

## Chapter 3 - The Roadshow, June 1999

“Now that we have the pitch down and know what we have to do to make the presentation, let’s talk about logistics for the roadshow. Gustav, can you go over that for Larry and Donna.”

Harvey Maklin is back in the hackoff.com boardroom along with two younger, more junior bankers who will accompany Larry Lazard and Donna Langhorne on the hackoff roadshow. Gustav Johnson is tall, blond, square-faced, and well-dressed. Rachel Roth is an attractive young brunette in a pinstriped jacket, bright white shirt, bright red scarf, and skirt.

“Ya,” says Gustav. He has a trace of a Dutch accent and speaks English too well for an American. “I have a handout with the preliminary schedule.” He gives it to them.

### PRELIMINARY SCHEDULE

#### hackoff.com Corp.

**\$60 - \$90 Million Initial Public Offering of Common Stock – Filed March 26, 1999**

**Barcourt & Brotherson (Books)**

**FCBC; Web & Stinger Corporation; (Co-Managers)**

**Larry Lazard, Chairman and CEO**

**Donna Langhorne, CFO**

#### Summary Roadshow Schedule as of June 2, 1999

Date	City	Function	Time	Location
Monday June 7	<b>New York</b> <b>St. Louis</b>	Barcourt Banker/Research Call Management to Web & Stinger Sales	4:30 pm ET 4:30 pm CT	WFC North, 18 <sup>th</sup> Floor – NW Conf Room WS/Location: TBA
Wednesday June 9	<b>New York</b>	Management to FCBC Sales Management to Barcourt Sales	2:30 pm 4:30 pm	FCGC/WFC South 28 <sup>th</sup> Floor-Auditorium WFC North, 18 <sup>th</sup> Floor – NW Conf Room
Monday June 14	<b>Geneva</b> <b>Milan</b>	1/1’s and/or group meeting(s) 1/1’s and/or group meeting(s)		TBA TBA
Tuesday June 15	<b>London</b>	1/1’s and/or group meeting(s)		TBA
Wednesday June 16	<b>Philadelphia</b> <b>Baltimore</b>	1/1’s 1/1’s		TBA TBA

Thursday June 17	<b>Boston</b>	1/1's Luncheon	12:15 pm	TBA The Boston Harbor
Friday June 18	<b>Fort Worth</b>	1/1's		TBA
Monday June 21	<b>St. Louis</b>	1/1's and/or group meeting(s)		TBA
Tuesday June 22	<b>San Francisco</b>	1/1's and/or group meeting(s)		TBA
Wednesday June 23	<b>Los Angeles</b>	1/1's and/or group meeting(s)		TBA
Thursday June 24	<b>San Diego Area</b>	1/1's and/or group meeting(s)		TBA
Friday June 25	<b>Milwaukee</b>	1/1's and/or group meeting(s)		TBA
Monday June 28	<b>New York</b>	1/1's and/or group meeting(s) Luncheon	12:00 pm	TBA The '21 Club/Harbor Room
Tuesday June 29	<b>New York</b>	1/1's and/or group meeting(s) Luncheon	12:00 pm	TBA The '21 Club/Harbor Room

“On Monday where it says ‘Barcourt Bankers Research Call’ that’s John telling the story and presenting the fifty-thousand-foot view of his valuation model to the Barcourt sales force. This is important both for sales people who are going to be with you when you talk to clients and for the ones who never get to hear you tell the story in person. Normally, we like to have management at this briefing, in person but it was the only time we could book you with the Web & Singer sales force in St. Louis. With the time difference, you’ll be able to conference in and then, of course, you will get to meet with our sales force on the ninth.

“The sales force is a friendly audience and use this chance to sharpen the pitch. We’ll get you feedback from them right away and we’ll still have time to change the pitch books for Europe by the beginning of the next week.

“Speaking of pitch books, you know what they are, yes?”

No one answers.

“So, as you know, ” Gustav continues, “the pitch book is the black book that has your PowerPoint presentation in it. I have one here.” It is a bulky black book with a leather-looking cover that sits as a wedge on a table so that the presenter sees on one side what he is showing plus any notes and the audience sees that page of the presentation with the notes on their side of the book.

“Of course, this is too small to use with the sales force so for them you’ll use PowerPoint with a projector. You’ll be at the podium and I will advance the slides for you.”

“We’re working on the presentation now. Our PowerPoint gurus have a lot of stuff from your website, a lot of the presentations you’ve given before, numbers you gave us, and the story we’ve talked about. We hope to email you drafts tomorrow and turn it around pretty quick to get ready for the roadshow. I will introduce you at each presentation except the one for the W&S sales force and except for some funds that don’t allow bankers to be present. Larry, of course, does the general pitch for the company, and then Donna does the numbers part at the end. After that you take questions.

“You’ll have forty-five minutes max for each presentation if everybody is ready on time which they may not be. You want the pitch to be no more than twenty to twenty-five minutes tops so there will be time for questions at the end even if they interrupt you with questions while you’re giving it. They will do that

“The rules are that the company can’t leave any papers behind except the prospectus — not even a copy of the presentation. Everybody knows that so nobody should ask you for anything but you never can tell. They may slow you down for note-taking, especially when you’re presenting numbers. We, the bankers, can leave copies of stuff we have done independently on the company like John’s spreadsheets, for example — but we have to be very clear that these are coming from us and not from the company.

“Oh, yes. It won’t happen every day but we’ll try to schedule group breakfasts and group lunches wherever we can; this is a good way to hit the smaller accounts. Rachel and I will be with you for almost all of the presentations, as I said. I know Harvey wants to be at some of the ones in the City. We’ll always go in with the salesperson for the account and he or she may stay behind to get the order or just bullshit with the customer. They’ll have good feedback on how the pitch went; we’ll have a wrap-up call at the end of each day to see how the book is filling in. At first the orders will be slow but it will speed up by the end.

“As far as travel goes, we’re flying commercial to Geneva and within Europe. We’ll take the Concorde back from London to New York so you can get some sleep in Philadelphia. Then we’ll use a private jet in the US-”

“Who pays for that?” growls Larry.

“The company pays,” says Harvey. “It’s in the contract we signed. It’s always that way.” “The contract says we pay for our travel and you pay for yours,” says Larry. “Don’t you think I read it? You bankers aren’t getting a free ride on a plane I’m paying for. You already get fucking seven percent of the deal just for taking orders on the stock.”

“I’m sure you read the contract, Larry,” says Harvey. “That’s why we like working with you. I hope you’ll end up convinced that we’re worth our seven percent; there’s a lot to do in putting this deal together and, of course, a lot of that seven percent goes to the other underwriters in the syndicate. The company always pays for the plane. That’s the way it’s done.”

