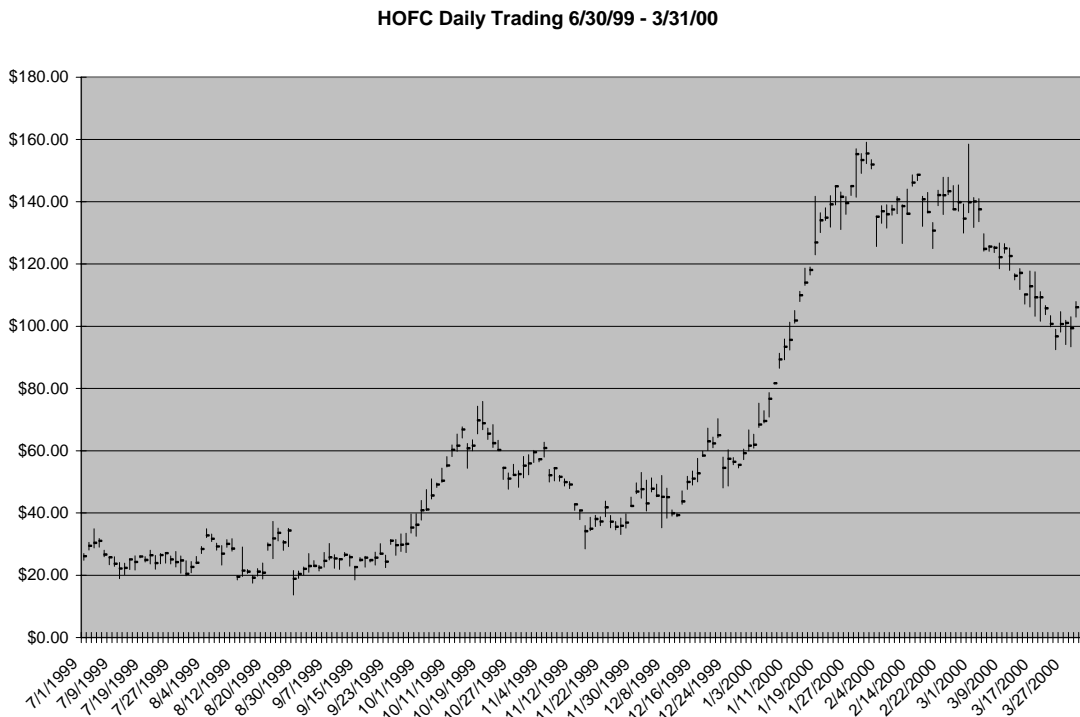
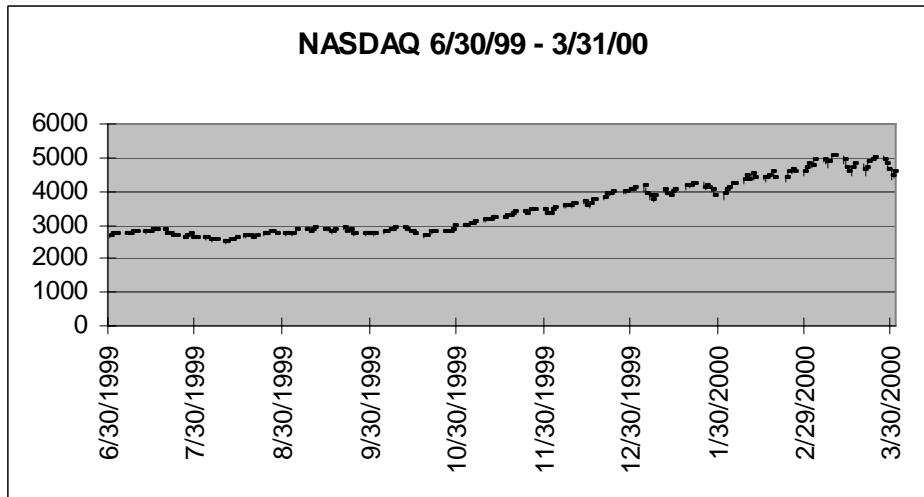


### Chapter 9: The Fall, April 1, 2000 – June 30, 2000



###

On Saturday, April 1, Larry goes into the office to catch up on the work he's had to ignore during the roadshow. Louise joins him in the evening for dinner at Sequoia in Southside Seaport with her Aunt Hattie who has advised them that the chowder is "to die for". Hattie is in the personal wealth management group at Merrill Lynch and would clearly like to advise the Lazards on much more than chowder.

"Well," says Aunt Hattie, looking up from the chowder, "today is the day that your liquidity should actually be in your account at Barcourt."

"Yup, the money's there; I checked," says Larry.

"I'm sure you two haven't had much of a chance to think about how you are going to invest your—"

"I bought my mother a place in a retirement home," says Louise.

"She didn't tell me that," says Hattie, annoyed.

"I only told her an hour ago," says Louise.

"Well, I'm very happy for her, of course. That's very kind of you..."

"It was Larry's idea."

"How very considerate. I know how proud Ruth must be to have such a generous son-in-law. I do wish you two had talked to me first, however. There are many tax implications to such an investment, and it's very important that it be structured in the right way. We have a very good group that can be an enormous help in transactions like this. In fact, for clients in the very high wealth category, which includes the two of you, our people are happy to actually handle transactions like this one completely. So you hardly need to lift a finger except to tell us what you want to accomplish..."

"We're not clients of Merrill Lynch," says Larry.

"Well, that's what we're here to talk about now, isn't it? That's certainly something that can quickly be arranged. In fact..."

The fish arrives. Hattie has to pause in her pitch to send hers back since the head is still on the plate and one dead eye is looking at her balefully.

"Oh, I just hate that," she says after the waiter leaves with the offending fish. "I sometimes think they do that just to annoy me. Now where were we?"

"I was just explaining," says Larry, "that we are going to talk to several firms before we decide who will manage our 'personal wealth'."

"Well, certainly, dear, you ought to do that," says Hattie. "But time's awasting and, as they say, time is money. You won't find any better than Merrill. There are several investment opportunities that will close just this week and I'd hate for you two to miss the opportunity—"

"We're going to have to pass on those," says Larry. "We're not going to make our minds up that quickly."

"I'm not sure that's wise, dear," says Hattie. "You have a big responsibility now to manage all that liquidity wisely."

"I also have to manage my company," says Larry. "Remember, most of our net worth — the vast majority of it — is tied up in the stock we still own. We haven't even sold five percent yet."

"Well, dear, of course; but that's something we can help you with as well. I'm not the expert in this, but Merrill has put together programs for other

executives to assure that they will realize most of that locked-in value. We know you can't sell all of that stock now but you should be protected against a possible decline. We could arrange synthetic 'put options' or various kinds of 'straddle' or 'collars' I think they're called. We could lend you money using the locked up stock as security. These are the discussions we need to be having."

"Why in the world would we want to be in debt when we're rolling in cash?" asks Larry. "I just paid off our mortgage this morning."

"You what? Oh, no. You see, this is just the kind of thing we can help you with. That's not a good use—"

Louise interrupts before Larry can: "That's something we both wanted to do. We don't like being in debt."

"Debt is an important investment strategy," says Hattie. "Perhaps as a next step I should introduce you to some of the specialists who will work with you at Merrill to help you—"

"You know who you could introduce me to, Hattie?" asks Larry with his mouth full.

"Whom, dear?"

"What's her name, your e-commerce analyst," says Larry. "Merrill doesn't cover hackoff and it would be very helpful for us if you did. That would help increase the value of the rest of our assets."

"Well," says Hattie, "I'm not sure I can arrange that but I'm certainly willing to try. But you don't mean to say, dear, that you're going to base your decision of who handles your personal wealth on what coverage the company receives, do you?"

"Yeah," says Larry, "that is what I mean. It won't be the only criterion, but it is a very important one."

"You've worried about the company all these years," says Hattie. "Now it's time to worry about yourself. Yourself and Louise, I mean, of course."

"How the company does and how WE do are not separable," says Larry. "Hattie, I'm serious about this. If Merrill wants to manage our personal wealth, it's time for Merrill to cover hackoff."

"Oh, I don't know..."

"I know," says Larry, more firmly.

"How is Uncle Augie?" asks Louise.

Hattie takes a deep breath and cuts into the now headless but also cold fish. "He's as well as can be expected, Louise dear, thank you so much for asking. He sends his best to both of you, of course. The dear man will not take care of himself. Sometimes I think he wants to die just to spite me."

"Understandable," says Larry, but under his breath so Hattie doesn't hear him.

#

Not much later, Larry and Louise are sitting outside in the back of the highspeed catamaran ferry to Atlantic Highlands. It's an early warm spring

night, so they are comfortable on the stern where the bulk of the cabin blocks the wind. As the boat crosses New York harbor, they have a great view of the downtown lights dominated by the twin lit rectangles of the World Trade Center.

“Thank you,” says Louise.

“For what?”

“For being nice to Aunt Hattie. I appreciate it.”

“Yeah, well let’s see if the gabby old bitch can help us get coverage from Merrill. I doubt it.”

“Well, if she doesn’t, then I won’t feel bad at all about not giving her our money to manage,” says Louise. “What do you think we ought to do about investing it? Is this a good time to put it back in the stock market?”

“Personally,” says Larry, “I’m not in any hurry. Mostly because I don’t have time to think about it. There’s stuff at the company I’m worried about. But also the market seems sort of shaky. There was a bad announcement from Big Router today.”

“What’s the money in now?”

“We bought the Knicks.”

“No. I’m serious. What is the money in?”

“Remember, we talked about it. I didn’t think we had enough cash to buy the Knicks but Madison Square Garden Corporation really wanted to get rid of them. I only had to pay fifteen million in cash and the rest in hackoff stock.”

“Larry, you didn’t. You COULDN’T. I thought the stock was restricted. We can’t even sell it for six months.”

“It is restricted,” says Larry, “but they accepted it even with the restriction. They’ll have to hold it for the six months.”

“What about Alan Houston’s contract? We agreed that—”

“You were absolutely right about that. I insisted they buy it out as part of the deal. But, funny thing, when we discussed it with him he said he’d play without the contract if he could just stay in New York. He even promised he’d try dribbling when he got the ball.”

“Oh-my-God,” says Louise. “Oh-my-God. I think the money has gone to your head. Well, I guess we’ll have to have a party. Do we invite all the Knicks? I’d really like to meet Clyde Frazer; see if he really uses all those big words even when he’s not announcing games.”

“April Fools,” says Larry.

“What...? Oh no... Fuck you.” Louise hits Larry. Not hard.

“Gotcha,” he says.

“You did. This is all so unreal I don’t know what to believe and what not. Okay, where is our money if we didn’t buy the Knicks?”

“I told Barcourt to just buy some safe government bonds for now to park it in,” says Larry. “They didn’t want to and, of course, they have at least as many good ideas for our money as Hattie, but it’ll be reasonably safe there. We could lose a little if interest rates go up but I just don’t feel right about jumping into things without thinking it through. And I want to give the money to someone to manage that’s going to give hackoff some additional coverage.”

“You know what Aunt Hattie said to me in the ladies’ room?”

“No, what?”

“She says she’s not sure Merrill can cover a company with such a horrible name. She can’t even bring herself to say ‘hackoff’.” Louise giggles.

“Doesn’t stop her from wanting to manage the money hackoff made for us,” says Larry mildly.

“Yeah. It’s getting cold. Snuggle me.”

“You want to go inside?”

“No, just snuggle me. The City looks like it’s covered in jewels.”

The boat rocks as it speeds over the wake of a hulking container ship leaving the harbor for Taiwan with empty containers to be refilled. The air gets colder. A few of the lights in the City twinkle out.

