CHAPTER 1

Would you pay $59.98 a month for a phone that never rang? That's the question Cliff Cavanaugh was asking himself. Never mind that his extra line was programmed to ring like the *Hawaii Five-O* theme song. For now, all he got was "The Sounds of Silence," which was lousy for Cliff but good, in a way, for the Wall Street population as a whole.

Cliff Cavanaugh was fifteen years into the Compound W of investment careers. Everywhere he went, he met up with a big fat wart. He had managed to be one of the few genuinely miserable stockbrokers of the 1980s, all because he hadn't foreseen three wart-like occupational hazards. Wart number one: Building a client base by sucking up to rich people. Wart number two: Realizing that the people whose money you manage want a hand-holder, not a money manager. Wart number three: Discovering that none of your colleagues loses one minute of sleep worrying about warts one and two.

When the mid-'90s arrived, Cliff figured he was ready to put his stockpicking skills to work as an online trader. No more office politics. No more armpit views of Manhattan on the 7:00 A.M. IRT. It was just man and machine this time around, and he was a smash success, at least by the traditional standard of dollars and cents. He had been racking up 40 percent per year on his personal nest egg while incurring next to nothing in brokerage charges.

Alas, that was the problem. Put a buy-and-hold mindset on a day trader's timetable and you get a hybrid with the functionality of a centaur. A really bored centaur. Other traders cured their boredom by shorting Microsoft or buying futures on the Thailand baht, which is to say that losing money quickly does more for your adrenaline than making money slowly. But Cliff knew that his excitement had to come from a different source. A lemonade stand on the autobahn would be an improvement. He was holding out for more.

Cliff's new lot in life began at an investment analysts' luncheon at the Waldorf, in the fall of 1998. He found himself trapped at the same table with August ("Augie") Beauchamp, a part-time portfolio manager and full-time name-dropper at Frontier Associates, a midtown boutique that managed equity portfolios for college endowments and other such institutions. Frontier had been all over the news, and not because of its wizardry with 401(k) plans. Less than a week earlier, its media analyst, Schuyler Dutton, had been beaten to death in his East Side condo. You heard right. Murdered. In cold blood. By some anonymous killer nicknamed "Bamm-Bamm" by *The New York Post.* The crime stood out not only for its locale—a posh bungalow at 89th and Madison—but also because it occurred in the early morning, not exactly prime time in the world of bludgeoneers.

Anyway, when Cliff offered his personal condolences, Beauchamp promptly boasted that he had seen George Soros that very morning, near Rockefeller Center. Amazing. A colleague of his gets snuffed out and all he can think about is sharing sidewalks with his personal hero, Mister Quantum Fund himself. It seems that Soros had appeared on the *Today* show—plugging his book, *The Crisis of Global Capitalism*—at almost precisely the time that Dutton was being murdered some 50 blocks away. That's what Beauchamp said, anyway, at which point Cliff broke into the coldest sweat he'd ever felt outside the hepatitis ward.

It's not that Cliff was impressed that Beauchamp had seen Soros. No, that wasn't it at all. What Cliff knew—and Augie evidently did not—was that George Soros, for all his dabbling in foreign exchange markets, isn't a morning person. He doesn't get up to walk his dog or check what's going on in Zurich, and there's no way in hell he'd get up to appear on *Today* or anything else.

It didn't take more than a quick call to NBC for Cliff to confirm his suspicions. Oh, Soros had been on the show that morning all right, but the segment had been taped the prior afternoon, at the great man's insistence. So much for Augie's pathetic alibi. And too bad for him that the cops had found Schuyler Dutton's TV tuned to NBC, Channel 4, just the way he left it. Case closed.

Cracking the Dutton murder was a nice feather in Cliff's cap. It got him a front-page photo in *The New York Post* ("Famous shamus!"), and even an appearance on the *Today* show. (He asked if they would consider taping the segment the day before. They said no.) The capper was some serious reward money from Frontier Associates, which Cliff considered a payback of sorts for his years of aimless deposits into the Cavanaugh trivia bank. The whole episode got his mind to thinking, "I wonder, could I do this again?" On purpose, no less.

