee, then some water again. Then sits down as Donna nears the end of her presentation.

"Now I'll turn you back over to Larry," Donna concludes.

"Thank you, Donna," says Larry. He speaks from notes: "Well, no one likes to uh ... report the kind of loss we're reporting this quarter. We know that our investors don't like seeing these write-downs and write-offs. We don't like seeing them ourselves..." His voice is fading as he speaks.

He stops, swallows, continues half an octave lower and with more force: "It is important to remember that these reported losses, however, DO NOT represent a cash loss for the company, nor do they reflect on our operations. We all know what has happened to the stock market, particularly to the dotcom portion of the stock market, and, not surprisingly, that has happened to our portfolio as well."

Aaron is conspicuously looking away. Donna makes a throat-cutting motion and then winds her forefinger to signal "move on".

Larry pauses for a minute as he decodes all the signals, then pushes on, still in a low and slow voice: “Uh ... of course it is certainly possible that the market will move up as well as down and, if that were the case...”

Aaron leaps up and writes on the whiteboard: IT COULD CONTINUE DOWN TOO. Donna’s circling forefinger accelerates and tightens its circles.

“If that were the case,” Larry closes his eyes and continues: “If that were the case, some of these securities could gain in value.”

Aaron sits at the table with his head in his arms. Donna sits back and sighs slightly; she pulls her skirt down further towards her knees under the table. Michele starts to get up to check for more email, then sits down very quietly again.

“Of course,” says Larry, now staring at Aaron, “the stocks could continue down as well. There can be no assurance that we won’t have further write-offs and/or write-downs in future quarters.”

“Thank you,” mouths Aaron, looking up at the ceiling.

“In fact, because the world — and particularly the stock market — is a dangerous place,” Larry continues, more confidently, “we are running the company as if the equity portfolio, as important as it is, didn’t ... doesn’t exist.”

Donna leans slightly forward and flashes “okay” with a smile and the thumb and forefinger of one hand, but quickly resumes the “speed it up” signal with the other.

“As Donna explained,” says Larry, “we are now reporting and managing to what we call cash-basis earnings, the numbers as they would look if we had no income in the form of equity and had never had any income in the form of equity. For the last quarter, our cash-basis earnings were up even though GAAP (Generally Accepted Accounting Principals) earnings were down. We feel this is important.

“As we continue to manage cash carefully, our cash-burn for the fourth quarter was less than that for the third and well below that of the fourth quarter a year ago. We are confident that, even if we never cash in any of our equity, we have sufficient cash...”

Aaron is frantically writing on the board: THAT’S NOT WHAT WE SAID IN THE RELEASE. THAT’S NOT THE GUIDANCE WE GAVE. STOP!

“We have sufficient cash,” Larry recovers, “even if we never do an equity offering or sell debt to take us to the point where the company is cash-flow positive. That’s what we believe.”

Aaron sits down but looks more unhappy than ever.

Donna slides a note to Aaron. HE COVERED IT, it says.

Larry is distracted by the note-passing, but continues: “Uh ... there is other good news this quarter besides our reduced cash-burn and reduced cash-basis losses. We have just introduced our Monitored *hackaway* Service. Let me explain: This isn’t only a dangerous time in the stock market; it’s also a dangerous time on the Net. Hackers are more aggressive and have better tools than ever before. Because of the SUCCESS of e-commerce — and it has been a success, no matter what the stock market thinks — because of the success of e-commerce, there are more transactions on the Web than ever before; more

dollars are flowing in e-commerce. Willy Sutton said he robbed banks because that's where the money is. There is a modern type of bank robber who goes to e-commerce sites because that's where the money is today."

He looks around for encouragement. Donna smiles slightly. Aaron doesn't respond.

Michele leaves to field more questions. When she comes back, she brings questions and a list for Donna of the people on the call. While Larry continues to talk, Donna crosses off those she doesn't want to let ask questions and assigns priorities to the others. Michele leaves again and emails the blacklist and priority list to Naomi. The unauthorized will not have their request to ask questions recognized but will hopefully think they are just too far down on the question queue to be heard.

"Our current *hackaway* software-only product is the best available on the market today," Larry continues. "Our customers — unlike the customers of our competitors — have never had a significant loss when they used our products as directed. But we're not sitting back on our laurels. There is always the danger of a new kind of attack, perhaps of a kind even WE haven't thought of. Hence, Monitored *hackaway* Service. With this service, we are virtually there, on the websites of our customers, looking for attacks. Even attacks of a kind that have never been seen before. And we can counter these attacks before they damage the valuable businesses our customers have built, BEFORE they threaten the retail customers of our customers.

"We feel that this monitored service will be essential for e-commerce websites in the future. We think it will generate recurring revenue for hackoff.

"That's it for me. Thank you for listening. Naomi, you can now accept questions from those who are on the conference call. Those of you on the webcast can continue to email in your questions although we may not be able to get to all of them. Naomi."

"We are now opening the phones for questions," says Naomi on cue. "If you have a question, press star-one on your phone to be placed in queue. If you want to cancel your request to ask a question, press star-two. Your questions will be taken in the order received." (This, of course, is a lie since she will actually activate questioners in the order supplied by Donna and never activate those on the blacklist.) "If you need technical support at any time, press star-zero.

"Our first question," Naomi announces, "is from Vin Foster at Seller Brothers."

"Hi, Vin," say Larry and Donna simultaneously.

"Hi, guys," says Vin. On other quarterly calls Vin and other analysts have prefaced their questions by saying "good quarter"; not this time. "Clearly you're doing the right thing in taking these write-offs now and reflecting market reality. What assurance can we have that there won't be further write-offs next quarter?"

"And he's our friend?" Larry whispers to Donna. Then he answers: "Good question, Vin. We can't give you any assurances on that. We can't predict the market..."

Aaron and Donna smile their approval at Larry.

“However, the market can go up as well as down.”

Aaron’s head drops back into his hands. Donna looks away.

“It may turn out,” Larry continues, pointedly not looking at them, “that some of these securities have more value than what we’re carrying them for on our books.”

“I have a follow-up question,” says Vin.

“Go ahead,” says Larry.

“When are you going to start selling some of the stocks in your portfolio? Shouldn’t you be turning some of that equity into cash before its value disappears completely?”

“I can’t comment on when or if we plan to sell,” says Larry to Aaron’s visible relief. Then, to Aaron’s dismay and Donna’s studied indifference, Larry continues: “Remember, we don’t need the cash. We are managing to the cash we have without selling these equities to give them every chance to regain some of their value when the NASDAQ decides to recover.”

Aaron groans almost audibly.

“I have another follow-up question,” says Vin.

“Vin, you always ask good questions, but we need to give other people a chance,” says Donna in a smiling voice.

“Our next question,” says Naomi, “is from John Braxton at Barcourt & Brotherson.”

“Hello, John,” say Larry and Donna, not quite simultaneously.

“Hello,” says John. “My question is about sales going forward. Are you going to stop accepting equity in lieu of cash? If not, why not? That strategy doesn’t seem to be working.”

“No, John,” answers Larry, speaking slowly and with an angry space between each of his words, “we’re not going to ‘stop accepting equity in lieu of cash’. That is an integral part of the hackoff value proposition as you, yourself, wrote many times.”

Donna is frantically trying to wave Larry silent but he bulls on: “If it made sense to accept stock when the market was high — and, with hindsight, the market was too high — then it certainly makes sense — more sense — to accept stock when the market is low.”

“Not if you ever want to make your numbers,” says John, picking up Larry’s angry tone.

Donna puts her hand on Larry’s fist, which is clenched on the table. He flips her hand off, but unclenches.

“John,” Larry continues, in a more friendly tone but with a grimace, “we are also now reporting and managing to cash-basis earnings. We do feel that these will have greater predictability and give analysts and investors an easier way to evaluate and track the company.”