“Then bankers don’t fly on my plane,” says Larry. “Buy your own tickets. No one gets a free ride from hackoff ... that’s the way it’s always done.” Larry is on his feet now, looming over Harvey’s chair. It’s not clear whether he means to hit Harvey or just stalk out of the room.

“We’ll split the plane,” says Harvey. “We want to be accommodating.” He tries a gracious smile.

“Good idea,” says Larry. No smile.

“Okay,” says Harvey. “I think we’ve covered a lot of ground for one day. Any questions, you know where to get me. Gus and Rachel will be in constant touch. Donna, is it okay if John calls you for some help on his valuation model?”

“Sure,” says Donna. “I’ll keep him straight.” She’s been smiling and she smiles more broadly.

“Tell him not to forget ‘cubed’,” says Larry.

“I’m sorry, what?” asks Harvey.

“Jesus Christ,” says Larry, “I knew you guys were going to double-cross me on this. The only reason we chose Barcourt is I thought Braxton understood why we’re valued at e-com CUBED. Now you don’t even remember...”

“I do remember,” says Harvey. “I do; trust me. And more important, I know John does. He’ll tell the story for you.”

“I hope so,” says Larry.

#

Larry and Donna are sitting together in the first class cabin of the Delta A-300 from Kennedy Airport to Geneva. Gustav and Rachel are also there but not sitting together or with Larry and Donna. The bankers are conspicuously absorbed with important-looking reading material. Larry and Donna have their laptops deployed for work but they’re talking.

“I heard a good story about Bill Gates flying to Europe for the Microsoft IPO,” says Donna.

“Yeah?”

“Bill always had this thing about nobody in Microsoft buying a first class ticket. And he always stuck to it himself. Somehow, the bankers convinced him to spring for first class; it’s a long haul from Seattle to Geneva or wherever they started theirs. The other Microsoft people traveling with him are delighted. They stretch out with room to sleep. But they never get any sleep because Bill keeps waking them up all night and saying ‘Is this worth it? Is this worth an extra \$1500 a piece each way?’”

“Yeah, sounds like Bill,” says Larry. “Who told you the story?”

“Dom did, of course. Sometimes I think he’s sorry he left Microsoft.”

“Fuck Dom. He never did anything he didn’t want to do. He makes me sick with his whining. If we didn’t need him, I’d fire his ass in a minute.”

“But we DO need him,” says Donna. “The programmers love him; he’s a good CTO; and he thinks like a hacker. That’s what we need.”

“Fuck Dom,” Larry repeats.

“If you say so, boss,” says Donna. She starts working on her computer, her expression closed.

Dinner is served after drinks, with drinks, and followed by drinks.

“Donna,” says Larry, mellow.

“Yeah, boss.” She still sounds annoyed.

“You think this’ll really happen? You think three weeks from now we’re going to be public and have a company with a half-a-billion dollar valuation?”

“Probably,” she says. “The market could tank before then. Something could go wrong in the company. The plane could crash; but, if none of those things happen, then probably the IPO does.”

“You really think it’ll happen?”

She looks at him for a while before answering. “Look, Lar, someone rubs your dick you get a hard-on and you come. Not always, but usually. Sometimes you don’t. This market is on Viagra; it’s horny as hell. It pops for every story that comes along and we’re better than most. Probably it happens.”

#

The plane doesn’t crash. The market CAN’T crash because it’s a weekend. They land in Geneva. A Mercedes takes them to the Hotel des Bergues at the foot of Lake Geneva. They meet for dinner at a candlelit restaurant; everyone is on his or her good behavior but tired. Donna asks if anyone is interested in a nightcap when they get back to the hotel. Only Rachel is, and the two women get a table in the hotel bar.

After a few minutes of small talk, Rachel asks Donna what Larry is really like.

“What do you mean, what is he really like?”

“I mean ... you know ....I mean he tries to make himself out to be a jerk. Is that who he really is?”

“You think he’s being a jerk because he made Harvey pay half for the plane? More CEOs should do that.”

“No... no,” says Rachel. “That’s not what I mean. I mean ... it sort of is. He was right about the plane, but why did he have to humiliate Harvey? He didn’t have to do that.”

“Are you sure you know what you mean? Look, has anyone else gotten Harvey to pay half?”

“Not that I know of, but it’s not a lot of money in the grand scheme of things. Maybe no one thought it was worth their time to ask...”

“That’s not the point,” Donna explains. “Larry thought Harvey was taking advantage of him. He came unglued - Maybe he came unglued; maybe it was calculated — but when Harvey said ‘that’s the way it’s always done’ or whatever dumb-ass thing Harvey said...” She shrugs. “Larry displayed alpha-male behavior; your boss backed down. You thought Harvey was the alpha-male and now you think Larry’s a jerk. Or do you?”

“No... no. That’s not what I said,” says Rachel.

“Do you have the hots for Lar? Is that what you’re saying? Does the real alpha-male turn you on?”

“That’s not what I’m talking about at all,” says Rachel. “I’m not talking about who’s hot. I’m trying to understand my customer; that’s Larry. He can be hard to deal with. I want to understand. I want to help you and Larry market this deal and have a great IPO.”

“This isn’t the B-School, honey. This is fucking life and who’s hot and who’s alpha and who’s not means a lot more than whatever they taught you in IPO 101. You say you want to help me and Larry. I hope it’s YOU you want to help. Or is it Larry? ...Or is it me?”

Donna puts her hand on top of Rachel’s on the table. Rachel is clearly uncomfortable. Donna turns Rachel’s hand over and drags a finger from her free hand across Rachel’s palm. Rachel jerks her hand back. The bartender conspicuously looks away.

“Do you want to have a drink in my room?” asks Donna, laughing. “I’ve got a balcony with a great view of the Lake.”

“No. NO. That’s not what I want,” says Rachel. She gathers her dignity and stands up. “I want to do my job. See you in the morning. I’m sure you guys’ll have a great IPO.”

But Rachel can’t sleep. It’s only evening in New York so she calls Harvey Maklin on his cell. He doesn’t sound happy to hear from her.

“Look, Harvey,” Rachel says. “I think I’ve been propositioned by the client.”

“You think?” Harvey asks. “You THINK? You can’t tell if Larry propositioned you? I never thought the sonuvabitch was subtle.”

“It wasn’t Larry, Harvey; it was Donna, and I’m not sure.”

“Is it sexual harassment if it’s a woman...?”

“Yes, Harvey; it is. It doesn’t really make any difference. She’s in a position of power.”

“Are you going to file a complaint?”

“I don’t know, Harvey. That’s why I’m calling you and asking your advice. I mean what am I supposed to do? This is my first roadshow. I want it to go well. I don’t know what to do.”