###

## **TODAY'S MARKETS**

### **NASDAQ PLUMMETS**

### **BIG ROUTER WARNING TANKS MARKET**

**By PETER SCOTTSON**

**THE broad STREET JOURNAL ONLINE**

April 3, 2000 5:01 p.m.

The NASDAQ fell nearly 400 points today and closed just over 4200. The selling started before the open and just after an announcement by Big Router that it expects to report “disappointing” earnings for the first quarter and will not meet analyst’s expectations. Big Router stock fell 42 points to close at 99 1/8. The company is scheduled to report its earnings on April 15.

Almost every sector was lower. Energy stocks and some consumer durables - both usually considered defensive holdings - were the only exception. Technology and e-commerce stocks were the hardest hit. Router maker PacketWarp was down almost 40% during the trading day and closed at 84, down 27%. EverFast lost 35 to close at 115.

Some market analysts are now taking the recent market weakness seriously. John Braxton of Barcourt & Brotherson says that this may be the start of the long awaited “serious” correction after the market’s long runup. He says that it’s possible that the market is “significantly” ahead of itself and will not recover until much later in the year. However, other analysts suggest buying stocks on weakness. They point to the alarming dip in March, which was quickly reversed and the trading profits made by those who bought the dip.

One venture capitalist who declined to be identified says that he believes router sales are a leading indicator for the e-commerce sector. According to him, a decline in router sales is a sure sign that growth is slowing.

Big Router attributed the weakness in the quarter to stiff price competition and some credit problems with existing and prospective customers. The company did not specify whether shipment volumes were down.

###

Donna Langhorne has spent most of the day on the phone with several brokers who would like to manage her personal wealth. She has given each of them a trial by allocating each a million dollars with which to buy her stock in their hottest IPOs. Some have demurred that the IPO schedule is somewhat lighter than it had been. These she has given latitude to invest no more than half in other hot issues.

Donna has also been talking to Fractional Jet. She and her husband Francis have decided to buy an eighth interest in one of their new planes.

"After the roadshows," says Donna, "I really don't want to go back to waiting in lines at airports and sitting next to people that fart."

It isn't hard to convince Francis who has also enjoyed every private jet he's been on.

"By the way," Francis says to Donna on the phone at the end of the day, "we filed suit against Big Router today. Thanks to our 'timely information', Grant & Gilding was the first firm to get its licks in. There'll be others, of course, but being first gives us a very good chance of being appointed lead counsel for the shareholder class action. And this has really helped me at the firm. Thank you."

"You're very welcome," says Donna. "Come home."

"Send the jet for me," says Francis.

"I'll do that," says Donna. "I'll do just that." And she does.

###

On April 4 the NASDAQ is down below 3700 during the day, before rallying to finish down just over 100 points. Hackoff, however, doesn't do badly and closes up at 102 3/16. Larry is in a good mood for the beginning of his call with Barcourt Chief Trader Sam Gutfreund. Donna Langhorne and Harvey Maklin are also on the call.

"Pretty brutal day, I'll bet," says Larry.

"Seen worse," says Sam. "Busy though."

"Hackoff traded well," Larry observes.

"Up is better than down," says Sam.

"Learn anything from our trading?" asks Larry.

"More buyers than sellers," says Sam.

"Tell me something I don't know."

“I thought you knew everything.”

“How does the shoe look?”

“We sold that Friday. We almost always sell the shoe along with the initial allotment.”

“Great,” says Larry. “That’s great. But how come I didn’t see the money in my account along with the rest?”

“Larry,” says Donna, “Sam says they SOLD the shoe. He didn’t say they BOUGHT it.”

”What do you mean?” Larry looks confused.

“Perhaps I can explain,” says Harvey when no one else answers. “We sell the shoe short as close to placing the initial allocation as we can. Then we have thirty days to buy it from the selling stockholders.”

“You sell the shares BEFORE you buy them from us?” asks Larry.

“Of course,” says Donna with malice. “Of course they do. Why should they buy them before they have to?”

“Oh, I see,” says Larry. “It’s a use-of-money thing. You get the money for the shares and you don’t have to buy them from us for thirty days. Okay, just one more way for bankers to make money on the transaction. But now we know you’ll be buying them. Still good news.”

There’s a silence.

“What’s the matter?” asks Larry. “Now that the shoe’s been sold, you’ve got to eventually buy the shares from us, right?”

More silence. This time it is Sam who breaks it: “Larry, we only buy the shoe if the stock is higher at the end of thirty days or we’ve got too much demand to go short any further like we did in the IPO.”

“I don’t get it,” says Larry. “Shit, yes I do. If the stock is lower in thirty days, you buy in the open market to cover your short because that’s cheaper than buying from us. You fuckers just can’t lose. Stock goes up and you buy it from us at below-market price and you aren’t taking any risk because you already sold it. Stock goes down and you buy it at market and have a short sale profit.”

“Uh...” says Harvey, “that’s basically it. Of course, if hackoff stock keeps acting like it did today we’ll all be very happy campers. We’ll exercise the over-allotment option just like we did in the IPO and you’ll have your money.”

“I sure hope so,” says Larry. “I hope so for all our sakes.”

#

“That sucks,” Larry says to Donna as they sit alone at the conference table in his office after the call. “That really sucks. Fucking bankers get us coming and going.”

“What do you mean ‘us’, white man?” says Donna.

“What do you mean?”

“I don’t have any part of the shoe, thank you very much. The company isn’t selling any more shares in the shoe. What I’m worried about is our numbers.”

You know, your whining about the shoe is obnoxious? I got you to be able to sell all your shares up front. I have to wait for the shoe to sell some of mine and now it looks like that may never happen. Why don’t you drop it? And what numbers are you worried about? We’re going to have an operating profit this quarter, aren’t we?”

“You got greedy and you got caught,” says Donna. “I don’t have any sympathy for you. And, yes, we are going to have an operating profit — a small one — for this quarter. But what about next quarter? That’s what I’m really worried about.”

“What do you mean? The quarter’s hardly begun. How can you be worried already?”

“Did you look at how we made our number for this quarter?”

“Sure, I know how we did. We cut some prices to make some deals. We gave some extra comp to sales. So, this quarter we should have our natural growth and all that shouldn’t be necessary.”

“Don’t get me started on extra comp for sales,” says Donna. “I can’t believe you gave them that. Why are you such a wimp when it comes to managing sales? Frank Folger is the only one of your staff you’re not tough on.”

“You’re probably right,” says Larry. “Sales is the one job in the company that I know I couldn’t do. I couldn’t take being told ‘no’ time after time and still going back to knock on the same doors. I don’t understand sales guys; I don’t know what makes them tick. They’re weird; they’re obnoxious; they lie. They always cheat on their wives. But we need them, and I can’t manage them as well as I can the other parts of the company. I know enough about accounting and investor relations and all to know that you do a good job — most of the time. I know I could do a better job than Dom at managing development, but he’s much better than most people would be. I think I could’ve been a lawyer if I wanted to, so I have no problem second guessing Aaron when he’s being an asshole. But I don’t understand sales.”

“We’re going to have a big problem if you don’t START managing sales,” says Donna. “Because Frank’s not doing it — unless you call getting more commission for less sales managing. And, of course, we just dug a big hole for ourselves.”

“What big hole?”

“All those sales we got in the last few days of June...”

“Yeah. What about them? They’re real, right? We didn’t book anything that wasn’t really closed did we?”

“No. They’re real,” says Donna. “Frank would have booked anything that breathed but I only let him book real sales — not counting the wannabes, of course. But that’s not the problem.”

“Donna, what IS the problem? Stop playing games with me.”



“The problem is that we used low prices to close sales that would’ve closed anyway. Those are sales that we would have closed this quarter. Most of them.”

“No shit. So?”

“So the sales funnel is EMPTY; that’s what I think. Have you had Frank give you a report on the funnel?”

“I’ve been on a roadshow, remember?” says Larry. “I think you were there. ...No, I haven’t had Frank give me a report on the funnel. Have you? What makes you say it’s empty? Just because you don’t like Frank?”

“No,” says Donna. “Okay, I DON’T like Frank. And I don’t like watching you wimp out instead of managing him. And I haven’t had a report on the funnel. But I can still think. And it makes sense to me that we pulled sales out of THIS quarter to make the numbers for LAST quarter, so now we start in the hole. And even deeper in the hole because Frank signaled to customers and salespeople that we have quarter-end sales and now they’ll expect that. And the sales people’ll wait to do their selling until we offer them extra comp.”

“The fun never stops, does it?” says Larry. “I’ll schedule a funnel review, Shouldn’t be as bad as you think but it’s worth looking at. Meanwhile, it would help if you’d get some more analysts to cover our stock. We need to get some new interest and some new buyers. Stock’s gotta be sold, too, you know.”

“You’re still worried about your goddamned shoe. You make sure Frank — or someone else — sells software. I’ll work on the analysts but I gotta tell you, I’m nervous about getting more coverage if we’re gonna have bad numbers.”

“We’re not gonna have bad numbers,” says Larry. “Trust me.” He takes the gun off his coffee table, puts it to his head, pulls the trigger — click. “I bet my life on it.”

“We’re in this together, Lar,” says Donna. “I don’t like it but I’m a realist and that’s the way it is. Don’t fuck it up!”

#

Just as Larry feared, Barcourt & Brotherson does not exercise its right to buy the over-allotment or “shoe” from the selling stockholders. By the time the thirty day option on the over-allotment has expired, hackoff is trading at around seventy-four dollars per share. So, if Barcourt wants to cover the short sale of 450 thousand shares that it made on the day after the secondary priced, it can buy shares on the open market at around seventy-four. Obviously, this would be preferable to buying from the selling shareholders at the secondary price of 99 3/8. However, Barcourt does not want to cover its short sale. In fact, Barcourt has continued to sell short — to borrow shares of hackoff that it doesn’t own and sell them. The continued selling by Barcourt is just one of the factors that has continued to push the hackoff stock price down.

The NASDAQ itself is continuing to weaken. By mid-April it is trading just above 3200 after a somber earnings announcement from Big Router. Not

only were sales of routers weaker than anticipated during the first quarter, but Big Router had a significant problem getting paid by its dotcom customers. Big Router's earnings for the quarter are almost wiped out by the write-off of dubious receivables the company has chosen to take. Moreover, Big Router's CEO, a fabled salesman given to accenting the positive, says he does not see signs of recovery in the second quarter. Big Router itself is trading at just half its all time high.

###

### ***Email, April 28-30, 2000***

**From:** Joseph Windaw [mailto:jwindaw@windawwallar.com]  
**Sent:** Friday, April 28, 2000 9:45 PM  
**To:** Joanne Ankers  
**Subject:** The shoe

Hi, Joanne:

As I'm sure you heard, the shoe didn't go. Boy, do you look smart and Franklin and me dumb. I trust that your colleagues at Big Router Ventures are duly impressed.

Seriously, if you don't mind some advice from an old man, you should toot your own horn on this. If things had gone the other way, you would have been blamed.

Yours truly,  
Joe

**From:** Joanne Ankers [mailto:joanne.ankers@bigrouter.com]  
**Sent:** Friday, April 28, 2000 9:45 PM  
**To:** Joseph Windaw  
**Subject:** RE: The shoe

Hey Joe,

I always appreciate your mentoring. I did take some grief initially for 1) the fact that we're selling at all; and 2) that we would sell less of our position than you guys did of yours once the shoe went.

Now, after our recent earnings announcement, portfolio sales are all the thing here at Big Router Venture. It's our way of protecting the corporate bottom line, something the sales guys don't seem to be doing very well right now. So I have something of a rep as a trend-setter, for which I am grateful to you for your sound advice. I'll take credit for the shoe on my own; something didn't sound right about it. I guess from a woman's point of view, "if the shoe doesn't fit, don't wear it." ha ha. That's a joke.