“Are you saying we should ignore the reported numbers?” asks John, still sounding surly. “We should ignore all the equity sales and all the equity WRITE-OFFS and just look at cash-basis sales? Is that what you’re saying?”

“John, we could never tell you what to look at and what to ignore,” says Larry in a placating tone. “But we’re not saying that. We just think that the cash-basis gives an additional point of reference. And we are managing to that, as I said.”

“What increase in cash-basis sales and revenue are you looking for over the next few quarters?” John asks.

“I’m sorry, John, we haven’t given any guidance on that.”

“Our next question,” says Naomi, “is from John Signal at Simple Funds.”

“We know it’s really ‘Semper’,” says Donna. “Hi, John.”

“Hi, John,” says Larry.

“Look,” says John Signal, “you’re not giving us very much to go on. You don’t know whether or not you’ll have more write-offs. You aren’t giving guidance on sales earnings. Why should anyone buy or hold the stock? Where’s the upside?”

Donna signals to Larry that he should let her answer the question but he ignores her.

“Fair question, John,” he says in a reasonable and thoughtful voice, “there are at least two areas where one can look for upside. One: as I said, the stocks in the portfolio COULD go up, I mean stocks do do that...—”

“So you’re running a mutual fund?” John interrupts. “I thought you were a software company.”

“We’ll leave running mutual funds to you, John,” Donna interjects, as she sees Larry’s jaw and fist tighten. She is using her smiling voice. “You do that much better than we could. You’re right, we are a software company and the ‘number two’ that Larry was about to tell you about is our Monitored *hackaway* Service.” She briefly touches the inside of Larry’s thigh under the table.

“Yes,” says Larry unclenched, “another potential upside for investors is our new service as Donna said. We think it is responsive to the needs of our customers in these ever more dangerous times for e-commerce. And it helps us in our objective to manage to cash since this is a cash-basis service for many of our customers.”

“Thank you,” says John.

“Our next question,” says Naomi relentlessly, “is from Marshal Manafiore of Manafiore Partners.”

“Hi, Marshall, glad you could join us,” says Donna. She called him and emailed him several times to get him to participate.

“Hi, Donna, glad to be here,” says Marshal. “My question is why did it take so long to get the monitored whateveritis service launched? You first announced it almost a year ago. You said the market needed it then and that you would have it two or three quarters ago. Has anyone bought it? Have you missed your market window?”

“Good questions, Marshal,” says Larry in his thoughtful voice. “I’ll start with the last one first. We haven’t missed our market window for the simple reason that no one else has come out with a product — a service, actually — like this. The customers’ need is not yet being met. We were later with the

product than we would have liked to be,” he continues. “As John Braxton pointed out, we’re a software company and somehow software never seems to get done on time. But we’re still the only ones with this product. What was the other part to your question?”

“Has anyone bought it yet?” Marshal repeats.

“We have no announceable sales at this point in time,” says Larry. “Remember that customer confidentiality means we can’t announce sales without our customers’ permission.”

“You’re not violating anyone’s confidentiality if you just say whether you sold any of this service yet. I didn’t ask you WHO you sold it to. I just want to know—”

“Marshal, I’m sorry,” Larry interrupts. “We don’t break out sales by individual product line and this is not information we have disclosed. It might be deemed to be material and, at this point, it is non-public. I’m afraid I just can’t answer your question other than to say that we believe this product meets a very important need of our customers and will be good for both hackoff and hackoff’s customers going forward.”

He pauses then says: “There have not yet been any sales of Monitored *hackaway* Service.”

PORNO, Donna writes on the whiteboard and TESTTOST!

“Marshal, I CAN tell you,” Larry resumes, “that our Monitored *hackaway* Service is of particular interest to the adult segment of e-commerce. These customers have traditionally been cash rather than equity-based for hackoff. And, because the adult segment does have a valued product and a high number of credit card transactions, they are particularly vulnerable to the kind of attack our new service is designed to protect them against.”

“Mr. Lazard,” says Marshal very coldly, “much of the money my firm manages comes from some very fine Christian groups. You’re telling me that no one is buying this new product but that, if anyone ever does, it will be godless pornographers who corrupt the youth of our country and destroy its values? I have no further questions, and you can certainly not expect any future investment from my firm.”

“Nice move, Donna,” says Larry in an aside away from the Polycom. “We have a question from one of the participants in the webcast,” he says to the Polycom, and cues Michele.

“Mr. Lazard,” Michele reads, “do you have any competitors? If so, do they have any product like your Monitored *hackaway* Service? If not, why not?”

“Good question,” says Larry. “There is a company called antihack that likes to consider itself a competitor to hackoff. They sell a product to e-commerce sites that they claim provides protection from hackers, so I guess that makes them at least a wannabe competitor, even if many people think their product is vastly inferior to ours. antihack does not have a product like our Monitored *hackaway* Service; at least they haven’t announced one. And it’s very hard for me to believe that they have the technical capability to develop something like this even though they do like to copy hackoff products. It took us a lot longer than we would have liked to get this product out; I don’t think

they could do it ever — not without violating our patents. Let's take another one of the webcast questions.”

“Mr. Lazard,” Michele reads, “are you going to quit?”

“I am not!” says Larry with a smirk. “I don't quit. Moreover, this is an exciting time for hackoff — a time of challenge and a time of opportunity. I'm looking forward to being profitable again and cash-flow positive and to the success of our new service.”

Donna sticks her finger down her throat, but smiles.

“Let's take one more webcast question and then get back to the phones,” says Larry, apparently pleased with himself.

“Mr. Lazard, does this announced loss for the quarter mean that hackoff.com is running out of money?”

“I think Donna and I have already answered that,” says Larry, “but let me hand off to Donna to address it again.”

“Thank you, Larry,” says Donna, “and thanks for the question. I understand that our reported loss for the quarter is disturbing to our stockholders. However, it is important to realize that this is an accounting loss; it doesn't affect our actual cash position. As Larry and I have said, we are managing the company to be cash-flow positive as soon as is reasonably prudent. And we believe that our current resources are adequate to fund our cash-flow needs until we are cash-flow positive without the necessity of selling equity or going into debt.”

Larry claps silently at Donna. “Naomi, let's have the next question from the phones.”

“Our next question is from Sam Marquant of *Distressed Value Newsletter*,” says Naomi.

HE WAS SUPPOSED TO BE BLOCKED, Donna writes on the blackboard. FUCK UP! WATCH OUT!

If Aaron were a dog, his hair would be standing straight up and he would be straining at his leash.

“There are two parts to my question,” Sam begins. “One: are you buying back any more shares, and if not why not? Don't you believe in the company?”

“Sam...” Larry starts to answer.

“That's just the first part of my question. Two: at what price would you sell the company? I mean you guys have to do something to realize value for shareholders.”

“We feel the current stock price significantly undervalues the company,” says Larry. “We would be hurting the interest of the shareholders if we sold the company for anything like this price.”

“Then,” continues Sam, “why aren't you using some of your cash to buy back stock? Your board has authorized it. You can't have it both ways. If the stock is undervalued, you ought to buy it. If the company is not undervalued, then you ought to sell it — or don't you have any offers?”

“This would not be the right place to talk about offers that have not previously been disclosed,” says Larry.

“Then you're saying there are some offers?”

“I didn’t say that,” says Larry. “If there are any offers — and I’m not saying there are — then clearly we don’t think they’ve reached the stage when we should make them public. For example, because we’re not negotiating. And, if we haven’t made offers public, we certainly wouldn’t announce them on this call. That would be a violation of Reg FD. I have nothing further to say about offers that may or may not have been made for the company.”

“If the current stock price undervalues the company...” Sam begins again.

“I think it’s time to give someone else a chance to ask a question,” says Donna. “Naomi, what do we have?”