“Well,” says Harvey, “you can certainly call HR or the harassment compliance officer. You have a right to do that. Once you do, there’s no telling how far they’ll take it. You lose control. But you could do that. I’m not telling you not to. But you also say you’re not sure. There’s a lot of pressure in a roadshow and people act strangely under pressure. You wouldn’t want to make a complaint unless you’re sure. But you do have a right to.”

“Harvey, you sound like you’re covering your own ass.”

“What? I thought you wanted my advice?” He’s very cold.

“I did, Harvey. Thanks. I’ll deal with it. Maybe I over-reacted. Sorry to have bothered you. Good night.”

Harvey writes a memo to file describing the conversation — not exactly the way it happened — before he goes to bed.

###

“I’m already sick of the sound of my own voice,” Larry tells Donna. “Fifteen times making the same fucking pitch in two days. And two weeks left to go. The fucking Europeans don’t get the ‘ecom squared’ bit at all. I can’t explain it to them.”

“They still believe in dividends, I hear,” says Donna.

“No wonder,” says Larry. “I’m not going to worry about the Euro if they ever get it out.”

They’re in the special Concorde section of the British Airways First Class Lounge at London’s Heathrow Airport. Gus and Rachel are there, too, but being discreet and staying away from the principals. A careful observer would notice three other similar groups in the lounge. The bankers can be recognized by pin stripes and pitch books under their arms; the principals usually have new suits; everyone is in white shirts.

There are three or four IPOs every day in June of 1999. Since a roadshow takes about two-and-a-half weeks, this means that there are at least fifty companies on the road at any one time “going public”. There are also older public companies selling more stock or bonds into the relentless investor demand — all in a hurry to get rich and afraid of being left behind.

Most stocks issued in these halcyon days go up by fifty percent or more on their first day. Many go up 100 percent or more. Obviously, anyone who can buy a stock at the “issue price” has an instant profit locked in. By the next day, the stock may well cost twice as much. That’s great if you have the stock but takes all the fun out of it if you have to wait until the next day to buy. But, even with the crush of companies on the road, peddling stock as fast as the SEC will approve their prospectuses, there are not enough new issues to go around. So people do buy on the second day and on the third day and the stocks go up and up almost without pause.

People say there’s never been anything like it. But there has. Not only the tulip mania in Holland, which a few crabby souls who aren’t playing the market keep recalling. There was a Suez Canal craze; several railroad crazes; the everything craze before the great depression of 1929; and even software and biotech crazes just a decade before the greatest bull market of all time.

But this time is different because the Internet has changed everything. The US is the world’s only superpower, so unproductive money can be diverted from defense. There is almost full employment in the US. The growth in the rest of the world makes everyone else better customers for the great economic machine that is America.

All of this is true this time must be different. Stupid people believe this; smart people, too. But no one, even a cynic, can dispute that access to shares bought at the issue price are the ticket to instant wealth. If you could find

enough of these shares, you could double your money almost every day. These shares are better than gold. And these precious shares all start out in the hands of the underwriters — bankers like Barcourt who take companies like hackoff public.

hackoff plans to sell five million shares at a price between twelve and eighteen dollars per share. On the eve of IPO day the issue price will be set depending on how well the roadshow has been received. Barcourt & Brotherson will buy the whole issue at the set price less a seven percent commission. That money goes to hackoff directly. Barcourt and the other underwriters in the syndicate will then immediately resell their shares at the issue price and trading will begin.

In theory, Barcourt and the underwriters take a risk that there won't be enough buyers for the initial issue. But these days that's only theory. In reality, they will have orders for many times the number of shares available and will allocate these shares among their customers.

Here's who gets this brand-spanking-new, sure-to-go-up stock at the issue price on opening day:

**The funds.** These are mutual funds, the funds in your pension plan, the funds you hear about: Fidelity, Magellan, Strong, Janus. And some you don't hear about that only very rich and/or famous people invest in. These get stock. It is the managers of these funds that Larry and Donna are visiting on their roadshow.

**Good customers of the brokerage firms.** These are people who have large accounts with Barcourt and the others. These underwriters will be sure to reserve some shares from the IPO for their best individual customers. Brokers are calling and saying, "I can get you five to ten thousand shares of the hackoff IPO; want to do it?" and usually the customer will say, "Yes, yes, yes. Get me some. Can't we get more?" They never say "thank you"; that's not the way its done but the brokers don't care; their feelings aren't hurt.

**People the brokerage firm wants to have as friends.** When the time came near for hackoff to go public, brokers began to call Larry and Donna and offer them shares in the companies they were taking public. Donna took all without prejudice and sold all the next day without hesitation; that's called "flipping." Larry took a lot of them but didn't sell them all. Naturally, these same brokers wanted to do the hackoff IPO.

**"Friends and family".** Some of the IPO shares are reserved for friends of the company and the people in it. Larry and Donna decide who gets these shares. Some go to company customers and suppliers. Some of the executives of big e-commerce sites running hackoff software were grateful for the opportunity to be on the friends and family list. Because hackoff is a democratic company in the dot.com mode, Larry is letting employees buy friends and family stock and to further extend this offer to their friends and families.



“Greedy pigs,” says Larry. “Jesus Christ. They just want to flip the stock. They’re going to get rich with their options anyway.”

“They can’t flip it,” says Donna. “We’ve got a ninety-day lock up on friends and family stock.”

“Then they’ll sell it after ninety days,” says Larry.

Employees have requested a total of four times as much stock as he has available and he and Donna will have to decide who gets what and listen to the inevitable bitching.

Still in the Concorde departure lounge, Larry recognizes one of the other roadshow CEOs and, uncharacteristically, starts a conversation. “Frank, Larry Lazard. Haven’t seen you since MacHack many moons ago.”

“Larry, great to see you. I heard you guys were going public. Who’s taking you out? How’s it going?”

“Barcourt. Going okay. I think. Already sick of hearing myself do the pitch. Met some real assholes in London today. You?”

“Morgan Stanley’s the lead for us. I think I met the same assholes. East Minister Bank and Trust?”

“You got it. Guy thinks he’s God because he might ask for 100 thousand shares and we’re supposed to suck up to him to do the bankers a favor. He was too busy picking his nose to hear a word I said.”

“Worse for me; we had lunch there and I had to watch him pick his nose while I tried to eat the cucumber sandwiches with no crust and do the pitch at the same time.”

Boarding is announced.