Best,  
Joanne

**From:** Joseph Windaw [mailto:jwindaw@windawwallar.com]  
**Sent:** Saturday, April 29, 2000 10:45 AM  
**To:** Joanne Ankers  
**Subject:** RE: The shoe

Joanne:

You're a very smart young lady and I'm glad to hear you're appreciated there. I heard good things about you from your boss when we met on some other things.

As much as I'm chagrined that you got the best of us on the shoe, it is a pleasure to see how embarrassed Franklin is over this. He can't stop talking about it. It's good for someone as smart as him to be wrong every once in a while.

Of course, Larry Lazard is apoplectic and is convinced that we all plotted against him - including Barcourt - to deny him his "fair share". You're lucky you don't have to listen to him.

Yours truly,  
Joe

**From:** Joanne6543@hotmail.com  
**Sent:** Monday, May 1, 2000 7:45 PM  
**To:** Joseph Windaw  
**Subject:** My career

Joe:

I know I can rely on you to keep this completely confidential. Note that I am writing to you from my personal account and not on Big Router's email system.

Something totally unfair has happened and I may have to leave Big Router. Turns out that the advice you gave me wasn't so good after all even though at first people treated me like a hero for selling some of our hackoff position before the market crashed.

Looks like there was a lot of discounting to book router sales at the end of the first quarter and so now there isn't much in the pipeline for this quarter. That's why the chief indicated that this quarter would be weak. So now selling from the portfolio has gone from a no-no here at BRV to the order of the day. We are selling at least some of almost all of our positions. You'd think that would make me a hero because I already got out of some of the hackoff position at a price we're not likely to see again for a while. But, no, that's not what's happening at all.

Problem is that, in order to sell, we had to sign a 180 day lockup just like you and the other selling stockholders. Now we can't sell any more hackoff until five months from now. This, during a time when we are liquidating 20% to 40% of our positions in similar companies. I only did 10% and now people are saying it's my fault that we can't do any more.

I need to be blunt: if I have to leave Big Router do you have a position for me at Window & Wallar? We have lots of memories.

Best,  
Joanne

**From:** Joseph Window [mailto:jwindow@windowwallar.com]  
**Sent:** Monday, May 1, 2000 7:50 PM  
**To:** James Harkins  
**Subject:** Action items for tomorrow

Jim:

It is important that all of these things be done before noon tomorrow.

1. Find out what stocks are in the Big Router Ventures portfolio WITHOUT TALKING TO ANYONE AT BRV. If we're not

locked up, sell at least 50% of our positions in any of these wherever there is overlap. I'm sure there is some.

2. If we have any shares of Big Router itself left in our portfolio, sell them at market. I think those guys are in for a continued rough time.
3. We have been advertising for two open positions. Pull the ads; we're going into a hiring freeze for a while. I wouldn't mind if word about that gets around. It's a prudent thing to do in this market and it'll make people work harder.
4. You know the guy who always wants to come in and show me diamonds? Make an appointment for him to come around and see me tomorrow afternoon. I'm going to want to get something expensive and special for the wife.
5. Make sure our portfolio companies know not to buy anything from Big Router except at the end of the quarter and after negotiating at least a 25% discount – maybe more. Same for any other major equipment purchases from anyone.

Thanks,  
Joe

**From:** Joseph Windaw [mailto:jwindaw@windawwallar.com]  
**Sent :** Monday, May 1, 2000 7:50 PM  
**To:** Joanne6543@hotmail.com  
**Subject:** RE: My Career

Joanne:

I'm very sorry to hear how people at Big Router Ventures are acting. Are you sure everybody feels this way? It is easy to overreact when you are threatened. Last time I talked to your boss, he thought you were great which is not very long ago. If necessary, I'm glad to remind him.

My advice to you is not to throw away what you have built there. It is a very solid foundation.

Of course I would help you in any way that I can if worse came to worst. Right now, we have a hiring freeze here at W&W so can't do that, but I have lots of friends and acquaintances on

both coasts who, I'm sure, would be interested in someone with your qualifications. I'm assuming that you want to stay West and that's probably best but I can help either way.

It is always important to be calm. You have a very level head. I'm sure you will do that.

Yours truly,  
Joe

###

#### Hackoff.com Corporation: Grant & Gilding Brings Securities Suit In S.D. NY

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Grant & Gilding, LLP filed recently a class action in the United States District Court for the Southern District of New York, on behalf of purchasers of Hackoff.com Corp. (Nasdaq: HOFC) securities during the period between June 30, 1999 and May 30, 2000, inclusive.

The complaint charges the following defendants with violations of Sections 11, 12(a) (2) and 15 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder:

- (1) Hackoff.com,
- (2) Barcourt & Brotherson Inc.,
- (3) First Canadian Bank Corp Ltd., and
- (4) Web & Stinger Corporation,
- (5) Lawrance Lazard, and
- (6) Donna Langhorne.

On or about June 30, 1999, Hackoff.com commenced an initial public offering of 5.00 million of its shares of common stock at an offering price of \$15.00 per share.

The complaint alleges that defendants violated the federal securities laws by issuing and selling Hackoff.com common stock pursuant to the June 30, 1999 IPO without disclosing to investors that some of the underwriters in the offering, including the lead underwriters, had solicited and received excessive and undisclosed commissions from certain investors.

Specifically, the complaint alleges that in exchange for the excessive commissions, defendants allocated Hackoff.com shares to customers at the IPO price.

To receive the allocations (i.e., the ability to purchase shares) at the IPO price, the underwriters' brokerage customers had to agree to purchase additional shares in the aftermarket at progressively higher prices.

The requirement that customers make additional purchases at progressively higher prices as the price of Hackoff.com stock rocketed upward (a practice known on Wall Street as "laddering") was intended to (and did) drive Hackoff.com's share price up to artificially high levels.

This artificial price inflation enabled both the underwriters and their customers to reap enormous profits by buying stock at the IPO price and then selling it later for a profit at inflated aftermarket prices.

For additional information, contact: Grant & Gilding, LLP through its Client Relations Department: Mary Forn, Joseph Archer, or Millicent Monroe by Mail: P.O. Box 78659, New York, NY 10001-8659 by Phone: 1-888-555-8098 (toll free) or by Email: [info@classlesslawyer.com](mailto:info@classlesslawyer.com)

#

Larry reads this on his computer and summons Donna and Aaron Smyth, hackoff's chief counsel, to his office.

"What the fuck is going on here?" he asks without sitting down. "Donna, why the fuck is your husband suing us? Aaron, what the fuck is this?"

"I don't know what you're talking about," says Donna. "Stop raving."

Aaron scans the news release on Larry's screen. "I've been wondering when our turn would come," says Aaron. "They've been suing everybody who's done an IPO in the last two years."

"What? Who?" says Larry. "What the fuck did we do? This is Donna's husband's firm."

"This is what they do for a living," says Aaron. "I'm sure Francis isn't involved; he couldn't be. He'd have to recuse himself. I'm sure if there aren't other firms suing us already there will be soon." He does a search on Larry's computer. "See, here are two more. And there'll be others."

"Aaron, what's this about?" asks Donna.

"Why don't you ask your husband?" asks Larry. "Maybe when he kisses you good-bye in the morning he mentions he's gonna sue your ass today. That would be only polite."

"Shut up, Larry. Aaron, what is this?"

"I probably should have warned you about this," says Aaron.

Larry explodes. "You knew this was gonna happen and you didn't tell us?"

"I didn't know. But I thought it might."

"Why don't you tell us what IT is?" says Donna quietly.

Aaron explains: “All of the class-action firms are suing every company — almost every company — that went public in the last year or so. I’m surprised they didn’t get to us sooner.”

“Have we been served with anything?” asks Larry. He is grim but calm now.

“No,” says Aaron. “It would come to me. They’re just filing a press release in order to get clients for the suit.”

“Is that legal?” asks Larry.

“Of course; it’s how the class action bar works,” says Aaron. “The firms see an opportunity; they file suit; then they try to attract clients.”

“There doesn’t have to be a plaintiff?” asks Larry.

“Eventually,” says Aaron. “That’s why they put out the press release.”

“Okay, okay. That’s all bullshit legal procedure anyway,” says Larry. “What the fuck are they suing us for?”

“Because that’s where the money is,” says Aaron.

“Yeah, I understand that,” says Larry. “I know they want sue all the deep pockets they can find. No use suing poor people. But WHAT THE FUCK ARE THEY SAYING WE DID? We didn’t pay any secret commissions to anyone.”

“That’s not what they’re saying,” says Aaron. “They’re saying that the customers of the banks, the investment firms, paid secret commissions.”

“So what? So sue Barcourt, I don’t care. Sue Fidelity; sue Semper. I don’t know what those guys are up to. Why are they suing us?”

“Fortunately this is a privileged conversation,” says Aaron, “since you’re having it with your lawyer. You don’t want to be saying those things just anywhere.”

“What do you mean?” asks Larry. “I don’t know what the banks and their clients are up to. Wouldn’t put anything past them. Why’s that my problem? Why are Donna and I being sued?”

“Strict liability,” says Aaron. “You and Donna signed the prospectus, right?”

“Yeah, so?” asks Larry.

“The prospectus says that they got a seven percent commission, right?”

“Yeah, what is this — twenty questions? WHAT ARE THEY SAYING WE DID?”

“The complaint alleges that they got EXTRA commissions from their institutional clients. The extra commissions were in the form of a promise to buy more stock after the IPO and force the price up. You said they only got seven percent. The complaint about you and Donna is that you didn’t reveal in the prospectus that they actually got more.”

“How were we going to ‘reveal’ they got more when we didn’t know it?” asks Larry. “If they were sneaking around behind our backs getting extra commissions, how are we supposed to know? Maybe they did. Wouldn’t put it past them.”

“I wish you’d stop saying that,” says Aaron. “Under strict liability you had an obligation to know the facts before you signed the prospectus so you’re not off the hook just because you didn’t know. That’s not a defense when strict



liability applies. And the courts have applied strict liability pretty consistently in cases like this.”

“Is this criminal?” asks Larry grimly.

“This is a civil case,” says Aaron. “I don’t think anyone wants to make it criminal. And strict liability is more a part of civil than criminal law. They just want your money.”

“So, okay,” says Larry, “let’s calm down and think this through.”

“I am calm,” Aaron points out.

Donna says nothing.

“If these guys lied to us and got us in trouble and it’s a civil case, then we ought to be able to sue them for everything WE get sued for, plus more for our trouble. PLUS if they stole extra commissions, they were stealing from the company AND from me and Donna as shareholders. So we ought to be on the OTHER side of this suit.”

“I have bad news,” says Aaron. “I’d have to check, but I think the underwriting contract with them says that WE hold THEM harmless and indemnify them for any trouble they get into under the contract.”

“What?” says Larry. “We signed that? No-fucking-way!”

“You signed it,” says Aaron.

“You didn’t tell me not to,” says Larry. “What kind of shit is this? We signed a contract that says they can steal and we get nailed? I don’t fucking believe it.”

“I don’t think the courts would let them enforce that against us,” says Aaron. “It’s not that bad. But it can make it very hard for us to collect any damages from them.”

“Call them and tell them we’re suing them,” says Larry. “Do it right now. Tell these fuckers that they lied to us and they have hurt our shareholders and we’re gonna sue their asses. Tell them we’re gonna join the other side of the class action.”

“Why are we doing this?” asks Aaron.

“Because we want them to agree right away to waive that bullshit about us indemnifying them and to agree that every fucking cent of damages comes from them and not from us. That we’re not gonna stand for this bullshit.”

“I’ll ask them about indemnification but I don’t think this is going to be a big deal. That’s why I’m not all that upset about it.”