“We have a question from Vin Foster at Seller Brothers. Mr. Foster, go ahead with your question.”

“If the current stock price undervalues the company,” says Vin, “then at what price is the company fairly valued? What would you sell the company for?”

“Vin, you know I would never answer a question like that,” says Larry. “If we were to sell the company, it is our fiduciary responsibility to get the best price we can for shareholders. We don’t do this by publicly stating our negotiating position.”

“Do you think a fifty-percent premium to the current price would be sufficient?” Vin asks.

“Frankly, no. The current price is way too low.”

Aaron is gesturing frantically, but Larry continues: “I am not going to answer any further questions on a possible sale of the company.”

“Then can you say why you are not buying back the stock?”

“I think I already answered that question.”

“No you didn’t,” argues Vin. “Sam asked you, but you never answered.”

“As you know,” says Larry. “We have an open authorization from our board to buy back up to 1.2 million shares of our stock. We have not disclosed and will not disclose at what prices we would do that. Clearly such disclosure would not help us achieve the best market price for our shareholders—”

“So you expect the price to go down further and are waiting for a LOWER price to buy your stock?”

“I didn’t say that. I think we’ve now run out of time. Thank you all very much for participating in the call. Remember the webcast will be available for listening to online in about an hour and will remain available for the next thirty days.” He stretches and hangs up the Polycom.

“Jesus, that was awful,” Larry says to Donna and Aaron.

They say nothing.

“Is it okay if I leave now?” asks Michele. “I have a date...”

“Go ahead,” says Larry. “Have fun.”

“I can stay if you need me,” she says.

“Thanks,” says Larry. “Go!”

On Friday, February 22, 2002, hackoff stock closed down twenty-six cents at exactly one dollar. At the beginning of the week it had been above two dollars.

On Sunday night, Louise answers the phone at the Lazard home.

“Larry,” says Louise, “it’s George Wrobly on the second line.”

“What the fuck’s he want?” asks Larry.

“Why don’t you talk to him and find out? He’s on hold.”

“Lazard,” Larry says when he picks up the phone.

“Larry,” says Wrobly, “this is George Wrobly, antihack CEO. How are you?”

“I thought it was George Wrobly, the milkman,” says Larry. “What the fuck do you want?”

“Rough webcast last week,” says Wrobly.

“What do you want?” Larry repeats.

“Larry, you know we at antihack have a lot of respect for what you’ve accomplished at hackoff. Together with us, you’ve helped build an industry—”

“George, we haven’t done shit together. We innovate; you guys copy us. Tell me what the fuck you want or I’m hanging up the phone.”

“The Street hasn’t been kind to either of our stocks lately,” says Wrobly. “But it’s been particularly unkind to hackoff. We think it’s time to reopen discussions about a merger.”

“We never OPENED discussions. There’s nothing to reopen.”

“I think if it hadn’t been for the unfortunate events of 9/11...”

“Bullshit,” snaps Larry. “Do you want us to buy you? That what this call is about?”

“No, Larry. I don’t think you’re being realistic. I have authorization from my Board to open discussions with you on a friendly acquisition of hackoff by antihack.”

“Talk about not being realistic, you asshole. What are you going to use to buy us with? Your overpriced stock? Your borrowed cash that you’re running through? You just want our cash to pay back your fucking debt. You want to steal our equity portfolio.”

“We’re prepared to make you President of the combined company,” says Wrobly.

“George, there is no way in fucking hell I would work for you. Do you think offering me a job is going to make me sell my company to you assholes?”

“Larry, I think you’re making a mistake. The combined company will be very strong and I’m sure you could make a significant contribution to it.”

Wrobly seems relieved that Larry has not accepted this part of his offer. He continues: “If you would rather look for other opportunities after the acquisition, we would be prepared to offer you a substantial settlement in return for help with the transition and a non-compete. Frankly, Larry, if you’ll let me give you some friendly advice...”

“George, you are not my friend so stuff the advice. Forget trying to bribe me to sell out the company; it’s not gonna happen. Forget about a friendly acquisition.”

“Larry, are you saying that you won’t even listen to an offer? I don’t think that’s consistent with your fiduciary responsibility to your shareholders.”

“George, who’s in the room with you?” asks Larry.

“Just a second, please...” The line goes still as Wrobly mutes the phone.

Larry hangs up. In a few minutes, the phone rings again. Larry writes down the caller ID but doesn’t answer. Instead he goes to his computer; enters the URL for www.411.com; and does a reverse lookup of the phone number.

The next time the phone rings, the caller ID is the same and Larry answers. “George, you’re in your fucking lawyer’s office. How many lawyers you got standing around listening to our ‘friendly’ call?”

“We’re very serious about this, Larry,” says Wrobly. “I do have our corporate counsel with me and representation from our outside firm of—”

“George, anyone ever tell you it’s polite to tell someone when you have other people listening in on a call? Anyone ever tell you that it’s especially important when those other people are fucking lawyers and the other party doesn’t have a lawyer present? Anyone ever tell you that?” He hangs up.

The phone doesn’t ring again.

Larry calls Aaron Smyth and gives him an almost verbatim account of the call with Wrobly.

“Can’t fault their timing with our stock under a buck,” says Aaron. “For now we’re okay. You do have a responsibility to listen to offers but there is no way you have to be on a call with attorneys present without having representation of your own. One of the few things no one could sue us for. I’m surprised they fucked up this way.”

“I don’t think Wrobly thought I’d figure out there were other people there,” says Larry. “But he kept turning his mouth away from the phone so I knew he was trying to get clues from someone ... asshole.”

“Now we’re going to have to hire a takeover firm,” says Aaron. “They’ll be back and we’ll have to deal with them properly.”

“What kind of takeover firm?”

“A takeover law firm. They’re going to make some kind of offer. We probably won’t like it. We need to be prepared to fight.”

“We don’t like it, we just say ‘no’. How many lawyers does it take to say ‘no’?”

“It’s a specialty like anything else. We have to have the best legal counsel we can get — and bankers. Maybe Barcourt again.”

“We’ve got to pay a BANKER? ”

“Millions,” affirms Aaron.

“For what?”

“For a fairness opinion, at least. At most, we want to look around and see if there are other offers. We have to do what’s right for the shareholders. More important, we have to APPEAR to do what’s right for the shareholders.”

“It’s not right to spend millions of dollars of their money just because an asshole like George Wrobly calls me up and tries to bribe me in an effort to steal my company. They’ll call back; you’ll be on the phone. We’ll listen to their offer; take notes’ then say ‘no fucking way’. Don’t need to pay a banker and

lawyers to do that. Don't want to have a banker out looking for other people that want to steal the company at this price either."

"Larry," says Aaron, "it sucks but that's what we're going to have to do. Also we've got to have a Board meeting right away. You need to give the Board a heads-up on what happened tonight."

"Right. We do need to talk to the Board. Hope those pussies have some balls. This is gonna be a fight. Okay if we wait 'til morning? It's after ten."

"I think you ought to try to get to them now," says Aaron. "At least it's got to be clear that you tried. Wrobly and his lawyers gave you a little breathing room by fucking up but they'll be back. Better we use the time as best we can and be prepared for them."

"Okay... I'm saying 'okay' to calling the Board and trying to set up a meeting as soon as we can. I'm not okay with extra lawyers and hiring bankers and all that crap. But you better be prepared to discuss it all with the Board. I'm going to try to get us set up for eleven tonight, or twelve. Can you do that?"

"Not much choice," says Aaron.

Larry's next call is to Donna. Again, he describes the call with Wrobly.

"Can't fault their timing with our stock under a buck," says Donna. "Maybe we have to consider it."

"WHAT?" Larry shouts. "Why the fuck would we merge with those assholes?"