The Concorde looks very small on the tarmac of London’s huge airport, surrounded by 747s, DC-10s, and various models of Airbus. Its needle nose is pivoted down so the pilots can see while taxiing. It’ll come up for flight. Inside, the cabin is small, too. It’s all first class but not at all roomy. The tube shape of the fuselage is apparent. The cabin furnishings look obsolete. The rounded seat backs are Art Deco. There is no faster civilian plane but the Concorde shows her advanced age. The digital Mach-meter in the front of the cabin, which shows how many times the speed of sound the plane is flying, is not LCD or even LED; it’s made up of a lot of very visible individual light bulbs.

On takeoff there is a gratifying roar and push of acceleration. Special rockets are used just for takeoff so that the stubby wings designed for supersonic speed can get enough purchase to lift the plane from the runway. They do; the little jet climbs quickly but doesn’t go supersonic until it is over the sea where sonic booms aren’t politically incorrect. Once it can accelerate, it quickly reaches Mach 2.5.

The pilot comes on the intercom: “British Airways welcomes you to Concorde. You are among a very special group of people. You will see that the sun is higher in the sky when you get to New York than it was when we left London. If this were later in the year, you would have seen the sun rise in the West. Something only astronauts and Concorde passengers get to see...”

The passenger amenities include pewter picture frames which say “CONCORDE” in a flowing script, but the food is British and not very good.

The flight is incredibly fast, just a little over three hours against the prevailing winds. So it’s two hours earlier in New York when they arrive than it was in London when they left. But the flight is not so fast that Frank and Larry don’t get a chance to give each other each five thousand shares in their respective companies’ friends and families programs.

#

It’s pouring in Boston. The stretch limos fight for position in the narrow, construction-choked streets, trying to get the roadshow teams into the ornate doors of Semper Investments as dry as possible. The teams line up inside the back doors of the limos as if they were preparing for parachute jumps.

Protocol and practicality demand that the CEO come out first so he can bolt to the door unimpeded with his jacket folded under his hunched over torso. Larry Lazard has got to look his best. Next out is the CFO. Her skirt is short, but she’s good at maneuvering, knees together, to swing both long legs out the door without being either indiscreet or unattractive. She wears her jacket to the door to keep her white blouse dry.

In a courtly gesture to Rachel, whose rank requires her to carry the pitch book, Gustav gets out next, the awkward black book under his arm. Rachel follows him. With legs shorter than Donna’s, it’s not quite as easy for her to swing out of the limo but she does it reasonably gracefully. She quickly pats down her hair as she goes through the revolving door. Last out is Barcourt’s salesman for the Semper account. He gets a little wetter than the rest because he’s talking on his cell phone as he gets out and also trying to tell the driver of the limo where and when to meet them.

On Semper’s thirtieth floor there is reception desk at which the roadshow teams check in. The Barcourt salesman does that for the hackoff team. The receptionist makes him repeat the name three times, perhaps maliciously. They know each other.

“Your number is 768. Have a seat,” she says but this is a joke; there aren’t any seats.

Behind the reception desk is a crowd of teams. Five people each, almost without exception — two bankers, two principals, one salesperson. Bankers in pin-stripes; company principals in white shirts (and often pin-stripes); salespeople a little more varied with some loafers and colored shirts. Always a black pitch book. The clots of five try to ignore each other, although they have been crossing paths the entire time they’ve been on the road. Many talk on cell phones. The space is crowded, hot, and has a wet puppy smell.

There is an electronic board that lights up with red numbers to summon a team. When a number lights up, the board also displays a conference room number on one of the three floors that Semper is using to listen to roadshow pitches. The salespeople know how to find the room.

Word is that pitches are running behind. This has everyone particularly nervous because they can't bolt out of Semper, which means that the rest of the day's schedule will be in tatters if they leave later than they are supposed to. Much of the cell phone chatter is salespeople trying to rearrange the rest of the day on the fly.

"I'm pretty sure Tom Chen is coming to the pitch," the salesman briefs Larry and Donna. "He runs the hot Internet fund. He looks like he's nineteen years-old but he's actually twenty-seven. He's the superstar — running well over ten billion in that fund alone and advising a couple of other funds. Some of Semper's other funds track him and tend to buy positions in whatever he buys. John Signal — he's from a smaller special situation fund — may come as well; I've been talking to him and he's interested, but has a lot going on today. We also expect the e-commerce analyst and maybe the software analyst. That's a very good turnout if we get them all."

"I said we're an e-commerce company," Larry growls to no one in particular.

Finally, 768 lights up and the salesman leads the hackoff team to the designated conference room. Tom Chen is there; he actually does look nineteen. John Signal and the software analyst are there but the e-commerce analyst is not coming. Larry looks unhappy. Everyone exchanges business cards.

"Nice name," Tom Chen says.

"Thank you," Donna says and smiles.

Everyone smiles.

The bankers and the salesman are asked to leave as expected since Semper never lets anyone but company stay.

"Here's a copy of our analyst's model for the company," says Gustav on his way out. "If you want to talk to John Braxton about the model, you know how to reach him."

Exeunt bankers and salesman.

Everyone sits down around the table. Larry is at the end with the pitch book and Donna is next to him on one side.

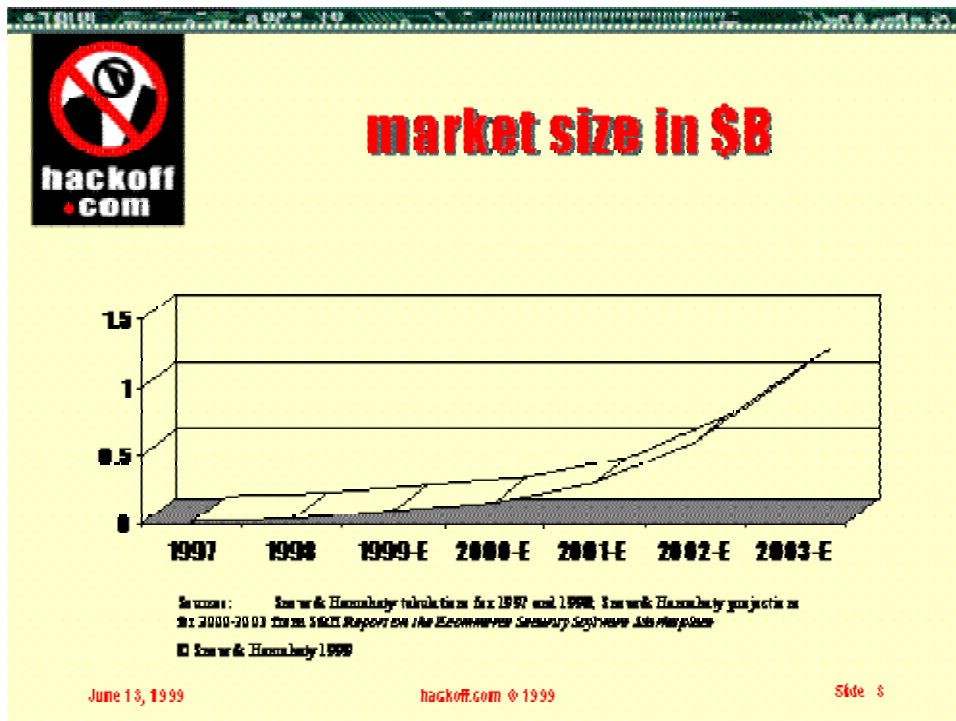
"Are these numbers any good?" Tom Chen asks Donna before Larry can start the pitch. He is looking at the printout of the spreadsheet that Gustav gave him.