“Seems like a big-fucking-deal to me,” says Larry. “What do you mean it isn’t a big deal? Look, I know how to handle them. They’re a bunch of crooks and they’re trying to pull us in. In criminal court, they’d know we were gonna turn state’s evidence and cop a plea. They wouldn’t try to screw us unless they were gonna shoot us if we talk or something. And those pussies aren’t gonna shoot anyone. So we tell them we’re turning them in.”

“Do you have evidence that they did these things?” asks Aaron. “Wait, I’m not sure I want to know that. Don’t answer.”

“I already told you I don’t know what the fuck they did. But these lawyers who’re suing them don’t know anything either and that doesn’t stop them. Why should it stop us? And they don’t know what we know and don’t know. They

probably don't even know whether some of their salesmen did this shit or not. Probably some did, but who knows? All I want is for them to do what's right and agree to indemnify us. So call them."

"Larry, I think I should call the D&O carrier first," says Aaron. The "D&O carrier" is the insurance company which has underwritten the company's Directors and Officers Insurance, the policy which protects against shareholder suits.

"Are we covered for shareholder suits under D&O?" asks Donna.

"Should be," says Aaron. "That's why I don't think it's such a big deal."

"Are we covered as individuals?" asks Larry. "Is this really something we just let them worry about?"

"Well," says Aaron. "There could be a public policy question of whether individual officers should be reimbursed..."

"Then we're not covered," says Larry.

"I said 'could be'. I don't think there will be. But there is also a retainage — really a deductible — so it costs the company something. And there is a limit to our coverage."

"How much?" asks Larry. "What's the deductible? What's the limit? Are you through with the bad news on our so-called coverage?"

"I think the retainage is 600K," says Aaron. "I'll have to look at the policy. And I think the limit is twenty million per incident..."

"It is," says Donna, "any more would've cost more and we're paying almost half a million a year for coverage as it is. And there IS more bad news. We file a claim, we watch the premium go up. This is insurance."

"Twenty million per incident total?" asks Larry. "Or twenty million for each of us and another twenty million for the company?"

"Have to look at the policy," says Aaron. "But I still wouldn't worry."

"You wouldn't worry because you're not being sued," says Larry. "Come to think of it, why aren't you being sued? You signed the fucking prospectus too."

"Professional courtesy," says Donna. "Lawyers don't sue lawyers."

"My signature was in my capacity as secretary," says Aaron, ignoring Donna. "I wasn't certifying that the prospectus is correct, only that it had been properly okayed by the Board. You know," he continues, "I bet the only reason you guys were named is to make sure the D&O carriers are fully on the hook. You guys don't have deep pockets — deeper than you had but not that deep — like the bankers. But D&O carriers always settle, so why not sue you and collect from them?"

"They ALWAYS settle?" asks Larry. "Doesn't make sense. I got a friend used to be a district attorney. Then he got a job advising car dealers. Told'em 'Never settle. You settle you're gonna be a mark for whoever comes along.' So these guys are pros; how can they always settle? They got our premiums. Why do they wanna pay out any claims?"

"They always settle," repeats Aaron. "They settle and then they raise your rates. You're right: the more they settle, the more cases the class action bar brings. But the more cases there are, the more they raise rates. So every year

there's more money flowing through the class action system and a fair share of it sticks to the hands of the D&O carriers."

"Bullshit," says Larry. "I don't mean 'bullshit, you're wrong'; you're probably right. I mean are we supposed to put up with this bullshit? We won't let 'em settle; we'll fight."

"No you won't," says Aaron.

"Whaddaya mean? Of course I will. You ever know me to duck a fight?"

"You won't fight this one. They wanna settle, and if you don't settle, they're off the hook and it's all your case. You pay damages. You pay for the rest of the defense. You know your pockets ARE a lot deeper than they were before the secondary. You wanna give all that back?"

"Just because I got some money doesn't mean I'm gonna play defense all the time," says Larry. "Go ahead and call the D&O carrier. Get that out of your system. Find out if they're going to claim it's 'poor public policy' to protect Donna and me. And then don't forget to call fucking Barcourt and tell them unless they waive that indemnity crap we're going over to the other side of the suit. We'll help the sharks eat 'em."

Immediately after leaving Larry's office, Donna calls her husband, Francis, on his cell phone.

"Hi, babe," he answers in a whisper. "I'm in a meeting. Can I call you back?"

"You said you were going to keep us out of this fucking class action thing," says Donna. "You said—"

"Just a minute, please," Francis Langhorne says to the phone in a very cheerful voice. "Got to step out a minute," he says to his colleagues in the meeting.

He goes into the men's room down the hall, doubles over to check whether there are feet in any of the stalls, then unmutes the cell phone.

"I'm sorry; I can talk now."

"You said you were gonna keep us out of this fucking class action thing," Donna repeats, more loudly than before. "You said—"

"I never said that, babe. I can't keep people from suing you. I said I would try to keep Grant and—"

"Well you sure didn't keep Grant and his fucking geldings from suing us," says Donna. "You didn't even do that. And I got named personally."

"I tried," he interrupts. "I tried, but it was getting too obvious. Of course I had to recuse myself from the case and some of the other attorneys were beginning to suggest that I recuse myself from all discussion."

"Well you just recused yourself from a hell of a lot more than that," says Donna and hangs up.

Francis pushes the button to return the call from his cell phone but gets Donna's voice mail when she looks at his caller ID and doesn't answer. "Look, babe," he says to the voice mail. "It was unavoidable. I tried to warn you but..."

Just then a burly man in a bedraggled jacket comes into the men's room, positions himself in front of the urinal, and begins to piss powerfully. "How're they hanging, Francis?" he asks.

Francis closes the cell phone. "This IPO class action could be what we all retire on."

"It's gonna take a long time," says the burly man, still pissing. "I've been taking depositions from bankers for the last two hours. Didn't want to piss 'cause they had to, so better to let 'em suffer. Gave 'em plenty of coffee and 'erb tea and shit while they were waiting. Probably pissed in their pants. But it's gonna take a long time, and then we'll probably end up with a mediocre settlement. The whole Street's gonna be against us. They got a lot to lose. And the law isn't clear. AND we got the wrong judge. So don't go spendin' your retirement money yet, is my advice to you. Don't go buy no big baubles for that pretty woman of yours yet."

"It's gotta be the biggest prize of all time," says Francis. "Every fucking IPO when there were more IPOs than ever were before. And you know they were doing it; you know they were laddering the stock."

"Knowin' it and provin' it are two different things," says the burly man, shaking his penis vigorously. A few drops fall on his shoes. "And we don't have a good judge; luck of the drawer but that hurts." He zips himself back up most of the way.

"You're the litigator," says Francis. "You should know. I won't argue judges or proofs with you. But I might have an idea how we get some proof — real proof."

"You have an idea, let me know," says the burly litigator, his fly still not quite closed.

Francis holds the door for the burly man and follows him out of the men's room. "You may hear from me," he says. "Keep fighting the good fight."

The burly man grunts and lumbers down the hall.

When Francis gets home much later that evening, the combination has been changed on the electronics that open the front door of the Langhorne's brownstone. Music can be heard from inside and he rings the doorbell. No answer. He rings again. The music gets louder. He rings a third time. The music gets louder still. There are some sounds of motion inside but nothing near the door.

Francis takes a Tiffany's box with a bow out of his pocket. He circles his cell phone number on the card, pushes the card under the bow, and pushes the package with the card and bow through the mail slot. Then he straightens up and walks away down the street.

Half an hour later Francis' cell phone rings. "I love you, babe," he says quickly.

"Bullshit," says Donna. "You humiliated me. That prick Larry ... I was completely blindsided."

"I warned you," says Francis. "I'm very, very sorry. I did my best to keep hackoff out of it and then to keep you from being named. I couldn't swing it. But I did warn you..."

"When did you warn me?"

"Did you check voice mail on your cell phone from this morning?"

"I don't know. Maybe. I'm not sure. There's so much crap on there."

“Well, check it,” says Francis. “I did warn you. It was the least I could do. Did you get the box at the front door?”

“Oh, was that from you?” Donna asks sarcastically. “Lovely. Least you could do after humiliating me. Not enough, though.”

“You did call.”

“The rock got my attention. This still sucks, you know. You’re still recused.”

“This might not be as bad as you think.”

“It might be a lot worse than YOU think. I do a fucking IPO. I put up with all Larry’s bullshit. I do a secondary. Listen to him make the same dumb pitch another hundred times. We get some money — a down payment on what we should get. And now I’m being sued? And by my husband’s firm? It’s pretty bad.”

“Look, I’m really sorry Grant & Gilding is suing hackoff. And I’m really sorry you got blindsided. I did try to tell you. But you know that doesn’t really matter as far as the suit is concerned. I mean, these suits are out there and ten other firms are gonna sue you if they haven’t already, and it doesn’t matter what Grant & Gilding does. All these cases are gonna get consolidated and you’ll be in the same place whether G&G sued or not. And you aren’t gonna get hurt — WE aren’t gonna get hurt personally. You got D&O insurance. You’re covered. The big money’s gonna come from the banks who underwrote the deals anyway.”

“And you’ll get your share of that,” says Donna sounding angry again. “I build a company. I create value, wealth. Then the fucking blood-suckers come and take it back out. And damned if my husband’s not one of them...”

“Calm down. Please, calm down,” says Francis. “Trust me, other than some pain in the ass time-wasting stuff, you’re gonna be okay personally. I don’t think there’s gonna be anything your D&O can’t handle. There actually may be a way we can be more than all right.”

“What’s that?”

“Remember how helpful you were with Big Router?” asks Francis. “Same sort of thing but different. Can I come home and talk about it? I’m standing on the street corner.”

“Maybe the door’ll be open, maybe it won’t. One question, though.”

“Yes, babe?”

“Did you buy the rock because you knew the door’d be locked?”

“Privileged information,” says Francis.

“See ya,” says Donna.

#

“You talk to the D&O people and Barcourt?” Larry asks Aaron Smyth the next morning.

Donna is in Larry’s office as well.

“Yes.”

“And?”

“Pretty much what I thought,” says Aaron. “The D&O people are picking up responsibility for now. They’ve given us a list of law firms to choose from to represent us. They weren’t surprised; they got plenty of these.”

“So they’re committed to covering us?” asks Larry.

“I think ‘committed’ is a little strong. They never commit to anything. But they are stepping up to the plate for now.”

“And Barcourt?” asks Larry. “They waive this bullshit about being reimbursed by us when they get their asses sued for whatever it was they did?”

“Not exactly.”

“What does ‘not exactly’ mean? In case you didn’t notice, this is real life and not a fucking Hertz commercial.”

“They didn’t assert a claim against us,” says Aaron. “They didn’t ask us to defend them.”

“Did you ask them to waive the claim against us? You tell them we’re goin’ over to the other side if they don’t?” demands Larry.

“No, I didn’t. I can if you still want me to, but I don’t think we should.”

“Why? Why the fuck shouldn’t we get ‘em to waive this claim once and for all?”

“Because they won’t,” says Aaron. “I could bring it up, but they won’t. And I don’t think we want to force them into choosing right now. Might force them to file something just to keep their options open. Way it is now when they haven’t asserted a claim their case for doing so gets weaker every day. And the plaintiff’s are gonna fight the bankers tooth and nail if they try to get the companies to reimburse, because the companies’ pockets aren’t deep enough.”

“I say leave it alone for now,” Donna interjects. “Aaron is right.”

“Since when are you a lawyer?” asks Larry. “This advice from your husband who’s suing us?”

“Of course not,” says Donna. “He’s recused himself. He has nothing to do with this. And there are probably ten other firms that, if they haven’t sued us already, are going to, whether or not Grant & Gilding did.”