"Because we'd own the industry. We'd be the only serious source for anti-hacker protection. Because we're not making it on our own, Larry, face it. You want to do more quarterly webcasts like the one we did last week?"

"Bullshit. Monitored Service is gonna work. The portfolio will regain value. This is the bottom. That's not the time to give up."

"Larry, look, you've done a great job so far, but the market's turned against us. In hindsight, maybe so much reliance on equity wasn't a good idea. We're late getting Monitored Service out and it will be a long, tough road to make it successful. That's all a lot easier if we're not competing with antihack anymore, if we have their customers AND ours to sell Monitored Service to. Think about it."

"Donna, you think about it. You think a company's gonna work with George Wrobly running it? That pussy couldn't find his way out of a paper bag. Over my dead body!"

"Is that your problem, Larry? Is it all about ego? All about you won't be the chairman and CEO of the new company? Is that what's bothering you? Look, from what you told me about Wrobly's call you can be in or you can be out with a big settlement. Either way, you're a big stockholder. The new company wins, you win too."

"The new company isn't going to do shit with Wrobly as CEO," says Larry. "It isn't about me. Shit, I don't care if I retire and go mushroom hunting for the rest of my life or take the money and start another new company. But Wrobly can't run this one. He's not up to it. And I'm not gonna get bribed to leave and have him fuck up everything I've ... we've done."

“Lar, this shouldn’t be personal. It’s not about us. It’s about knowing when to hold ‘em and knowing when to fold ‘em. This may be the best time to get out. We’ve got to listen.”

“I’m setting up a Board call for eleven,” says Larry coldly. “I thought you’d be on the right side on this but, either way, I fight. And it starts with the Board. Can you make eleven? It’ll be on my conference bridge.”

Call-waiting chirps on Donna’s phone. “Just a second, Lar, I’ve got another call.”

The other caller is George Wrobly. Donna tells him she’ll get back to him in ten minutes, then tells Larry: “Can’t do eleven, Lar, I’m sorry.”

“What do you mean you can’t do eleven? This is such a great opportunity we have to listen to that asshole Wrobly and now you don’t have time for a Board call?”

“I can’t do eleven, Larry. What about eleven-thirty? Twelve? Tomorrow morning?”

“Twelve. I’ll get back to you if the others can’t make it.” He hangs up without waiting for an answer.

Donna goes into the bedroom and wakes her husband. “Francis,” she says, “this may be the opportunity we’ve been waiting for.” She tells him about Wrobly’s call to Larry; Larry’s call to her; and the call she received from Wrobly. “But Larry’s right, Wrobly is a ‘pussy’ and he can’t run the combined company, at least for long.”

“And that’s the opportunity you see, babe?”

“That’s the opportunity. I assume Wrobly’ll offer me the CFO slot. He’s got some jerk in there now. But then how do we move Wrobly out so I can take over before he wrecks the whole thing? Merging the companies’ll be tough. He doesn’t have the balls for it; he could fuck it up.”

“He have the hots for you?”

“No. No interest as far as I can tell.”

“Could he?”

“I don’t think so. I don’t think that’s his weakness.”

“Even you?”

“Francis, I’m being realistic, not modest. I don’t think that’s how we get rid of Wrobly.”

“Is he gay?”

“Don’t think so. I think he just isn’t much below the belt. He’s a glad hander, a lightweight; and I don’t think he cares much about sticking his cock anywhere.”

“It’s a gamble, babe,” says Francis. “You could end up working for the jerk for too long and the company goes down the tubes. Other hand, he’s as weak as you say he is, we ought to be able to figure out something. You got to make sure you have plenty of exposure to the Board. You’ve got to have a Board seat like you have at hackoff so they know you when the time comes. Thing to do now is listen hard to what he’s about to offer you.”

“Otherwise I’m stuck with Larry... He was a good founder. He sucks now. Gotta look at making a move.”

“You record the call,” says Francis. “And you assume he’s recording the call, too. Probably has someone else listening, telling him what to say, just like he did on the call with Larry. So you don’t say anything you don’t want recorded. Let him talk... Good luck.”

“This is a very irregular call,” says Donna to Wrobly a few minutes later. “I’m returning it only because I have a duty to my stockholders to listen to whatever it is that you might want to say.”

“Right,” says Wrobly. “I assume that our friend Larry told you about the call he and I had.”

“I’m certainly not going to discuss any communications I had with my CEO.”

“Right,” says Wrobly again. “Well, in case you don’t know, we’re interested in making an offer for hackoff.”

“Have you made an offer?” Donna asks.

“Not officially. My conversation with Larry didn’t get that far.”

“Are you going to?”

“We’d like it to be friendly. We think that’s better all around.”

“Of course,” says Donna. “What did you want to talk to me about?”

“When we put the companies together,” says Wrobly, “it’s important that we get the best person into each slot in the combined company, regardless of which company they came from originally.”

“Of course,” says Donna.

“And people we don’t have slots for, it’s important that we treat them well. It’s important that we be fair. We don’t want there to be any losers, just winners.”

“Of course,” Donna says again.

“So, for example,” says Wrobly, “let’s take Dom Montain. We’d want him to be the CTO of the combined company. Do you think he’d consider that position?”

“I agree that he’d be the right person. He has lots of offers, lots of opportunities. He also has a lot of stock he never sold that he’s pretty bitter about and he has lots of options that are way underwater. I think we’d ... you’d have to find a way to make him feel that he’s going to get whole. He also needs to feel very appreciated. If he doesn’t think he’s respected, he’s outta here no matter how many dollars or options you throw at him.”

“That’s just the kind of input I was hoping for, Donna. I think you can be a huge help during a transition. You know the company; you helped build it. You know the players. I’m sure they all respect you.”

“And?”

“And it’s very important that we have your full cooperation during a transition.”

Donna is silent.

“For that reason, we’re prepared to offer you a very generous package contingent only on your cooperation during the transition and, of course, a non-compete.”

“You see whats-his-name — Marvin — staying on as your CFO?” asks Donna in a choked voice.

“Well, of course,” says Wrobly, “just as I’ll stay on as CEO. But we are prepared to...”

“What about...” Donna looks up to see Francis, who has been listening, signaling her to silence.

“What about what?”

“Nothing. Go ahead.”

“Well, I think that’s about it. I mean it’s too soon to be specific but I just wanted you to know our intent, that we intend to treat you very fairly and very well. You could come out of this a very rich lady.”

“I think you’re trying to bribe me,” says Donna. “I think you’re trying to buy me off in an improper way. My opinion on your offer, if we ever see your offer, will be based purely on the interests of the hackoff shareholders, not on some special deal you offer me. This call is improper. I listened to it because I thought my duty to shareholders requires that. But I am not going to be bribed.” She hangs up.

Donna looks aged. Her cheeks implode slightly, her shoulders hunch.

“You were great, babe,” says Francis. “You almost lost it for a minute but you were great.” He hugs her and she responds slightly, then pulls away.

“I don’t fucking believe it — Marvin for CFO. Maybe the fucker IS gay. Marvin might make a good controller; he can count. Ever hear him on a quarterly call? Ever shake his hand? I could’ve made this work. I don’t believe it.”

“Maybe you threaten him, babe. Maybe you’re too sexy; for sure, you’re too smart. Guys like him, they get spooked easy. Maybe he senses you’d have his job in six months.”

“I mean I’m still stuck with Larry,” says Donna.

“You have me. We’ll figure a way to make things happen. We’ve figured things out up to now. We’re a great team and the beauty is no one knows it.” He hugs her again.

“Sometimes I believe that,” says Donna. “Sometimes I do.” She rubs the back of his neck. “Why don’t you take one of those magic purple pills? That way when I get off the Board call, you’ll be ready.”

“For you, anything,” says Francis.