"That model is an independent forecast by the Barcourt analyst," says Donna correctly, if not completely accurately. "The company is precluded from giving forward-looking guidance not contained in the prospectus which, as a matter of fact, doesn't contain any forward looking guidance." She smiles.

Tom Chen doesn't smile. "Are you comfortable with these numbers?" "Yes," Donna says. She smiles again.

This time Chen smiles back. "Let's get going," he says.

It's hard to tell if Tom Chen is listening; he doesn't interrupt the presentation until they got to the "market size" slide. "What is the number for '99? It's hard to tell from the chart."

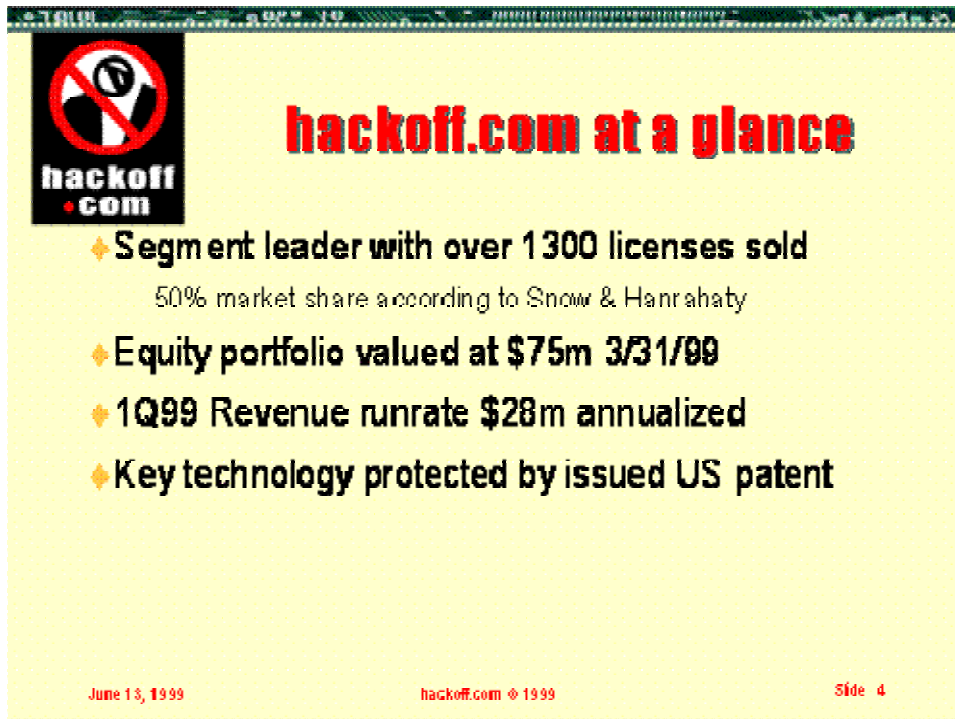


“Ninety mil total,” says Larry.

“What market share does hackoff have?”

“That’s on the next slide,” says Larry. “Can we move on to that?”

“Go,” says Tom Chen.



**hackoff.com at a glance**

- ◆ **Segment leader with over 1300 licenses sold**  
50% market share according to Snow & Hanrahaty
- ◆ **Equity portfolio valued at \$75m 3/31/99**
- ◆ **1Q99 Revenue runrate \$28m annualized**
- ◆ **Key technology protected by issued US patent**

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As you can see, last year, according to Snow & Hanrahaty, we had fifty percent,” says Larry.

“Now wait a minute,” commands Chen. “If you had fifty percent of a ninety million dollar market last year, how can you have a revenue runrate of only twenty-eight mil for Q1?”

“As I explained, we often take equity positions in lieu of cash revenue. In fact, we prefer equity because it has more upside than cash. We account for the value of the equity we take very conservatively — we’re not in a hurry to pay income tax; so booked revenue for last year was ten mil and seven mil for Q1 — good growth.”

“How much of last year’s revenue was cash?” asks Chen.

Larry looks at Donna who says, “Approximately four-point-five million.”

“What market share do you expect going forward?”

“Declining from this point on, but we expect to remain the market leader with never less than a thirty percent share,” says Larry. “There is competition, but our installed base and our patented and patent-pending technology gives us a huge advantage. I won’t be happy, frankly, if we end up down at thirty percent, but I think that’s the number John Braxton used in the out years of his model.”

“It is,” says Donna.

“And what was the S&H number for total market in 2003?”

“One-point-one billion,” says Larry.

“So in 2003 you’ll have at least 300 million of revenue?”

“The company can’t make projections,” says Donna.

“Your math is good,” says Larry.

“How much of that will be cash?” asks Tom Chen.

“We are aiming for around ten percent,” says Donna. “That cash flow, plus what we’ll raise in the IPO, covers our working capital requirements so the equity grows and our shareholders aren’t diluted. After the IPO, our plan is that we’re fully funded so we don’t have to go back to the market again.”

“Go on,” says Chen. “We’re really ‘e-commerce squared’ in terms of opportunity,” says Larry. There is no response from Tom Chen.

“One dimension is our growth in sales, which should be at least as fast as the growth of e-commerce. We all know that’s going nowhere but up. As you’ve seen, we get paid largely in equity. As our customers — the premier companies in e-com — grow, their stock values go up as well. So not only are investors benefiting from OUR growth, they’re also benefiting from the runup in our portfolio. John Braxton thinks it is fairly valued at 100 mil now, even though we booked it as less than ten mil in revenue when we took it in and carry it on our books for about that. So that’s why I say we’re ‘e-com squared’. And, of course, we don’t pay any taxes on the appreciation of the stocks in the portfolio until we sell them.”

“I get it,” says Tom Chen. “Do you have a slide on this?”

“No,” says Donna. “We’re not allowed to project equity values. However, there are numbers in the prospectus for the value of the portfolio at the end of the first quarter. And I believe Braxton has some projections of future valuations. Do you want me to have him send them to you?”

“I’ll talk to him,” says Tom Chen. “Go ahead.”