“So what makes you think Aaron’s right. That we shouldn’t tell these bastards we’re going over to the other side unless they waive their claim against us?”

“You gonna sign something that says you’re NOT going over to the other side if they waive their claim?” asks Donna. “What would that look like? A piece of paper says I’ll perjure myself for you guys if I have to? Besides, maybe we want to go over to the other side later. Maybe that’s where the money is.”

“You’re making more sense than Aaron on this,” Larry concedes. “You sure you haven’t been talking to your husband?”

“I never talk to my husband, Lar. Against my principles.”

“Okay, we’ll be pussies for now,” Larry decides. “We won’t say anything nasty. But if they say one fucking word about being reimbursed by us, we’re all over them like flies on shit.”

“Then we should talk,” says Aaron.

“Then we’re all over them,” repeats Larry. “Nothing to talk about. Pisses me off to lay low now, Aaron. If they attack it’s all over.”

#

It’s June 7, 2000. The NASDAQ seems to have stabilized around 3800 after being below 3200 in May. Brave investors are tiptoeing back into the market. The price of hackoff.com has also stabilized in the low sixties. This is less than forty percent of its all-time high, and a third down from the price of the secondary. But the price decline is no worse than most of the stocks that went public the year before. However, antihack is only down twenty percent from the price of its secondary.

Larry Lazard is presiding over a staff meeting in his office. He sits at the middle of his conference table looking out towards the East River. The day is clear, but the morning sun is red as the light fights through the haze of Brooklyn. At table with Larry are Donna Langhorne, Dom Montain, Frank Folger, Aaron Smyth, and Eve Gross. Technically, Eve is not one of Larry’s direct-reports because she reports to Frank, but Larry said he wants her at this meeting.

“The main reason for this meeting,” says Larry, “is to figure out what to do to get the stock back up again.”

“What makes you think it can go up at all?” asks Donna. “Maybe we’re lucky if it doesn’t go down further.”

Larry says: “The market panicked. That wasn’t our fault. We got punished for it along with everybody else. A little worse than it had to be because Barcourt did a shitty job supporting us — something that you and I, Donna, still have to work on. There’s no fucking reason why we should do worse than those assholes at antihack.”

“Right. They didn’t position as ‘e-commerce squared’,” says Donna.

“Cubed!” says Larry. “We’re ‘e-commerce CUBED’.”

“Even worse,” says Donna. “That positioning is asking to get whacked and we did. Your logic was that when e-commerce goes up, we should go up exponentially. That was fine when e-commerce was going up. When it goes DOWN, we go down exponentially. Surprising we didn’t get hit worse.”

“Donna, we’ve been over this a million times,” says Larry. “That positioning got us to the party. It got us public. It got us through the secondary. Sure, it hurt when the market panicked; I’m not being defensive about that. Now that the market is coming back, it’ll help again.”

“Who says the market is coming back?”

“Higher prices. Cash inflow into mutual funds. There are lots of signs. And e-commerce never really went away. It’s continued to grow. Sure, some of the flakier companies that never had a chance are gone, but that just leaves more room for the winners to grow.”

“Some of those ‘flakier companies’ were our customers,” says Donna. “Even some of the wannabes that we booked last quarter are gone now, and we have to write them off this quarter. That’s not going to help.”

“Good. It’s time we started talking about this quarter,” says Larry. “Donna’s being a pain in the ass but she’s right that we have to show results if we’re going to get our share of the money that’s coming back into the market. It should certainly help that we show steady growth in operating profit. Even better if we showed sharp growth. Frank, what’s the chance of beating our goals for the quarter? What do we have to do to come in higher than we planned?”

“I don’t think there’s anything we can do to beat our numbers,” says Frank. He doesn’t look up as he talks.

“What do you mean?” asks Larry. “If we’re going to make our numbers there must be something extra we can do to beat them. We have most of a month left in the quarter.”

“We’re going to have a hard time making the numbers, boss,” says Frank. He still hasn’t looked up.

“What the fuck do you mean?” Larry’s voice is sharper. “Two weeks ago you said we had it made. Now you’re telling me we can’t make our numbers?”

“The deals aren’t closing,” says Frank. “It’s a different world out there. We really had to start the funnel over this quarter. You know we drained it last quarter.”

“Don’t give me that shit. You knew about the end of last quarter when you told me two weeks ago that we’re solid. What the fuck’s going on?”

“Are you gonna let me tell you, boss?” asks Frank.

“Go ahead. But make sure you end with how we make the numbers. I’ll listen to the excuses, but just so I can understand what you’re gonna do to make the numbers for this quarter.”

“We started with the funnel empty,” says Frank. “We decided to do that because we needed to make the numbers last quarter...”

“You already said that,” says Larry. “You knew the funnel was empty when you made your forecast. You must’ve thought you had some way to deal with it. Damn it, you gave me numbers and now you say that you’re not going to make them.”

“The numbers for this quarter are the same numbers we set for a goal way back at the beginning of the year. We didn’t revise them down when we pulled everything we could into the last quarter.”

“You COULD have revised them down,” says Larry. “You just didn’t. I assumed that meant you had confidence that you could make your numbers.”

“I tried to tell you, boss. You didn’t want to LISTEN. You said sales had to grow quarter over quarter.”

“You didn’t try to tell me anything. Yeah, you tried to get quotas reduced so you guys could make more money, but you always do that. You told me two weeks ago we were going to make the fucking numbers. Now you’re telling me you won’t! What the fuck changed?”



“We’re NOT CLOSING DEALS,” says Frank. “Deals that I thought would close — deals that would’ve closed last quarter, that certainly would’ve closed last year — they’re just not closing.”

“Why?”

“I don’t know. Different reasons.”

“For example?”

“A lot of customers say there’s just no time to make the the decision. Some have been laying people off because they can’t do IPOs or secondaries in this market and they’re running short of cash. So sometimes the guy we’ve been dealing with isn’t there anymore and we have to start over with someone new. And some don’t want to pay the price. If it’s a cash deal, they don’t want to pay the cash. The equity deals are getting hard because a lot of them are in tough negotiations with their VCs over another round of financing and they can’t issue any new stock. And finance isn’t helping by taking forever to approve any equity—”

“Frank, don’t try blaming finance,” says Donna. “You’re bringing us shit and we’re not gonna let you book it. You bring us good stuff, we’ll accept it.”

“Two deals got turned down yesterday that were just like the ones we booked last quarter,” argues Frank.

“We warned you last quarter that booking those wannabes with no money and no financing wasn’t gonna happen this quarter. We’re already writing off some of that crap we let you book last quarter.”

“Well, the sales guys aren’t getting a clear message,” says Frank. “They don’t know what they can book so they waste a lot of their time.”

“You didn’t GIVE them a clear message.”

“We don’t have time for this fucking bickering,” Larry interjects. “We gotta figure out how we get a decent quarter out of this. Frank, I asked you how do we recover?”

“Well, if the problem is that we’re not closing sales, then we gotta do things that make our customers want to close as much as we do.”

“Here we go again,” says Donna to Dom, but loud enough for everybody to hear.

“Let him talk,” says Larry to Donna. “Frank, how do we make ’em want to close?”

“I think same as we did before works, boss. We give ’em a price break that depends on closing before the end of the quarter. We cut ’em some slack on valuing their equity. And maybe we do something for the salespeople to keep their heads in the game.”

“I don’t fucking believe it,” says Donna. “Larry, how can you be listening to this? It’s the same old crap he gave us last quarter. Including the fucking extra comp for sales guys who aren’t doing enough to earn their REGULAR comp.”

“It worked last quarter,” says Frank, his eyes on Larry. “You know sometimes we have to do what we don’t wanna do if we’re gonna win. We wanna win, boss, we do.”

“It dug us a hole last quarter,” says Donna. “It dug us a hole and now we can’t get out of it this quarter so he wants to dig it deeper.”

“If we do all this,” says Larry, “what do we get in sales for the quarter?”

“I can’t give you a number,” says Frank.

“What’re we looking at if we don’t change anything?” Larry asks.

“Looks to me like sales’ll be about flat with last quarter, about fifteen mil,” says Frank. “That’s pretty good considering we pulled everything into the first quarter we could.”

“That’s pretty shitty considering the forecast is NINETEEN mil,” says Donna. “And considering we need at least 17.5 mil for operating break-even that’s really pretty shitty. Not to mention you’ve got five more feet on the street this quarter.”

“Wait a minute,” says Larry. “Last quarter we had an operating profit with FIFTEEN mil of revenue. I know we added some people, but how did expenses get to where we need 17.5 for break-even now? How come I don’t find these things out until it’s almost too fucking late to do anything about them?”

Donna says: “Because sometimes, Larry, you don’t listen. You approved the extra people. By the end of the quarter we’ll have about 165 heads, thirty more than we had at the end of the last quarter. All kinds of insurance went up, especially D&O because of the class actions. We’ve been advertising more; we have a lot of trade shows in the second quarter. Won’t happen in the summer, but it’s happening now. We’re paying lawyers even more than we budgeted...”

“We already budgeted an increase,” says Larry. “We paid a fucking fortune to lawyers for the secondary last quarter. How can we be spending even more than this quarter?” This question is aimed at Aaron.

“We pay now or we pay later,” he says. “You want to sue customers that didn’t pay us. Suits cost money. They counter-sue, we gotta defend. That costs money. You don’t want to settle the ‘wrongful termination suits’...”

“Fuckin’ ‘a’,” says Larry. “We fire someone because he or she or it is fucking incompetent or lazy and then we’re supposed to pay a penalty because they’re old or black or gay or young or purple? Not gonna happen. We fight.”

“Yeah,” says Aaron, “I understand how you feel, but fighting shows up in legal bills. We didn’t budget for this much fighting or this much suing deadbeats. And we have to defend ourselves on the class actions...”

“I thought the D&O insurance takes care of that. Donna just said the premium went up because of all this class action shit.”

“It should mainly,” says Aaron, “but there’s still the deductible. Obviously, that gets spent up front so we have to expense most of that this quarter when we spend it.”

“Okay,” says Larry, “anyone else got anymore bad news? Dom, how’s the new release coming?”

“So,” says Dom, “we’re almost on schedule.”

“What the fuck does ‘almost on schedule’ mean?”

“I think we’ll be about a month behind.”

“You think? You THINK? You managing this project or are you just ‘thinking’ about it? Why are we behind?”

“You added new features,” says Dom flatly. “They took time.”

“You didn’t tell me we were going to slip when you added them. You said ‘no problem, Lar, we’ll get them in.’ Now you’re using that as a bullshit excuse. I don’t buy it. And we needed those features — antihack says they’re gonna have them.”

“I didn’t say they wouldn’t add time to the schedule. Feature creep always adds time. They took longer than I thought, partly because I’m down two people. One cashed in his options and is going wind-surfing forever in the canyon in Oregon where all the Microsoft guys go. The other just retired in place when he got rich. I had to fire him. Maybe we can catch up some when we replace them.”

“IF we replace them,” says Donna.

“What do you mean ‘IF?’” ask Larry and Dom simultaneously.

“You guys been listening? WE’RE NOT MAKING OUR NUMBERS. Our headcount’s already up from where we were last quarter and we’re lucky if we get the same revenue we had then. We can’t just keep piling on expense.”

“We gotta grow,” says Larry. “That’s what Internet companies do. The Street’ll shit if we start shrinking. We’re not AT&T; we can’t cut our way to glory.”

“And we gotta have developers to do new stuff if we’re gonna grow,” says Dom. “I mean guys quit and I need more heads, not less if we’re gonna keep up.”

“This new release — how’s it gonna make us money?” asks Donna.

“We gotta have it,” interjects Frank Folger. “It’s hurting us not to have the features antihack has. People are already expecting it.”