#

At midnight, Board members Joseph Windaw and Joanne Ankers join Larry, Donna, and Aaron on a conference call. Franklin Adams was unreachable. Larry describes his call with George Wrobly, only slightly downplaying the heat of his own reaction.

“Comments?”

“Obviously,” says Joanne, “we have to listen to what they have to say. This is not a good time for the company. A combination may well make sense.”

“This combination doesn’t make a whole lot of sense,” argues Larry. “Not to me. Wrobly’ll run the combined company into the ground. And the company’s not doing that badly. The market is doing badly. That’s a very different thing. We’re responding. Our new service will be a big help. This isn’t the time to fold.”

“Can’t fault their timing with our stock under a buck,” says Joe Window. “Frankly, though, I don’t like the way Wrobly approached you. I think it was insulting. I don’t think it speaks well of him. But we are still going to have to listen. Aaron, what do you think’ll happen next?”

“I think there’s a good chance they’ll try a bear hug,” says Aaron. “I think we may see a letter in the morning with a specific offer in it plus a deadline for responding. They’ll know that we have to make something that specific public. We can’t just quietly turn it down. They won’t want to go hostile so that will be their attempt to force us into ‘friendly’ negotiations.”

“Friendly, my ass,” says Larry. “I don’t get ‘forced’ into anything and then call it ‘friendly’. If they want to fight, we should fight. There’s nothing fucking friendly about this.”

“Larry, it’s not about you,” says Joanne. “It’s about what’s best for the shareholders. Under the right circumstances, Big Router would be in favor of a sale of the company.”

“Joanne,” says Donna, tartly, “when we’re meeting as a Board, you don’t represent Big Router; you represent the interests of all the shareholders. I hope you remember that.”

“I resent that. I am perfectly well aware of my fiduciary responsibilities. I want to remind you, however, that Big Router does not have a fiduciary responsibility to anyone when it votes its shares. It can and will do that in its own best interest — in the interests of the shareholders of Big Router. We are also free to sell our shares—”

“At the moment,” says Aaron, “I think I should point out that we are all in possession of material insider information and are likely to be in that state through any negotiation. We are not free to trade the stock or cause others to do so.”

“I KNOW that,” says Joanne. Her teeth are clearly clenched. “IT IS NOT in the INTEREST of ANYONE to entrench hackoff management — except maybe management itself.”

“Let’s all calm down,” says Joe. “It’s late and this discussion isn’t fun for anyone. I’ve been through more of them on both sides than I care to remember. Aaron, assuming you’re right that they’ll try a bear hug — and I would bet they are, ‘cause it’s what I’d do — assuming you’re right, what’s our next move going to have to be?”

“Well, I’ve already discussed it some with Larry. We’re going to need to engage special takeover counsel and we’ll need bankers to evaluate the proposal and give us an opinion...”

“I have a problem with that,” says Larry. “Okay, look, if they make a reasonable proposal, if they were to offer five dollars a share, for example, sure we’d have to look at it. And we probably need to pay bankers a couple of million

dollars to look at it, too, just to cover our asses. I understand that. But that's not gonna happen. What's gonna happen is they're gonna make some ridiculous low-ball bid to try to take us out now when we're weak. We even LOOK like we're considering it; we hire bankers to look at it and all that bullshit; it looks like they're in the ballpark and either they get us cheap or someone else does. I say when we get their bullshit offer we say in the right legal language: 'Bullshit. That offer is crap. End of story.' If it turns out I'm wrong, if they make a real offer, fine; we look at it. But that isn't gonna happen. Anyone wanna bet?"

"How do we know what's a reasonable offer?" asks Aaron rhetorically. "I mean in a legal sense. Sure, if they offer us less than we're trading for, we could probably claim that the market has set a price for us and they're below it. Even then, there may be some case law the other way. But the argument cuts both ways. If they offer us more than we're trading for, how does the Board justify turning it down out-of-hand? If a banker says it's too little; that's one thing and we can act on that. We get sued anyway, but it's probably not too bad. But just on our own, how do we justify saying 'no' and not even being open to negotiation? I think that's a dangerous path."

"So," says Joanne, "we're going to be negotiating with them no matter what, so I think management needs to be realistic about that."

"Wrobly called me, too," says Donna.

"What?" Larry shouts. "WHAT? Why didn't you say anything?"

"He called me after you called me."

"Why didn't you say anything now? You—"

"I didn't get a chance, Lar. You were telling the story. But I think before we go rushing off negotiating with these guys everyone needs to understand, the Board needs to understand, that they have not been acting properly. The call to you was marginal; the call to me was completely out of line."

"Why did you talk to him?" Larry demands.

"I didn't know what he was going to say. I had to listen to find out what he was going to say. I also feel I have a responsibility to shareholders to go the extra mile to listen. And, if we decide to fight, then anything I learn is helpful."

"What did he say?" asks Larry.

"He tried to bribe me. He offered me a big package if I would 'cooperate with the transition' and sign a non-compete."

"Why's that a bribe?" asks Joanne. "Did he say this was in return for your vote as a Board member?"

"No," says Donna. "Not in those words. He didn't have to. It was very clear what his intent was. There would be no transition to cooperate with if the Board votes his offer down."

"I don't think that sounds like a bribe," says Joanne.

"Contacting Donna directly at this point was in very poor taste," says Joe. "It was at least that. Donna, did he offer you the position of CFO of the combined company? A raise? More options?"

“He just talked about transition,” says Donna. “I think he was waiting for me to ask for that, frankly, but I wasn’t about to initiate that sort of discussion or even continue the discussion once it was clear he was trying to bribe me.”

“I still don’t think it’s clear,” insists Joanne.

“Aaron,” says Larry, “this guy makes a couple of improper calls. He calls me with lawyers on the line; doesn’t tell me. Then he calls Donna; offers her a bribe or comes very close. Just think about it, doesn’t that give us some room when we respond? Any reason we can’t make public what an asshole he is; how he’s trying to bribe management not to work in the best interest of the shareholders?”

“Do we have any evidence for this?” asks Aaron.

“I taped the call,” says Donna. “Thought it might be a good idea.”

“I’ll listen to the tape if that’s okay,” says Aaron. “See how helpful it is.”

Aaron advises the Board that, after they receive a formal letter with an offer, they will only be able to keep it confidential for a limited period of time. Relevant security law requires them to report significant events but does allow some latitude for the need to negotiate in private. Specifically, he tells them, if they are engaged in serious discussions and the results are not known because, for example, terms have not been agreed, they are probably safe in not making a public disclosure. However, if word should leak out of their discussions or if they have any good reason to think word is going to leak out, then they will be obliged to disclose them promptly.

Likewise, he tells them, if a definite offer is made and they reject it, they must almost assuredly have to reveal the offer, their rejection of it, and — most dangerous from a potential litigation point of view, their reasoning in rejecting it. This is why, he tells them, they need to hire both an outside counsel skilled in takeovers AND a banking firm to give them an independent view of the value of the company and thus a defensible reason for rejecting an offer.

After a long argument, Larry agrees to engage outside counsel first thing in the morning. His exhausted Board of Directors agrees not to require him to begin the process of engaging an investment banker unless and until they actually receive an offer. Larry holds out the possibility that an offer will be so patently absurd that they can simply reject it out-of-hand and eliminate the need to hire a banker. Joanne strongly disagrees. Joe weakly disagrees. Donna points out that, in any case, they really don’t have to make a decision until they see what they receive from antihack.

So they decide not to decide on whether to engage a banker until they receive something from antihack and until they consult the takeover lawyer Aaron will hire in the morning.

“Is my tape of what Wrobly said enough to stop them?” Donna asks Francis as she prepares to join him in bed. It is 1:30 AM.

“Probably not. I’d win a case against you in a New York minute if you don’t at least listen to them, even with the tape. Aaron’s right that it might buy you some time, though.”