 **the management team**

- ◆ **Founder, Chairman & CEO Larry Lazard**  
Leading security consultant; background banking & software
- ◆ **Founder and CFO Donna Langhome**  
CPA; former audit partner at Ernst & Young
- ◆ **CTO Dom Montain**  
World expert on hackers; background Microsoft
- ◆ **EVP Marketing & Sales Frank Folger**  
Extensive software sales management; background CA, Symantec

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Chen interrupts next as Larry describes his own background as a security consultant. “I understand that you have a unique understanding of the security market...” he begins.

Larry looks him in the eye. He has practiced for this question and has answered it before. “Yes, I do,” he says. “It’s well-known and fully-disclosed in the prospectus that, near the beginning of my career, I indulged in an extremely stupid prank. I thought it was clever at the time. Since I didn’t intend to misuse the information I was able to obtain from the banks despite the security measures they had in effect., I didn’t think there were really any ‘victims’ of my prank; but there were. I confessed to this. I was sentenced to serve time in prison. I served that time; and I learned my lesson. I thought I’d have a hard time finding work once I was released. To my surprise, I had a number of offers to put my hacking skill to work as a security consultant — some from the very banks whose systems I had penetrated. I began a consulting business.

“Meanwhile, the World Wide Web and e-commerce created a much broader field for hackers and a much greater market for my services. I founded hackoff.com to create and market software that protects e-commerce sites, not only from the kind of simple attack I made in my youth, but from a whole range of threats that now exist. I’m proud to say that my customers — hackoff’s customers — have not had the problems with hackers that have plagued other e-commerce sites — which have even destroyed some sites and businesses.

“We are at a critical crossroads in e-commerce where greater consumer acceptance is needed if we’re to begin serving not only the technically adept but cross the chasm to serve the rest of the people who are or soon will be online. Hackoff and the *hackmenot* logo are a key part of keeping these new users safe — and making them FEEL safe.

“Although I’ll always regret the mistake I made, it did give me a unique insight into security ... and insecurity. Breaches affect not only those whose security has been compromised, but all those whose security might potentially be compromised. We have built hackoff to make users feel secure and to make e-commerce successful.”

“Let’s go on,” says Tom Chen.

Larry finishes his slides; he passes the book to Donna who reviews the company’s past financial history; its balance sheet, and its plans for the money to be raised in the IPO.

“Any questions?” asks Larry.

“What sort of things will you announce after you’re public?” asks John Signal, participating for the first time.

Larry answers: “Well, of course, we’ll announce new major contracts; we’ll announce earnings; we’ll announce new patents when they’re granted; strategic relationships; new products as well as our earnings And other scheduled announcements.”

“Any idea on timing?”

“Timing?I don’t understand,” says Larry..”

“Any specific times when you’ll be making specific announcements?”

“I don’t know,” says Larry. “We don’t announce things until they happen and we don’t always know when they’ll happen.”

“But you have a good pipeline of things to announce?”

“Yes, of course,” says Larry, still looking puzzled.

“And when is your first earnings announcement?”

“We will announce second quarter results before the end of July,” says Donna.

“And what kind of announcement will that be?”

Donna laughs. “If I told you, I’d have to shoot you and I don’t want to do that because I want you to buy our stock and tuck it away in your fund.”

“I have to go,” says Tom Chen, rising.

Everyone shakes hands and they leave the room quickly so the next pitch can begin and they can make up time on their busy schedules.

#

By the time they get to the airport, everybody is elated. The feedback on the cell phone from the Barcourt salesman on the Semper account couldn’t be better: “Tom Chen loves the story. He loves Larry. He loves Donna. He wants a million shares, he loves us so much. I told you I had him prepared to eat out of your hand.”

“He’s the first guy who understood ‘e-com squared,’” says Larry. “That must’ve been it. Did he say anything about that part of the pitch?”

The salesman can’t remember him mentioning that.

“I sure hope Braxton keeps his deal and follows up with ‘e-com cubed,’” says Larry. “He’ll want three million shares then.”

“Of course, he can’t have a million shares and he knows that,” Gustav explains. “It’s all part of the game. It’s like bridge. We’ll give him a bigger allocation because he asked for a million than we would if he’d asked for 500 thousand. He’ll complain about how small his allocation is, but he’ll buy in the aftermarket, and might well end up with a position of around a million shares. Not only that; people watch him. When they see the stock in Semper Internet Fund, they’ll buy, too. SIF is hot, hot, hot.”

It’s still pouring, but the limo drives onto the tarmac next to the chartered BeechJet waiting to take them to Fort Worth. The crew and the limo driver huddle over the passengers with umbrellas as they climb the short airstair into the plane. Luggage, too, is handled without the roadshow crew having to get wet or even bend over — they just have to point out which bags they want in the cabin and which can go in the baggage compartment.

At twenty-six, the plane is Rachel’s age, but looks younger. The cabin has recently been refurbished; phones and a GPS display to show where they are *en route* have been added. The upholstery is modern and there’s a DVD player. On the left side there are large individual leather seats; on the right is a comfortable couch in the same leather.



The single seats swivel towards the center so that Larry and Donna, who are sitting in them, can face Gustav and Rachel on the couch. There's a tiny galley where the copilot prepares adequate meals. Liquor's been preloaded to the tastes of the passengers and there are always fresh jumbo shrimp, crackers, fruits, and good cheeses. The seats have foldout trays and a clever mechanism brings up a polished wood table from under the front of the couch. No one tells them that any of this has to be stowed for takeoff although they are asked, politely, to fasten their seatbelts.

Because of the driving rain, takeoff from Logan is delayed; the roadshow team has a slight buzz before they leave the ground.

Larry and Donna have told the bankers about the questions John Signal asked at the end of the pitch. "What was all that about?" Larry asks. "Why was he focusing on announcements?"

"He's looking for his out," says Gustav. "He wants to know how long he is going to have to wait to flip the stock. Son of a bitch Signal does that too often. He buys almost everything and then he's out of ninety-five percent of it after the first good announcement or positive press release. He can be pretty sure that your first announcement after the quiet period ends isn't going to be negative but he was trying to check."

"So we shouldn't give him any kind of allocations," says Donna.

"Unfortunately, it is not so simple," says Gustav. "Semper has its own trading desk. When they order, we don't know whether it's for Tom Chen or John Signal or for one of their other funds. Sometimes one fund is buying when another one's selling. Our desk tries to psych out their desk and, of course, the traders tell each other things. But they lie, too. So you don't know if what they told you is the real thing or just what they want you to think."

"But the salesman said Tom Chen was asking for a million shares," objects Donna.

"You believe a salesman?" says Larry reasserting his cynicism.