“Does antihack really have the new features?” Donna asks.

“They’ve announced ‘em,” says Frank.

“We announced ‘em, too,” says Donna. “Larry talked about them at them at Internet World. We’ve got lots of slides.”

“I can’t sell slides,” says Frank.

“You’re not selling much of anything, right now,” says Donna. “All antihack has is slides. No one’s got this ‘heuristic hacker hunter’ stuff or whatever it’s called. It’s vapor-ware, Frank. Customers can’t get it anywhere so it doesn’t matter if we have it or not.”

“I’ve got lots of email from our existing customers,” says Frank. “They really need Triple-H technology.”

“Right,” says Dom. “They gotta have it. My panel at Internet World — that’s all anyone was talking about it.”

“We don’t charge for upgrades,” says Donna. “Remember? We get the chunk of equity up front and then we’re their partners and we give ‘em updates forever. They pay cash, we charge ‘em the big bucks up front and they’re set for life or something.”

“Yeah,” says Larry. “That’s our business model. So?”

“So it doesn’t matter what the existing customers want. They already bought and they’re not going to give us any more money. And no one has this Three-H stuff, whatever it is, so it’s not hurting us in the marketplace that we don’t have it. We can’t just keep spending money and then spending more money. When the market was going straight up, it didn’t matter. The value of our portfolio went up and we were okay.”

“Yeah,” says Larry. “That was the plan. The appreciation in the portfolio pays for the innovation we do plus some more. So?”

“So, maybe you’ve noticed — THE PORTFOLIO ISN’T APPRECIATING. It’s losing value. We can’t just keep spending more.”

“When we have the new features, we’ll sell more,” says Dom. “Then it’ll be good those assholes at antihack don’t have it. Companies need Triple-H technology, they come to hackoff. That matters. That’s why I’ve got to get the people to get it done.”

“I don’t believe this,” says Donna. “We say we’re going to have this. Customers KNOW they’ll get the upgrade free. But we’re not closing sales. Listen to Frank.”

“It’s not the same as really having it,” says Frank. “Just saying we’re going to have it.”

“Anyone put off buying until we have Three-H?” asks Donna.

“I’m sure there are,” says Frank.

“Who? You didn’t give this as one of the reasons you aren’t closing sales. This is bullshit. I’m not gonna sit here and watch us spend ourselves into a hole because YOU wanna have the coolest technology on the block. We gotta GROW UP!”

“I’ll have to get back to you on who,” mumbles Frank. No one seems to hear him.

“I have an idea,” says Dom. “I think Donna’s right, but I have an idea.”

Larry is staring straight ahead and doesn’t appear to hear anyone.

“What’s your idea, Dom?” asks Donna when no one else responds.

“I think we need a new product. If we had a new product, we could sell it to the old customers.”

“That would help,” says Frank.

“How the fuck we gonna do that?” asks Larry. “Dom, you can’t even stay on schedule for the upgrades we need to the product we got. Frank, you can’t sell one product; how’re you gonna sell two? Are you gonna tell me you need more salesmen like Dom’s about to tell me, ‘No problem, Lar. I can do two products. Just need some more developers.’ What’re you guys smoking? We gotta execute on what we’ve got on our plate, that’s all.”

Donna looks at Dom and smiles for the first time in the meeting. “That does make some sense, Dom. You been going to business school mornings when we think you’re sleeping late? It’s not rocket science to try to get some more money out of the customers we’ve already got.”

“If we have to have a shitty quarter,” says Larry, thoughtfully, “then it would be good to have something new to announce. Something to keep the Street’s faith in us. Dom, how long’ll a new product take?”

“Depends what it is. I mean we don’t know what it is. How am I gonna tell you how long it’s gonna take? Then, if I’m wrong, you shit all over me. Maybe we should do some work, put together some ideas, test them out on customers, then have another meeting and decide what the product is. Then I’ll give you an estimate.”

“I think you HAVE been sneaking out going to business school in the mornings,” says Larry. “Something is making your head soft. I don’t expect that business school bullshit from you. You think this is a case study? Neat little binder says ‘Decisions made at hackoff.com’; has all the relevant facts nicely laid out; we study it; we role play; we do a fucking regression analysis on all this nice data we just happen to have; we have lots of meetings; then we make a scientific decision and we get an A in the course unless our spreadsheets aren’t pretty enough.

“The real world doesn’t work that way. We’re in this meeting here now with all the data we have and none of the data we don’t have. We don’t know what’s relevant and what’s not. Our portfolio value’s going down. We know it’ll come up again but we don’t know when. Frank doesn’t know why his salesmen aren’t selling anything. Aaron doesn’t know how much more the fucking lawyers are gonna cost us or who’s gonna sue our asses next. Donna doesn’t know who’s gonna pay their bills and how much the next D&O insurance premium is gonna be. You don’t know when the enhancements to the product we got’re gonna be done. And you wanna do a new product?”

“But, Lar,” says Dom, “that’s why I wanna take some time. That’s why we gotta study this. Define the product. Maybe get some estimates from Frank of what he can sell. Talk to the customers...”

“There’s no time,” says Larry. “It’s almost the end of the quarter. In this meeting we gotta figure out how to get positive operating earnings for the quarter and — if there’s gonna be a new product for me to announce — what it is.”

“Larry,” says Donna. “I don’t think you hear us. There aren’t going to be positive earnings for the quarter, not with what Frank is projecting for sales.”

“All the more reason to have a new product to announce. But I’m not giving up on the earnings. As much as I hate the idea, we’re gonna run another fucking sale like we did last quarter. Frank, you tell anyone it’s a sale this time and I personally cut your nuts off.”

“Got it, boss. Same extra incentives for the sales people?”

“No,” says Larry. “Something different.”

“You want me to get you some suggestions on that?” asks Frank.

“No. I know what I want to do on that. Lowest three salespeople on percentage of quota are fired.”

“Smartest thing anyone’s said all day,” says Donna.

“I think this may have unintended consequences,” says Frank. “I don’t advise it.”

“Your discretion,” says Larry. “You can fire more if you want to.”

“Or fewer?” asks Frank.

“Which part of ‘more’ don’t you understand?”

“What if they all make quota?” asks Frank. “Wouldn’t be right to fire them then.”

“If they all make quota; we sell nineteen mil; we don’t have a problem. Then you don’t have to fire anyone. You just said we’re on track for fifteen mil. That means they don’t all make quota.”

“I think ... we should adjust some of the quotas,” says Frank slowly. “Doesn’t motivate people to go after a number they can’t make.”

“The ones who can’t make their numbers get fired,” Larry repeats. “At least the low three. You could easily talk me into more. Next subject: hiring freeze. No one new gets hired. Start looking at low performers everywhere; they get fired.”

“We have to give them warning,” says Aaron. “We can’t just fire people for cause with no warning or we’ll spend even more on lawsuits. I suggest a layoff. Not our fault we didn’t know we wouldn’t be selling as much. It’s okay to lay people off so long as it’s not discriminatory. Easiest we start with the people with the least seniority.”

“No,” says Larry.

“No what?” asks Aaron.

“No fucking way,” says Larry. “I already said this isn’t AT&T; we don’t get rid of good people while we’ve still got bad people. I don’t care if it’s a layoff or firing so long as we get rid of the people who aren’t performing. Some of them have been here a long time like the guy Dom let go. Why can’t we have a nondiscriminatory firing of the worst performing people? It’s not age. Not color. Not sexual-fucking-orientation. It’s whether they do their job well or not.”

“We have no documentation,” says Aaron. “People have been too busy to do performance reviews, so we haven’t documented who we thought wasn’t doing a good job. And, since we didn’t do the reviews, we haven’t warned people either, so we can’t fire them for cause unless they’re stealing or something.”

“How did Dom get rid of the guy retired at his desk?”

“We bought him off with three months severance and an extended period on his options,” says Donna. “We could do that with more people if we have to.”

“That’s not gonna help this quarter,” says Larry.

“Nothing you do with people’s going to help this quarter. It’s almost over. Might help by fourth quarter if we get started right away.”

“Why doesn’t it help the third quarter?”

“If we move quickly,” says Donna, “we pay severance. Even if we move slowly, we pay severance, just less. Got to expense the severance, all of it, in the quarter we incur the obligation, not when we pay out the money. If you fire someone today and give them six months severance, you expense the whole six months right now in the second quarter.”

“Jesus,” says Larry. “Okay. Don’t fire anyone else with severance this quarter. But everyone’s gotta start reviewing so we can get rid of people who aren’t pulling their weight next quarter without paying blackmail.”

“That’s not a bad idea, Lar,” says Donna. “We shoulda been doing it all along but gotta start sometime. Street might not mind a big lump of severance

next quarter. Makes clear expenses are going to be lower going forward. But they aren't going to like THIS quarter, that's for damn sure."

"I don't see the Street liking us shrinking," says Larry. "They bought us because we grow. I don't want to start on the reviewing until after this quarter is over. I want everybody full speed on making it the best quarter it can be. We gotta pull it out. Time enough to start the reviewing next quarter — July 1, especially if we don't pull out an operating profit."

"Not going to be a good quarter, Larry."

"I'm not giving up. I really don't want to report a down quarter or negative earnings from operations. The stock'll crater."

"Be realistic."

"I AM realistic. People have to work harder. Make things happen. If I wasn't realistic I wouldn't have okayed the fucking end-of-quarter sale. Okay: next subject. New product. Dom, you figure it out yet?"

"I've been thinking," says Dom. "While you were talking about all that other stuff, I've been thinking..."

"We can tell," says Donna.

"What do you mean?"

"You were a thousand miles away. Didn't say anything about the hiring freeze. Didn't hear when we talked about the guy you let go. You were somewhere else. What did you bring back?"

"So," says Dom, "we've been selling software."

"Yeah," says Larry, "that's what we do. Now you want us to sell hot dogs or dope or something?"

"So I think we can get more recurring revenue if we sell service. At Microsoft we were always trying to—"

"I don't want to hear about fucking Microsoft again," says Larry. "This is hackoff..."

Dom shows no irritation. "Okay, I think we ought to sell a service based on our software. We want to get recurring revenue and people are used to paying only once for software — maybe buying an upgrade sometime in the future— but we've said upgrades'll be free."

"What, exactly, would this service be?" Larry asks.

"Monitoring sites against hacker attacks. Giving them real-time instead of just passive protection the way we do today. We set up a network control center — a NOC — and we monitor what happens to our customers' firewalls and at the boundaries of their networks. If something is happening, we respond in real-time. We even counter-attack the attackers — shut them down."

"Can we do that?" Donna asks.

"Sure. It's like a war game only it's real. We used to hack against each other at Caltech all the time. This has been going on ever since computers could communicate."

"I sort of like it," says Larry.

"I think you boys just want to play computer games. I'm not convinced. How much'll it cost us to develop? How much can we charge for it? Will Frank's guys be able to sell it any better than they sell what we have now?"

“Hey, I can’t answer all that,” Dom objects. “I just thought of this.”

“I have another question,” says Eve Gross, opening her mouth for the first time at this meeting. “How do we position this versus our current product? I mean, we’ve been telling people that we ARE protecting them. Now we say they need more protection.”

“I don’t think that’s a big problem,” says Larry. “We are protecting them better than anyone else — especially antihack — can. But the world is getting more and more dangerous so we’re stepping up the level of protection.”

“But,” says Eve, “we say that our customers who deploy our software correctly have never suffered from a serious breach. So what evidence is there that more is needed? Are we now going to say that they are in danger even if they have our software?”

“I think we should be okay as long as we make the point that we are protecting them better than antihack is.”

“I still think it de-positions our existing software product,” says Eve.