“Actually, it was Larry who said that.”

“He a lawyer now, too? Anyway, you don’t listen, you don’t have a good reason for turning them down, you get your ass sued.”

“You going to sue my ass again?” asks Donna softly.

“Not what I had in mind to do with it.”

“You take your purple pill?” She pulls back the covers. “Oh yes you did. That’s huge. How long’ve you had that?”

“About an hour waiting for you to get off the phone. I’m gonna be a wreck for my client meeting in the morning.”

“This one of those four hour or more jobs they talk about in the ads?” asks Donna, wrapping her hand around his extremely stiff prick. “You know if you have one of these for more than four hours we’re supposed to take you to the hospital, make sure you get treatment. What shall we do with him?” She is naked now and rubs his prick between her breasts. “Can we make him even bigger?”

“He’ll burst. You want him to blow up all over you or in you?”

“Oh, definitely in.” She straddles him.

“The other way,” he says. She turns around facing his toes and places the tip of his prick at the entrance to her cunt.

“I said the other way,” he says.

“Ouch,” she says. “That’ll hurt. I want him in here.” She lowers herself onto him. He lies very still. His long body is thin, almost emaciated. He has straggly pubic hair, a few hairs on his chest and his armpits, no other body hair visible.

“I’ll make you a deal,” she tells Francis. “He comes in here like a good boy and I’ll probably be so excited, he stays stiff, you can put him anywhere you want. Do whatever you want with him for the next three hours until we have to take him to the hospital, get him reduced.”

“We should be so lucky,” he says but thrusts upward.

###

February 25, 2002

Mr. Lawrance Lazard
Chairman and CEO
hackoff.com, Inc.
65 Broad Street
New York, NY 10004

Dear Mr. Lazard:

The Board of Directors of antihack, Inc. have authorized me to approach you in your role as Chairman of the hackoff.com Board of Directors in order to propose the acquisition of hackoff.com by antihack, Inc. The Directors have authorized me to

extend a conditional proposal to tender for hackoff.com common stock in an exchange for common stock of antihack which will be issued for this purpose. The proposed exchange ratio is one share of antihack stock for each 2.5 shares of hackoff.com. As you are aware, valued at the close of the NASDAQ yesterday, this represents a premium of 25% for holders of hackoff.com common stock.

At the completion of this transaction, we anticipate that former holders of antihack common will own 70% of the combined company and former hackoff holders will own 30%. This ratio was calculated based on our best knowledge of the number of hackoff shares outstanding from your most recent public filing.

This proposal is not binding on antihack at this time but is extended in sincerity to advance a combination which we believe is in the best interests of the shareholders of both companies.

This proposal is conditioned on several factors some of which, without limitation, are:

- acceptance of this ratio as a basis for more detailed discussions by the hackoff.com board no later than midnight February 27, 2002 including a 30-day "no shop" provision;
- a timely definitive agreement approved by the boards of both companies;
- favorable fairness opinions rendered by qualified investment bankers for both firms;
- successfully obtaining all regulatory approvals including, without limitation, Hart-Scott-Rodino;
- successful completion of due diligence by antihack and its agents;
- the receipt of various warrants and representations from hackoff officers the exact content and form of such warrants and representations to be specified later;
- approval by the Securities and Exchange Commission of an appropriate proxy to be distributed to shareholders of both corporations;
- agreement by NASDAQ that the shares of antihack as the surviving corporation will continue to be listed by and traded on that exchange;
- favorable votes as required by applicable Delaware law by the shareholders of both corporations;
- such other conditions as are usual and customary in transactions of this sort.

The Board of Directors of antihack, Inc. reserve the right to withdraw this proposal at any time with or without cause.

Larry, I sincerely hope that you and your Board will respond to this proposal in the constructive spirit in which it is offered. I and my Board believe that a combination of hackoff and antihack will be favorably viewed by both financial markets and customers. We believe that there are substantial synergies possible in such a combination and that

the combined entity will have an enhanced ability to compete in a very competitive market segment.

We have kept knowledge of this proposal to a very small circle of people with a need to know. It is our hope that you will do the same until we are able, within the next couple of days, to make a positive joint announcement. At that point, we will be able to allay some of the natural concerns that employees of both companies may have and make clear to customers that this combination is very much in their interest. Of course, whatever the outcome, we believe that this proposal is significant material information that will need to be publicly disclosed in the near future in a way fully compliant with Regulation FD and other relevant laws and regulations.

If you and your Board have any questions about this proposal which would be helpful to you in reaching what we hope will be a favorable decision, please do not hesitate to contact me either at the antihack offices, at my home (914.555.6980), or on my mobile phone (917.555.4756). I will be available to you at any time night or day.

Yours very truly,

George Wrobly
Chairman and CEO

###

William Smothers of Arthur Williston Smothers (the 'Smothers' in the firm's name is his uncle Howard) is the high-priced takeover lawyer Aaron Smyth has engaged as instructed by the hackoff.com Board of Directors. It is now 2:30 PM on February 25. The letter from antihack was received at 10:00 AM. Smothers has studied it and is now advising the hackoff Board in a conference call from his midtown office.

Larry, Donna, and Aaron are in Larry's office at hackoff in lower Manhattan. Joseph Windaw, Franklin Adams, and Joanne Ankers have called in from Chicago, Bangalore, and San Jose respectively.

"This is what is called a bear hug," says Smothers.

"You told us that was coming last night," says Larry to Aaron in an aside that cannot be heard on the conference call. "We gotta pay this guy to tell us what we already know?"

"Shhh," says Donna to him and puts her finger on his lips. "We pay him, Lar, we might as well listen to him."

"antihack's attorneys know that, even if you dismiss their proposal out-of-hand, you will need to make the substance of it public. They've even made sure you are aware of this by pointing it out in the final sentence of the penultimate paragraph. This is, I would like to say, only one of a number of rather clumsy ... er ... inappropriate phrasings in this letter. I see that they are

represented by Zinger Sweetly. They are a respectable firm but not highly-regarded.

“However, we are under no immediate pressure to make this public even under an extreme reading of SEC regulations and guidance. It is not a binding proposal; they clearly anticipate your need to discuss it. A reasonable person — and the test is ‘what would a reasonable person expect?’ — a reasonable person would expect that this is meant only as a starting point for negotiation and is in no way a best and final offer. They have spelled out a number of customary conditions but they have also taken pains to say that the proposal is not binding on them even should all the conditions be met. Although they haven’t—”

“How long do we have before we have to make something public?” Larry interrupts.

“Well,” Smothers begins, “if we were to accept—”

“Forget that,” says Larry. “If we tell them to go fuck themselves, then when do we have to tell people they sent this garbage and we sent it back?”

“It is very important,” says Smothers, “that the minutes show that the Board was properly deliberative in responding to this proposal. It would not do to be hasty or to give the appearance of being hasty.”

“Yeah,” says Larry, “with all due deliberation, we’ll tell them to go fuck themselves. Then how long do we have to get a press release out?”

“I think we’re putting the cart before the horse,” says Joanne. “I think it may be in the best interests of the shareholders to consider this offer carefully. The stock is currently at eighty cents and has been lower today.”

“It is important to realize,” says Smothers, “that this is actually not an ‘offer’. They have been careful to say it is a ‘conditional proposal’. You could accept their terms and they could renege. The Board also wants to be careful not to appear to be hasty in accepting something which, in form at least, is very one-sided.”

“Surely we could respond to their proposal with a proposal of our own that better protects our shareholders,” says Joanne.

“Now who’s putting the cart before the horse?” demands Larry loudly. “Joanne, this offer or proposal or whatever the f... whatever the hell it is, it is totally out of line. The price sucks. And it is in antihack stock, which sucks. And it is from antihack, which sucks. You’re already talking about terms and conditions. There don’t need to be any terms and conditions when we turn this down.”