"We can believe that Semper is asking for a million shares," says Gustav seriously. "But Larry is right; we don't really know whether it's for SIF or for John Signal's fund or whatever. And we won't know whom they're buying for when they buy in the aftermarket. After each quarter, the individual funds have to report their quarter-end holdings so we'll have a good idea after the fact what happened during the quarter, but not while it's happening. Still, a million shares is a great order; you guys are on a roll. Word of this will get around the Barcourt sales force and we'll make sure the other members of the syndicate get the word out to the field as well. This is great. Salud!"

They refill their drinks. The plane is cleared for takeoff and turns onto the huge runway, taxis briefly, and climbs at a very steep angle. The wet green, red, and white lights of the airport and a glimpse of downtown Boston quickly disappear as they enter the low clouds. Somewhere over the ocean they make a sharp turn towards Texas, soon break out on top, and are greeted by a sky that appears to be full of dollar signs.

The steaks everybody except Rachel ordered are very good; she's a vegetarian and says her steamed turbot is also good although she's not quite sure what's in the sauce. The wine is excellent, thanks to Gustav, who brought it from his ersatz cellar. The first thing he wants, he says, when he buys a house out of the City is a wine cellar and a cigar room with separate ventilation. His wife is also a banker with a different firm. They met at Columbia Business School, he says. They will have children soon and that's when they'll need the house in the suburbs. For now, the City is great.

Rachel went to Columbia Business School also, she says. Gustav was a few years ahead of her so they didn't know each other there but they had all the same professors and know all the same people now. She is Jewish and lives with a guy who's Muslim. Not that either of them are practicing, but these are cultures as much as religions and that sometimes makes things difficult. Especially with parents. Neither of their parents are willing to meet the significant other.

"Not a bad deal," says Larry. "I could've done without my in-laws, especially my father-in-law. My wife is the world's last genuine Jewish-American Princess. Never worked a day for pay in her life. Her dad owned a hardware store in the five towns on Long Island before they were really settled; then he owned five hardware stores in the five towns. Then he owned hardware stores all over Long Island. Had a mild heart attack just before Home Depot was invented. Best thing that ever happened to him. Sold all those stores and all that downtown real estate just before they lost value.

"He thought I was just what his princess needed to keep her in the style she was accustomed to or better; Harvard B-School and everything. And he always assumed I was Jewish — really, I'm a half-breed. But when I went to prison — shit, that was it — the end of the world. He wanted Louise out of the marriage right now. Had the lawyer all lined up for the divorce. But, funny thing, she stuck with me. Returned the lawyer and bought another fur with what she got back on the retainer. Visited me almost every week. Had a big party at the Plaza when I got out and made them tie yellow ribbons around the pillars in The Palm Court."

"That's romantic," says Rachel. She's a little flushed, probably from the wine. "Ahmed's not romantic; Arabs aren't."

"They used to be," says Larry. "What about Sinbad? What about the Sheiks of Araby? What about all those characters Rudolph Valentino used to play? And the guy that married Rita Hayworth — the Ali Khan — I think. You may just have the wrong guy. Or maybe the world changed."

"What does your husband do?" Gustav asks Donna.

"He's an attorney."

"What kind of attorney? What firm is he with?"

"He's a partner at Grant and Gilding. He's the kind of lawyer that does class action suits against companies that have IPOs."

There is a weighty silence. No one wants to talk about that.

“Don’t worry,” says Donna. “He wouldn’t be able to take a case against us; conflict of interest. He’d have to leave it to someone else in the firm and he’s the best, so we’d only have a second-string lawyer representing the poor aggrieved investors.”

Still no one wants to talk about that.

Gustav gets everyone’s permission to play a DVD of the Sopranos he’s brought aboard for quiet minutes. They watch well-dressed New Jersey gangsters throw obscenities, occasional fists, and occasional bullets at each other as they (the roadshow team, not the gangsters) fly over Pennsylvania.

Donna may be asleep. And she may not be.

#

By protocol, Larry and Donna check in first when they arrive in the enormous atrium of that night’s hotel in Fort Worth. Rooms have been reserved for them on an executive floor near the top. They say good night to Gustav and Rachel, who are still in the process of checking into their non-executive rooms, and head for the elevator.

On the way up, Donna reaches down and rubs Larry’s balls through his pin-striped pants. Not only is this very amusing to the patrons of the third floor bar, which the glass-side elevator is rising through, but it is also intensely interesting to the bored security guard at the video camera who immediately secures the loop of tape containing the rub. It is destined for fifteen minutes of fame on an Internet site where security guards post such happenings for their own amusement.

The elevator stops at Donna’s floor first but she doesn’t get off. The security guard is amused but not surprised. She gets off before Larry at his floor and gives him another rub as she brushes past him.

“Coming along nicely,” she observes.

“To what do I owe this honor?” asks Larry.

“You were great at Semper. Made me wet just listening to you,” she says as she pushes closed the door to his room and locks the safety latch.

Larry drops his bags and carefully hangs his roadshow jacket on the highly-polished wooden coat tree. He kicks off his shoes, gets himself a Scotch and Donna a vodka from the mini-bar. She folds her jacket carefully and drapes it over the back of a chair before taking the drink.

“You have the hots for that twat from Barcourt?” she asks.

“What?”

“Do you have the hots for what’s-her-name — Rachel?” asks Donna.

“What? Why? ...And what do you care?”

Donna is sitting in a small armchair; Larry at the end of a two-seater couch at right angles to the armchair. They put their drinks on a glass coffee table in the angle formed by the chair and the couch heaped with magazines; the top one has a picture of the hotel chain’s CEO on the cover.

Donna smiles. "You never talk about being in jail. At Semper, you had to say what you said and you were great." She smiles. "But you told the story when you didn't have to, on the plane, and you actually talked about jail. That was for Rachel. The bigger her eyes got, the more that you talked. The more you talked, the bigger her eyes got." Donna's smile changes; her eyes cold green.

"Look, I'm not gonna screw the help on the roadshow," says Larry. "Might blow what little brains she has. But why do you care? How's your husband?"

"I don't care," says Donna. "I don't care who you screw, but I do care if you screw up the roadshow. We've come too far for you to fuck all this up because you've got the hots for some twat with big eyes. You asked me in Geneva if this was really going to happen and I said 'Probably, yes, unless something goes wrong'. I don't want you to be the something that goes wrong."

"So what are you doing rubbing my balls and coming to my room?" asks Larry. "We said we weren't going to screw around when you took the job. You said that and I agreed. What are you doing here?"

"I never do anything I don't want to do," says Donna. "Never." She rises and walks around the coffee table to the other side of the couch and sits next to Larry. "I'm here to take care of my CEO."