“That may not be so bad,” says Donna. “We’re not making enough money from it. We’re committed to free upgrades forever. At least we can get new income from our customers with this. Maybe we don’t offer an equity deal on this at all. Use it to beef up cash.”

“Can’t do that,” says Aaron, “unless we give all the equity back to the equity customers. Way it is now, we’re committed to offer them any new hackoff products on an equity basis. Since this is a service and not software, I don’t think there’s any question that it’s a new product and not an enhancement or upgrade that they’re entitled to free. But we still have to give them an equity option. There’s even stuff in our contract with them which says how much equity based on what they gave us initially and the ratio of cash price of the new product to the old.”

“Do we get to step up the equity for those guys whose value has fallen out of bed?” asks Donna.

“Don’t think so,” says Aaron. “We didn’t want it to work the other way so they could step down when the price goes up.”

“We should give the equity back, then,” says Donna. “Otherwise the ones with worthless stock buy for equity and the ones with good stock buy for cash. We lose either way.”

“No fucking way,” says Larry. “That’s not what we’re about. Maybe I can buy this new war game product Dom’s dreaming up. Best idea he’s had in a while. But we’re not changing our strategy as far as acquiring customer equity. That’s what differentiates us from those clowns at antihack.”

“That’s not all that differentiates us,” says Dom loudly. “You’re all hung up on the financial stuff and forgetting the technology. We have a better product.”

“You would say that,” says Frank. “It isn’t easy to make that point in the marketplace.”

“That’s because you and your guys don’t know a hacker from a handball,” says Dom. “You don’t understand technology, so you can’t design solutions for customers. You can’t even speak intelligently about why our



customers are safe and antihack's are at risk. That's why we're not selling shit. All you and your guys know how to do is give stuff away. I—

"That's enough, Dom," says Larry. "We know we have better technology. We also have a better business model. You're going to demonstrate this better technology by delivering a managed service within six months. When the stock market goes back up, people will know that our equity strategy is much better than pure cash. Meanwhile we get some repeat sales..."

"I'm not sure..." says Frank.

"I'm not sure either," says Donna. "I'm not sure we should be spending cash on a new product. I'm not sure we should sell this service to anybody for equity. So far, it doesn't matter if we take equity from someone with no cash because we have no significant incremental cost when we give out another copy of the software — except for the commissions. And you know what I think about that. If we're selling a service, we spend money on people every month to deliver the service; and we don't get in any cash from these guys who are paying us in equity. This is much more risky..."

"Bots'll provide most of the service," says Dom. "Sure we have people in a NOC, you can take their picture and it looks good, but basically they're waiting for the red lights to flash, which won't happen very often. The bots are watching and, the way we're designing this, they run mainly on the customers' machines so we don't have to buy much new hardware even when we get lots of managed service customers."

"Larry's gonna say I sound like I'm still in B-School," says Donna. "But I think we don't know enough to make this decision. I think we've got facts we need to study and then we decide. I respect you Dom: I know you're good. I know our software is better. But times have changed and we've got to think about this before we commit."

"You're right, Donna," says Larry. "You do sound like you did in B-School. I thought you unlearned that bullshit about knowing all the facts—"

"I didn't say we need to know ALL the facts. I said there's more we need to know before we turn from a software company to a service company. There's more we've gotta think about in terms of how we get paid as a service company."

"Time for thinking is over," says Larry. "We got to talk some more about how we make this quarter come out okay, but meanwhile we're doing this managed service. Dom, we need a real schedule. Need to know what doesn't get done if you're doing this."

"I can get you the schedule. Nothing's got to slip if I can get some more people."

"No more people. We have a hiring freeze. And this project isn't gonna make us any money for a quarter or two. Can't take more of a hit on the expense side to do it. So you gotta not do something else you were gonna do. What is it?"

"There's some stuff I can cut," says Dom. "We can delay the Triple-H stuff..."

“See?” says Frank. “See? Stuff we’re already using as a selling point, now we’re not gonna have it. What do you think that does to sales?”

“Frank, stop whining,” says Larry. “Yeah, Dom, fine. Delay the Three-H stuff.”

“I can fill my vacancies, right?” asks Dom.

“Which part of ‘hiring freeze’ don’t you understand?” asks Larry.

“I’m not asking for new hires. Just replacements. You want this out, I gotta have people.”

“You want to do this, you do it with the people you have.”

“Fine,” says Dom. “But it’s gonna take longer.”

“Can’t take past six months.”

“It might.”

“You don’t even know what ‘it’ is yet. You just made the whole product up. Make sure there isn’t more ‘it’ than’ll take six months with the people you’ve got. We need this on time.”

“This is insane,” says Donna. “This isn’t the way to plan. Good thing no one can hear us.”

“Look,” says Larry, “it’s time to play You Bet Your Life. I think this is the right thing to do.” He takes his pistol off the table, spins the barrel, holds it to his head, and pulls the trigger. As usual, there is an empty click. No one looks as if they expected anything else.

“So,” says Larry, “that’s settled. “We get new revenue from existing customers with a new service product. Good long-term strategy. Short-term, we have a hiring freeze. Clamp down on expenses. Run another end-of-quarter sale. Eve, any ads or shows you can cut back on?”

“Nothing that’ll help this quarter,” says Eve. “Everything’s already locked in. Not much I can cut from next quarter either. We don’t do much during the summer. Maybe a show and a couple of ads in September I could pull, but we’ll pay for that later in lost sales opportunities if I do.”

“Be prepared to cut; keep commitments down,” says Larry. “Next quarter’ll be tight, too. I’m never sure how much real business the ads bring in and I know how much it’s gonna hurt the stock if we are not operating-income positive. Frank, you gonna make fewer sales if we run fewer ads? You getting leads you can follow up on?”

“Very hard to tell, boss. Lot of leads are wannabes, waste our time. I think the money might be better put into sales incentives.”

Ignoring Frank’s suggestion, Larry turns to Eve. “Eve, Not sure we’ll cut ads but we gotta make sure the short term comes out right. Be prepared to cut in September.”

“I’ve got to know soon if we’re going to do that. Otherwise we’re locked in.”

“I got it. I’ll make sure we get back to you. Donna, what do we need in cuts if sales come in at 17.5 mil?”

“Larry, you can’t get there from here,” says Donna. “I don’t know how to make that plainer. You don’t want to hear it but it’s true. You’ll be lucky to get sales above sixteen mil anyway.”

“I think we want a smaller group to discuss this,” says Aaron.

Larry starts to disagree, stops and thinks, then says: “Meeting adjourned. Frank, you have a long, long way to go. Get on it. Dom, I want a REALISTIC schedule. Don’t make the product fat. Design it so we can deliver it in six months. Everyone, there is a hiring freeze. Eve, you need to think hard about positioning the service; that should be exciting. But remember, we may have to cut September ads and trade shows. Donna, Aaron, please stay.”

Everyone leaves but Larry, Donna, and Aaron. Donna and Aaron move to the other side of the table across from Larry with their backs to the window and the river. The sun has now risen out of view and the smoke and haze are increasing over Brooklyn in the background.

“So, I take it this is attorney-client communication?” asks Larry.

“It is.”

“And, let me guess, it has something to do with the quarter. Something like: if we already know we’re gonna fuck up and not meet the Street’s expectations, then we gotta tell people about it or we get our asses sued again.”

“We probably get our asses sued again, anyway,” says Aaron. “But if we get the warning out as soon as we could possibly know anything then we’ve got a better chance of winning or settling for less. It’s not a good thing to have a discussion with a whole bunch of people around...”

“You mean my staff?” asks Larry. “That’s the whole bunch of people?”

“Right. Some of that bunch of people are likely to remember this conversation some day if they should be asked about it under oath. They might even remember it being more specific than it was. Some of them may even be writing stupid emails right now saying: ‘Oh-my-god, we’re going to miss our numbers for the quarter.’ And that email could end up in a court of law some day. The numbers won’t matter much if we’re prompt about telling people the bad news. It’s going to matter a lot if every one is surprised when we announce our results in July and the stock craters. At least everyone who bought the stock between now and that day in July is going to have a pretty good case. And people who didn’t sell will claim that they could have sold at a better price if only the company had been forthcoming with what it knew.”

“We don’t know shit. I still think we can make the quarter. We just need to bear down.”

“Larry, we’re not going to make it,” says Donna. “We’re not going to make it on the sales side and, this late in the quarter, there is no way we’re going to squeeze enough out of expenses to end up with a profit from operations. We’ll have a profit because of companies in our portfolio being acquired but no profit from operations.”

“What are the analysts forecasting?” asks Aaron.

“One to two cents,” says Donna.

“We’ll do that easy,” says Larry.

“I’m not sure of that at all,” says Donna. “And, if we do, it’ll just be because companies sold that weren’t in anyone’s forecast. It’ll still really be a miss.”

“It won’t be,” says Larry. “Analysts say one or two cents. That’s what it says on Zachs. When we announce earnings, I think we’ll beat that with the equity sales but at least we’ll be there. So what would we be giving a warning about?”

“People are expecting us to continue to have earnings from operations. When you announced that we had positive numbers from operations last quarter, you made a big deal out of it. Said it was a ‘milestone’. You don’t backslide over a milestone.”

“I didn’t say we were going to STAY positive. I was very careful not to make projections. Now you and Aaron want me to take back the guidance I DIDN’T give because it might be wrong even though I still think it’s right? Not gonna happen. Doesn’t make sense. What if I do that and then we make the numbers? Somebody’ll sue us for talking the stock down. Besides, if I announce we’re not gonna make the numbers, then for shit sure we won’t because everybody in the company stops trying.

“If I really thought we were gonna miss, if I were sure, then, yeah, we ought to say something. Might as well put out the bad news if we know it and take our beating. I agree with that; we’ll get beat up later anyway. But I’m not sure we’re gonna miss. And even if I’m wrong, we’re gonna make the bottom line anyway because of the equity sales. So it’s dumb to say anything now, especially because that will make it sure that we miss.”

“You may be OK,” says Aaron. “I’ve got to think about this. If I were you, I’d make sure that there is plenty of email documenting that you’re still optimistic about earnings and that you think the analyst forecast is in the bag because of the asset sales. If the end of the quarter comes and we know we’re not positive from ops, then I think we ought to revisit a warning. But we can wait ‘til then, I think, like Big Router did last quarter because we know we’re offering quarter-end inducements and sales really could close. We should NOT be writing any emails or going around saying that we can’t make the quarter.” Aaron addresses the last sentence to Donna.

“You’re the lawyer. This worries me, though. Even if we don’t get sued, the analysts won’t trust us anymore because we left them out on a limb. They made a big deal — at least John Braxton made a big deal — about our earnings from operations. I don’t want to get sued again, that’s for sure, and I don’t want to lose my relationship with the analysts.”

“So call them,” says Larry. “Call Braxton anyway. Give him a heads-up. Tell him the quarter looks tough even though we’re gonna make the bottom line number. Sales a little slower because of the whole dotcom hiccup thing. Expenses up as we prepare to continue growth. Prospects great. Profits from equity sales, even though we weren’t looking for them. Then there’s no surprise for him and he doesn’t go out on a limb and write something he might regret between now and when we announce earnings. Obviously, tell him this is privileged information. He can’t write it or tell anyone. But he can just keep quiet about us between now and when we can give him a closer fix on the numbers. Then you’re a hero either way. We pull it out like I think we will, and he’ll know you’re cautious and protecting him. He likes that. We don’t make it,

at least you kept him out of trouble best you could. Probably he'll want to marry you after this is all over."

#

Donna does call John Braxton the next day. She tells him pretty much what Larry told her to say with a little more jargon and a little more caution. As Larry predicted, Braxton thanks her profusely for the heads-up. He affirms that he understands the need for confidentiality. He tells her, as they hang up, that he wishes he could trust all CFOs to be as forthcoming as she is. In today's world, he says, too many are just too tight with information. She should never feel she has to wait to be certain before she tells him something.