“Who says we’re going to turn this down?” asks Joanne.

“Actually,” says Franklin Adams, “I agree with Larry on this. It’s not a good price. It’s not an appealing offer — even ignoring the fact that it isn’t an offer at all. It is certainly not the place we would want to start a negotiation.”

“I’m surprised you’re siding with Larry on this,” says Joanne. “I think management is being very closed-minded. That often happens when—”

“Joanne,” interrupts Franklin, “are you under a lot of pressure at Big Router to get out of this position?”

“I ... no ... I ... It is my responsibility to act on behalf of all shareholders,” says Joanne. “I am not acting as a representative of Big Router and I resent—”

“I’m sorry, Joanne,” says Franklin. “It’s the middle of the night, actually almost morning over here in Bangalore. You’ll have to forgive me if I’m a little confrontational. This is not a good offer. Even if we want to sell to antihack — understand that, at the right price, I’d sell to the devil — even if we want to sell to antihack, we don’t start with this proposal. We don’t bargain on the basis of this proposal. We DO send the garbage back — after due consideration, of course. I think that is what Larry is getting at.”

“Thank you,” says Larry. “That IS what I’m getting at. At this point the only question is how we send it back and how we announce that we got it and sent it back. And we have to wrap it up all nice so we don’t get a bunch of shareholder suits—”

“I’m not sure I agree,” interrupts Joanne. “I’m not sure at all.”

“Okay,” says Larry. “It’s time to find out where we stand. I’d like to get a sense of the Board right now before we go any further on whether the Board wants to give this crap serious consideration or whether you are with me on refusing to enter any negotiation with anyone at such a piss-poor starting point.”

“I don’t think it would be wise for the minutes to show a Board vote prior to more discussion,” says Aaron.

“I concur with my colleague,” says Smothers. “That would not be prudent.”

“Okay,” says Larry. “God forbid that we’re not ‘prudent’. I’d like to get a ‘sense of the Board’ doesn’t belong in the minutes. But, before I get that, let me tell you where I stand so there won’t be any mistakes. If this Board wants to open negotiations of any kind on the basis of this piece of shit we have here from George, then I resign immediately. Here and now. I will not vote for any such deal as a shareholder. I will oppose it. The first stockholder suit you get will be from me.”

Donna and Aaron watch him put his gun to his head and smile.

Larry begins with Franklin. “Franklin, what do you want to do?”

“I’d accept your resignation in a minute if that’s what it took to make a good deal,” says Franklin. “But, as I said, this isn’t where we want to start.”

“Joanne?”

“I believe that this is a serious offer and needs to be responded to seriously. I cannot be deterred by threats.”

“Joe?”

“Larry, I don’t appreciate threats either. But I agree with my colleague Franklin that this is not an appropriate place to start negotiations. We will have to consider what sorts of offers we WILL entertain. But I think this should be rejected out-of-hand for both strategic and tactical reasons.”

“Thank you,” says Larry. “Donna?”

“You kidding? We gotta give this due consideration.”

“You, too?” demands Larry. “After he tried to bribe you. After...”

“Larry, let me finish,” says Donna. “As I said, we gotta give this due consideration; should take us about five minutes or so. Then tell George to shove it up his ass.”

Larry puts the gun back on his side table.

“This discussion is not in the minutes,” says Aaron. “Shall we begin our deliberation?”

The “due consideration” actually takes the better part of half-an-hour. Except for Joanne, no one takes the proposed price seriously. However, since it is higher than the price hackoff.com is trading at, there is a question, according to both Aaron and Smothers, of how they can justify turning it down without a counter. If they had the opinion of an investment banker, the lawyers say, then they would be justified in relying on that opinion. All except Larry agree that they should get such an opinion to buttress their case. Larry reluctantly agrees to contact investment bankers and engage one. But this doesn't solve their immediate problem of the two day deadline to respond and the fact that they all (except Joanne) feel that it is important to say “no” emphatically.

In the end, Donna comes up with a solution which satisfies everyone (except Joanne). She proposes turning the preemptory deadline to advantage. Obviously the deadline is too short to say “yes” responsibly just as it is too short to say “no”. By saying “yes”, the Board would agree to a “no shop” — it would not be able to solicit bids. Nor would there be time to get the “expert” opinion of bankers. Therefore, the proposal is not serious since the Board cannot respond responsibly in accord with its fiduciary duty to shareholders. They will say “no” because it would be irresponsible to say “yes” under the terms proposed.

The lawyers tweak this some: they can say they regard the price as absurdly low. It is scarcely higher than the value of the assets including cash on hackoff's books. Therefore it values hackoff's ongoing business, patents, brand and customers at essentially nothing. They can come close to saying that antihack is trying to steal the company but they can't use that word, of course.

They can say, and should say, that they are engaging investment bankers to “explore strategic options”. In fact, saying this means they are “in play”, a candidate for takeover. That, by itself, should make hackoff's stock go up. The Street often punishes potential acquirers on the theory that they will eventually overpay so antihack's stock may go down as well. With a little luck, everyone (except Joanne) agrees that the price of the two stocks may instantly move so much in relation to each other that the antihack bid will end up being worth less than the new value for hackoff set by the stock market. If this happens, the hackoff Board will be well-insulated from shareholder suits based on their rejection of the offer.

“So,” says Larry, “we just stall some on engaging the investment bankers. Then the stock moves; we don't have to pay a couple of million dollars to know that if they are offering to buy us for less than the stock price, they are ripping off our stockholders.”

“Doesn’t work, Larry,” says Franklin. “I’ve been there before. Once we announce we’re going to hire investment bankers, we gotta do it. We change our minds, we decide we’re not in play, then the stock goes down lower than it was before and we’re all in trouble. What’s more, you gotta realize that we’re putting the company in play. I know this is hard for you, but the company may really get sold. Maybe antihack offers a fair price. Maybe somebody else does. And maybe the company gets sold. If it doesn’t, the stock goes back down and doesn’t come up until you guys show some solid results and maybe not even then, unless the market recovers.

“I agreed with you today that we don’t start any negotiations at this low-ball price,” Franklin continues. “But remember I told you I’d sell the company to the devil at the right price. And that includes antihack. It’s just about money, Larry, nothing else.”

“I appreciate you being straight, Franklin,” says Larry. “And I agree it’s just about the money. This isn’t about my ego. But there is no amount of antihack stock that can buy hackoff because that stock isn’t worth shit. If antihack was paying cash — if they had cash — for sure, we got to consider that. Cash is cash. But we’d never be able to sell antihack stock — I mean our shareholders wouldn’t be able to sell it fast enough to get their money out.”

“That’s why we need the investment bankers,” Joe chimes in. “If they say that a stock offer from antihack is not in the best interest of hackoff shareholders, then it’s easy for us to turn it down. I’m not sure I’m eager to have a lot of antihack stock, to tell you the truth. I’m not happy with how much hackoff stock I have, as a matter of fact. If we could get a cash offer or get bought out with stock we can sell like Microsoft or Oracle or somebody, maybe that’s the best outcome.”

“Thanks for the vote of confidence,” says Larry.

“Larry, don’t take any of this personally,” says Joe. “It’s just about—”

“The money, I know. That’s why we’re here. Let’s get going. My plan is to put out a press release immediately following this meeting saying that we got this ridiculous low-ball not-fair-to-our-stockholders offer from the assholes at antihack who are trying to steal the valuable assets which of course belong to our shareholders. Our fearless Board of Directors has met and, after due deliberation, decided that agreeing to robbery one is not in the interest of the shareholders and so has told antihack to stuff its proposal — which wasn’t binding to begin with and (did I mention) isn’t in the interest of the shareholders — which (we should mention) is the only concern of this fearless Board.