"Which is it?" asks Larry. "Are you doing what you want to do or taking care of your CEO?"

"Do you care?" asks Donna. She rubs the inside of his thigh, slowly, still sipping her drink.

"Yeah, I do."

"You do what?" asks Donna.

"I do care. I do care why you do what you do. I don't like surprises and you're surprising me..."

"Surprise!" she says as she unzips his fly expertly with one hand. A bulge of white underwear pushes out of the breach on cue. "I think you like surprises."

"No, I DON'T," he says with emphasis. He tries to push her away with his elbow and connects with her left breast.

She leans forward towards the bulge of underwear which grows obligingly towards her and rubs her breast on his arm.

"We both know we're here for the money and not for fun and games," he says.

"Don't be so hard," she smiles, then: "Actually, I like you hard." She disengages his cock from his underpants and then tongues the first leaking drop from the tip.

"Okay," says Larry. "Okay." He undoes his belt; then slides his right hand up the back of her blouse and tries to disengage her bra.

She pulls her mouth back so she can talk. "It hooks in front, Lar. Some things have changed since graduate school."

He gently pushes her head back down into his lap. "Your mouth hasn't," he says, but he is talking very softly now. He presses her breasts with his forearm as he reaches under her chest to unbutton the blouse and unhook the bra.

She straightens up just long enough to shrug off both blouse and the bra and to push her shoulders back for a second as if her newly liberated breasts need a stretch. They are larger and more sloped than in graduate school but still firm; her nipples, which always were large, have grown. She leans back down.

Larry pushes her off gently, stands up and slips off his pants; he has a moment's difficulty with his jockey shorts because his erection is protruding from the fly but manages to back it out. He still has his shirt on and his tie and socks.

Donna steps out of her skirt.

"I thought only kids wear thongs," says Larry softly.

"Since Monica, we all do," says Donna. "Got a cigar, Bill?"

"I've got better," says Larry, turning her around and bending her over the couch after he pushes the coffee table back with some difficulty. "I like these," he says about the thong, as he realizes he can enter her cunt from behind even while she's wearing it. "Just for the record, this is sex and I know what 'is' means."

"Shut up, Larry."

After, Donna puts on the robe from the closet and Larry pulls his jockey shorts back on. They finish their drinks without talking.

"Go to your room, Donna," says Larry gently. It is an old joke from their graduate school dorm. When she doesn't move, he adds: "I've got to call Louise."

"I don't care," she says. "Call."

"I do," he says.

She dresses, picks up her bags, and leaves. "Good job today, Lar," she says. "Watch where you put your pecker, though."

#

Gustav and Rachel don't go straight to their non-executive rooms after checking in; they stop in the hanging bar on the third floor of the atrium for a drink.

"He's something," says Rachel about Larry.

"Ja, he's a piece of work," agrees Gustav. "He acts like he's proud of having gone to prison."

"I don't think he is," says Rachel. "But he can't put it behind him; he has to be able to talk about it the way he did at Semper. It's part of the company's story. But it must be painful. The part about his wife and the yellow ribbons at the Plaza was almost romantic."

"I don't think he's romantic," says Gustav stolidly.

“Are you?”

“Am I what?” Gustav asks.

“Are you romantic? Are you and your wife lovers or are you, you know, just married?”

“I suppose we are romantic,” says Gustav. “I think so.”

“Ahmed’s not romantic,” Rachel says. “He’s very handsome and he treats me very well and he never forgets a birthday or an anniversary but he’s not romantic. I don’t know if I care or not but he’s not romantic. He’ll expect me to call him tonight. If I don’t call, he’ll be upset because I’m supposed to call; but I don’t know if he really cares. About talking to me, I mean. I’m just supposed to call. Maybe I won’t.”

She orders another drink. Gustav doesn’t.

“Will you call me in my room if there are any changes in tomorrow’s schedule?” asks Gustav. “I’m having trouble with my modem and I don’t know if I’m going to be able to get online and get my email. Just in case, will you call me?”

“Do you want to come to my room and get your email on my computer?” asks Rachel. “I know how important it is to you to get your email.”

“Uh ... thank you but no. I don’t think so,” says Gustav. “Thank you, anyway, though.”

Rachel isangry. “That’s absurd. If I were a guy you’d go in a minute; you’d never pass up a chance to get your email. Are you afraid I’m trying to seduce you?”

“No! No, of course not. It’s just that ... I mean, I really don’t need to see my email that much. Maybe my modem will work this time. Thank you, but ... uh ... I think not.”

“Maybe I AM trying to seduce you,” says Rachel. She puts her hand roughly over his on the cocktail table. “Do you want to come up to my room?” she asks, looking him in the eye.

“You’re tired, Rachel,” says Gustav. “This is a tough trip. Get some sleep and let me know if there are any changes to the schedule in case I can’t get online.” He signs the check, hefts his bags, and goes to his room.

Rachel leaves soon afterwards. She doesn’t call Ahmed.

In the morning, taking advantage of the time difference between Texas and New York, Gustav calls his boss, Harvey Maklin, at Barcourt in New York.

“Sounds like Semper went great,” says Harvey. “Congratulations.”

“Ja,” says Gustav, “it did, thanks. But that is not why I am calling you.”

“What’s up?” asks Harvey.

“I have a problem. I THINK I have a problem, with Rachel.”

“Oh, no,” says Harvey. “Am I about to get a sexual harassment complaint from her about you, too?”

“Me, too?” says Gustav. “No, no; it’s the other way around. I think she may have propositioned me.”

“You think?” asks Harvey. “You don’t know if you’ve been propositioned?”

“I’m not sure,” says Gustav. “See, my modem is not working and she offered to let me go to her room to get my email. I thought that wasn’t a good idea so I said ‘no.’ Then she got mad and said I was a chauvinist and that I thought she was trying to seduce me. Then she said maybe she was trying to seduce me and she touched me...”

“Oh, God,” says Harvey. “I really don’t want to get into this. Touched you where?”

“My hand. Just my hand,” says Gustav quickly.

“Thank God,” says Harvey. “Look, women touch hands all the time. We can’t do that, but they can, so that’s not so bad. But the discussion — maybe that’s a problem. If she’s mad, she still might accuse you of harassment, too.”

“Who else did she accuse of harassment?” asks Gustav.

“You wouldn’t believe it if I told you and I’m not going to. In fact, I never mentioned it to you. Look, if I were you, I’d write a memo to file just in case. You can never be too careful.”


“I’ll do that,” says Gustav.

After hanging up, Harvey writes a memo to file about the call. He leaves out telling Gustav about Rachel’s other complaint.

Gustav also writes a memo to file. He scrupulously documents Harvey telling him about Rachel’s other complaint.

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