Then Braxton calls Barcourt's chief trader Sam Gutfreund. He tells Gutfreund not to cover any of Barcourt's short position in hackoff.com. Gutfreund asks him why. Braxton tells him that it is just something he heard in the market that makes him think they may be able to cover at a lower price later. He can't be specific, he explains, because of the Chinese Wall which separates the analysts from the traders to make sure there are no conflicts of interest. Gutfreund says he understands. After the call, he leaves orders to carefully short another two hundred thousand shares of hackoff and to stay tuned for further instructions.

Braxton also calls buy-side analysts at three major money market funds that are long-time Barcourt clients. The chit-chat is different with each of them but the message is the same. They may want to "lighten up a little" on hackoff. No big deal probably, but it's a good time to lock in some profits. He declines requests for more information. They each thank him. He says they can trust him to look out for the interests of his best clients.

The next day is Friday, June 9. Hackoff is down more than four points and closes at 56 5/8. Volume is pretty high with some big block trades. On Monday the sell-off in hackoff stock continues. It closes at 51 5/16. Selling pressure continues though out a brutal week. Friday, June 16, hackoff closes at 38 3/16.

On Monday, June 23, trader Sam Gutfreund calls analyst John Braxton and ask him if he's heard anything further. Braxton says nothing — nothing either way. But there's been a lot of selling.

"Yeah," says Gutfreund, "lots of it seemed to come from our big clients, at last in the beginning of the week before everybody got spooked and started dumping stock."

"They're smart people, our clients," says Braxton.

"Whatever," says Gutfreund and hangs up. However, Gutfreund does decide to buy some hackoff to cover Barcourt's short position which is now up over two million shares. He tells his desk trader just to nibble but to keep buying so long as he doesn't pay more than forty dollars. Tells him not to buy more than 100 thousand shares each day, either. Never can tell what'll happen.

Barcourt is buying shares at less than forty dollars to replace shares it previously borrowed and sold at prices from ninety-nine dollars down. The average price Barcourt sold for was \$78.67 according to Sam Gutfreund's calculation. So, if they can replace the two million plus shares they sold at an average price of \$78.67 with shares that they buy at no more than forty dollars, their trading desk profit on the deal will be eighty-three million and change.

"Makes the commissions the fucking bankers get look pretty sick," says Gutfreund to his wife that night. "And they get the big bucks. My bonus should be pretty good this year, though, honey. Better than I ever did at poker."

"I think we can afford some Orientals," she says.

"Whatever," says Sam.

###

## ***The Chat Board***

HACKOFF IS UP - NO NEWS

by: [thewatcher02](#) (35/M/New Rochelle, NY)

06/19/00 10:45 am

Msg: 12021 of 12036

hackoff's back up! it's at 44. no news from the company!

Re: HACKOFF IS UP - NO NEWS

by: [ChorusLine](#) (22/F/Paramus, NJ)

Long-Term Sentiment: **Buy**

06/19/00 10:51 am

Msg: 12022 of 12036

Posted as a reply to: [Msg 12021](#) by [thewatcher02](#)

The Street should like seeing the stock show some strength. Surely the weakness has been overdone. Surely a recovery is overdue.

Re: HACKOFF IS UP - NO NEWS

by: [pooper](#)

Long-Term Sentiment: **Sell**

06/19/00 10:54 am

Msg: 12023 of 12036

Posted as a reply to: [Msg 12022](#) by [ChorusLine](#)

This is what's called a deadcat bounce. Something falls as far and as fast as this stock did, doesn't matter what it is, could be a dead cat and it bounces. hackoff is dead dead dead.

Re: Larry on MSNBC

by: [Jumbo10](#) (43/M/New York, NY)

Long-Term Sentiment: **Buy**  
Msg: 12024 of 12036

06/19/00 10:59 am

Posted as a reply to: [Msg 12023](#) by [Pooper](#)

You can be sure that somebody knows something. The market-makers always find a way to make their money. They were probably selling all last week because they knew something, and now they are buying because they know something. OR because there's a way for them to make money on a trade, because they can trade in ways that we can't. As usual, they make money while we lose.

The market has been down, so it's not too surprising that hackoff is down a lot, too. Especially because so much of its value comes from the portfolio of dotcom stocks that have been creamed. Plus the ones that are pre-ipo in the hackoff portfolio might never get to go public since the market has pretty much shut down for ipos.

I'm going down from a strong buy to a buy because of all these factors. I would be even lower at a hold, but I think the market has overreacted and that it really should correct some from here. I don't think we're going back to our highs in the 150s right away, but there should be some correction, even if the market doesn't come back right away. Then, when the market does come back, we should make some real money. But you can be sure the greedy mms and management will make more. That is the one thing you can be sure of. And you can also be sure they're not getting hurt now the way we are.

Re: HACKOFF IS UP - NO NEWS

by: [scooper](#)

Long-Term Sentiment: **Buy**  
Msg: 12025 of 12036

06/19/00 11:05 am

Posted as a reply to: [Msg 12023](#) by [pooper](#)

pooper, your brain is what's dead. Probably you fried it with drugs. HOFC is recovering because it went too low. The market panicked and now it is coming to its senses a little. This is a time to make some money and to double up on down positions.

**HOFC DOWN!**by: [thewatcher02](#) (35/M/New Rochelle, NY)

06/19/00 11:06 am

Msg: 12026 of 12036

We're falling again. We're back down to 41!

**Re: HOFC DOWN!**by: [Alaska60-60](#)Long-Term Sentiment: **Strong Sell**

06/19/00 11:07 am

Msg: 12027 of 12036

Posted as a reply to: [Msg 12026](#) by [thewatcher02](#)

jerkoff is going to keep on falling no matter how much pumping and dumping jumbo does. This company sucks. The lizard is looting it for all he can. He went home with a pile of dough from the secondary and now what does he give a shit if the company comes down. He is probably short. He is probably in your shorts.

antihack is a real business. They charge real money for their software and dont have a portfolio full of bullshit stock that is a fantasy fror all you jerkoffs becace it is going to go down and never get up. help Ive fallen and I cant get up. that's jerkoff.

**Re: HOFC DOWN!**by: [scooper](#)Long-Term Sentiment: **Buy**

06/19/00 11:09 am

Msg: 12028 of 12036

Posted as a reply to: [Msg 12027](#) by [Alaska60-60](#)

Alaska, you asshole, you are probably the one that's short and now your afraid the company is going to come back up. you are trying to talk it down. We are recovering now from what all you shorts have done and probbly you're desparate now because you will have to cover at a higher price. Why else would you be here on the hackoff board if you love antihack so much why arent you on that board more? I looked there and your hardly ever there and when you are you are still talking about hackoff. Do you have a hardon for Lazard or something?

**there's something rotten at jerkoff**by: [Alaska60-60](#)Long-Term Sentiment: **Strong Sell**

06/19/00 11:12 am

Msg: 12029 of 12036



I heard from a guy who knows someone that used to work at jerkoff that there is something wrong there and that's why the stock is going down. The lizard doesn't know how to run the company or care and the cunt is trying to cut all the expenses but she is cutting all the good stuff and leaving all the bad stuff because this is the stuff the lizard and her like. So you jerkoffs who like to ride down can ride down more because this company is headed for the crapper and soon the stock will be less than 10. dont say I didn't warn you.

**BACK UP**

by: [thewatcher02](#) (35/M/New Rochelle, NY)

06/19/00 11:18 am

Msg: 12030 of 12036

HOFC's at 43! The volume is up and there are some blocks trading.

**More on the future**

by: [Jumbo10](#) (43/M/New York, NY)

Long-Term Sentiment: **Buy**

06/19/00 11:22 am

Msg: 12031 of 12036

You have to believe that the dotcom stocks are going to come back if you are going to invest in hackoff. From what e-commerce sites buy, it looks as if hackoff's software is perceived to be about the same as antihack's, so if that's all there was, the companies should have the same market cap. But they don't; hackoff is still valued at more, even though it's fallen further.

There are two differences. One is that antihack sold debt as well as stock. So now they have more cash than hackoff, but they also have to repay the debt at some time. And the other difference is that antihack has a portfolio of dotcom stocks that are a liability right now. The market is very afraid because of what has happened to dotcom, but it will come back and then the market will probably overreact in the other direction. That may be the time to execute an exit strategy from hackoff.

But as I said before, at this price the portfolio is being undervalued, which is why hackoff is a buy as long as you believe dotcom will come back — which it is sure to, except for some of the worst companies. That's not entirely a bad thing.

**Re: More on the future**

by: [PacPhil](#) (22/M/New York, NY)

Long-Term Sentiment: **Buy**

06/19/00 11:24 am

Msg: 12032 of 12036

Posted as a reply to: [Msg 12031](#) by [jumbo10](#)

Good points, Jumbo. You're probably right. The market certainly has to come back. It always does.

**Where are we trading?**

by: [CLess](#)

06/19/00 11:26 am

Msg: 12033 of 12036

What's the stock at? Why did it go down last week? When will it go up?

**Porn rules**

by: [TestTost \(32/M/San Francisco, CA\)](#)

Long-Term Sentiment: **Strong Buy**

06/19/00 11:30 am

Msg: 12034 of 12036

hackoff has a very strong position with the porn sites. The porn sites are not dot com. They are not public. They charge money for their content most of them and more and more are. It's harder and harder to get hard for free. And they pay real money to hackoff so you don't even have to wait for the dot coms to come back to see hackoff get good again.

**Re: More on the future**

by: [ChorusLine \(22/F/Paramus, NJ\)](#)

Long-Term Sentiment: **Buy**

06/19/00 11:35 am

Msg: 12035 of 12036

Posted as a reply to: [Msg 12031](#) by [Jumbo10](#)

The stock was way down. The Street doesn't like it anymore. But the stock is moving up a little so maybe the Street doesn't hate it either. What will the Street think?

**Stock Down**

by: [thewatcher02 \(35/M/New Rochelle, NY\)](#)

06/19/00 11:40 am

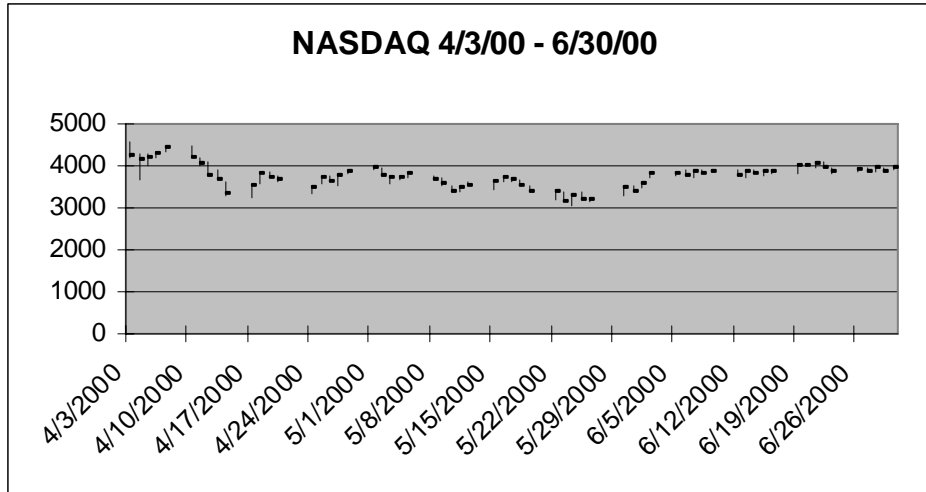
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HOFC at 42! Big volume.

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### HOFC Daily Trading 4/3/00 - 6/30/00