“Furthermore, having lost confidence in the ability of management to recover single-handedly from the stock market crash of 2000-2001, the Board has decided to put the company in play to see if anyone will take this turkey off their hands. To that end the Board has instructed this same incompetent management to pay a small fortune to an investment bank that will explore strategic alternatives, whatever the fuck those are. Should these bankers actually succeed in discovering any such alternatives and should a transaction

take place with said discovered alternatives, said bankers will extract another fee.”

“Larry, that isn’t exactly—” Joe begins.

“You’ve got it Larry,” Franklin interrupts. “But don’t forget to add that we love you and you have done a great job so far. Actually, that’s true. And, if the best alternative turns out to be to go it alone for a while, you’re still our man. And Donna’s still our woman. Now can I get some sleep?”

“I’m sorry to interrupt,” says Smothers, “but there is the matter of the letter back to anithack. I’m assuming that you’ll want to inform them before putting out a press release. I also assume that the actual—”

“Is there some legal requirement that we inform them before putting out a press release?” asks Larry.

“No,” says Smothers, “there isn’t. It is customary and it would be gesture of good will.”

“So not warning them would be a gesture of bad will?” Larry asks.

“I would say so.”

“Sounds good to me,” says Larry.

“I’m not at all sure we want to offend antihack in this way,” says Joanne.

“I am going to have to get some sleep,” says Franklin. “I’m dropping off the call. I don’t know that the Board has to be involved in what order we do what. We duly considered and made our decision. But, if you need to make any more decisions, Joe’s got my proxy. Good night, all.”

“Believe it or not,” says Larry, “I have a reason for wanting to get the release out first besides sticking it to Georgie boy...”

“We cannot be vindictive,” says Joanne. “We must be business-like.”

“Of course,” says Larry. “That’s what I was saying. If we write back to antihack in a polite way and say ‘we are going to reject your most kind proposal, honored sirs’, they get to make the next move and decide how they want to spin the story. They probably have a canned press release ready. Unless they’re even stupider than I think they are, they can’t believe we were going to accept this proposal. So far they’ve been forcing the pace. With hindsight, since we’re putting ourselves in play, we should have done it as soon as Georgie called me and Donna and not even let them get their offer off. But we didn’t. So now we need to regain the initiative. Catching them flat-footed with our announcement is a good way to do that.”

“But if we’re later in negotiation with them...” Joanne starts to ask.

“In that very unlikely event,” says Larry, “you are as likely to be leading the negotiations as I am because I’m probably long gone. But, should you be in that position, you’ll be glad we started tough. They aren’t bidding for us to do us a favor; they aren’t bidding for us because they’re nice guys or because we’re nice guys. They’re bidding for us because their business sucks and because our stock sucks and they think our software and our customers and our cash are the way out of a hole they dug for themselves. They’ll come back like a puppy dog if they see the chance and it won’t matter to them any more than it matters to the puppy dog that we gave them a lick in the chops.”

“I don’t—” Joanne says.

“Joanne,” Joe says, “I think we should let management take the lead here. We’ve done our job by considering this proposal and determining that it is not currently what is in the best interests of our shareholders. We have set the stage for determining exactly what our strategic options are. I think we can responsibly let management take it from here. I’m not sure I would personally proceed with as much hostility as Larry seems to be prepared to do; but we are responding to a bear hug, and I am willing to allow some latitude for those on the front line.”

After the call, Donna and Larry are alone in Larry’s office.

“Larry,” Donna says. “I just want you to know I’m with you.” She hugs him chastely, pelvis back.

“Good,” says Larry. “It means a lot to me.” He pats her ass as she leaves.

hackoff stock closes at an all time low of seventy-five cents. The hackoff press release is timed to hit the wire thirty minutes after the market closes.

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For Immediate Release

**HACKOFF CONSIDERING STRATEGIC ALTERNATIVES
BOARD REJECTS “NON-BINDING” PROPOSAL FROM ANTIHACK, INC.**

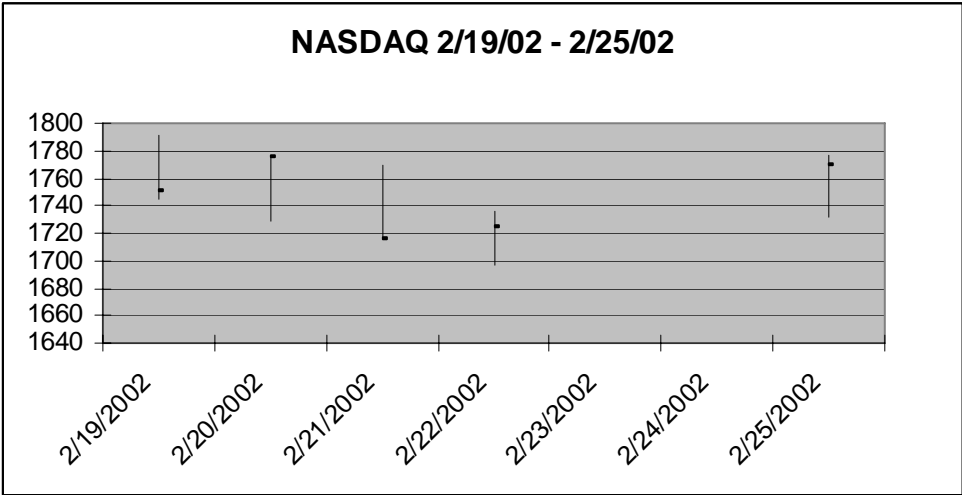
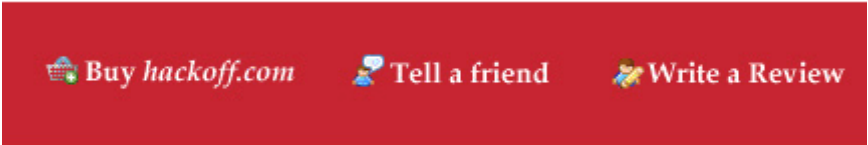
New York, NY -- February 25, 2002 - (BUSINESS WIRE) hackoff.com

(NASDAQ:HOFC) announced today that the company intends to engage an investment banker to explore strategic alternatives. In a separate action, the hackoff.com Board of Directors considered and rejected an unsolicited and non-binding proposal from antihack, Inc. (NASDAQ:ANTI).

“Although we believe our core business is strong and getting stronger,” said hackoff Chairman and CEO Larry Lazard, “there have been significant changes in both the stock market and the e-commerce ecosystem in which we operate. The fact that we have cash and no debt gives us many options for the future. We feel it is in the interest of our shareholders to explore these options fully and to engage a qualified investment banking firm to help us do so. Options to be examined include continuing independently, different ways of leveraging the equities in our portfolio, or some sort of combination with another company.”

This morning the company received an unsolicited proposal from antihack, Inc., which that company characterized as non-binding. The proposal insisted that the hackoff Board agree within two days to an exchange ratio of one antihack share for each 2.5 shares of hackoff and also agree not to seek other possible combinations for the company. The hackoff Board does not believe this is a fair price for the company. Although it is a nominal premium over Friday’s closing price, it is actually at a discount to the value of hackoff determined by looking at the prior five days stock market prices. Moreover, this proposed price attributes almost no value to hackoff’s ongoing business, patent portfolio, brand name, or customer base. Under this proposal, hackoff shareholders would own 30% of the combined company according to calculations made by antihack.

The hackoff Board of Directors have acted firmly in rejecting this proposal which would have hampered the Board’s ability to achieve the best results for shareholders. Moreover, the Board was cognizant of the fact that acceptance of this proposal would have been binding on the hackoff Board under certain circumstances, but that antihack, itself, would not be similarly obligated to pursue the transaction. The Board has made clear that it will consider proper proposals in the context of the planned work with an investment banking firm as described above.



HOFC Daily Trading 2/19/02 - 2/25/02