The betting man's answer was an emphatic *No*, but Cliff wasn't so sure. The simple yet largely unknown truth was that with the long bull market had come wealth, with wealth had come greed, with greed had come envy, and with all of those things had come a noticeable spike in the homicide rate among the well-to-do. Investment types still didn't get knocked off very often, mind you, but when they did, the firms loathed the bad publicity. Better still, they had oodles of money at their disposal to hire their own investigator—never mind the allegedly round-the-clock efforts of New York's finest. If they wanted a quick solution, Cliff didn't see why he couldn't be their go-to guy. He had a spotless track record, didn't he? He went so far as to give his fledgling business a name of its own: Moribund Stanley.

Which brings us back to the phone. Fast forward to February 2000. *Hawaii Five-O* was ringing for real. There was no wrong number this time, not even an overzealous telemarketer. This call conveyed word of a victim who was no ordinary victim. The decedent was none other than Kyle Hooperman, portfolio manager extraordinaire, philanthropist, mountain climber, social climber, and charter member of the Westchester Hunting Club.

And one more thing: He was Cliff Cavanaugh's former boss.

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The case of Kyle Hooperman actually had one similarity to the Dutton case: the victim was found at home. Home for Hooperman was in the suburbs. He lived by himself in a magnificent old stone house on Oneida Road in Rye, New York, tucked in an exclusive residential neighborhood that was literally full of doctors, lawyers, and Indian chiefs. The adjoining streets had names like Seneca, Cayuga, and Onondaga. Nearby was an old-line country club called the Apawamis Club. A few hundred yards in the other direction were Route 95 and the Rye train station.

There were no signs of breaking and entering, so it was assumed that Hooperman knew his assailant. But unlike Dutton, who had been struck from behind, Hooperman was apparently a witness to his last moments on earth. The cause of death was a single shot from a Colt Government Model .380 handgun. The bullet had struck Hooperman just below the heart, perhaps explaining why the killer didn't bother with any additional rounds. One one thousand, two one thousand, and out.

Fittingly, the crime scene suggested that Hooperman was working until the bitter end. On the computer screen in front of his body was a Hoover's research report for a company with the ironic name of 3-D Live. Hooperman didn't even own the stock, which suggested that he was looking to the future even when he had no future. From the coroner's findings, he didn't make it much past 8:00 P.M. on the evening of Thursday, February 24, 2000.

And who might have committed such a dastardly deed? The list of names was the good news. Hooperman had garnered plenty of rivals during his years in the money management field. He was good at what he did, plus he was outspoken, arrogant, and combined the tact of an armadillo with the smugness of a CNBC anchorperson. Anyway, that was the book on him at his longtime employer, Rutherford & Hayes, which, now that Goldman Sachs had gone public, was the last privately owned goliath on Wall Street. Hooperman oversaw much of the retail brokerage operation even as he juggled his own set of a hundred or so clients.

The bad news is that most of these clients figured to be happy. Hooperman was Rutherford & Hayes's answer to King Midas, and he made a mockery of the notion that the best portfolio managers end up managing money for institutions rather than individuals. There was some faint evidence that Hooperman might have lost a step or two, and Cliff found consolation in that. Plus, there was the fact that all it took was one person, pulling the trigger once. But if he was going to sift through a bunch of clients, brokers, portfolio managers, or just plain no-goodniks to find his needle in the haystack, he was going to need some help.

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CHAPTER 2

Harrington's was a two-star restaurant that was destined to remain so, barring the emergence of a food critic willing to underweight atmosphere and overweight bratwurst. But the place wasn't exactly hurting for business. It was located two blocks north of the NYU dean's office and was crawling with underage student types with gray sweaters that were too big, and wire-rimmed glasses that were way too small. When Cliff turned from his corner-table perch to look around the room, he couldn't help but feel old. With clientele like this, he could have Eddie Haskell paged and nobody would even notice. Ignoramuses.

As Cliff completed his visual tour and returned to the glass before him, he realized that the generation gap was even worse than he had first feared. Maybe a budding day trader or two could be found in the crowd, but there was surely no one who could possibly relate to his unique life experiences, no one who had seen Black Sabbath live or met Spiro Agnew. *Sigh.* Cliff sat there slurping his third iced-tea-without-ice, which, when ordered in a short glass, looked just like a Jack Daniels, straight up. No one dared disturb the village drunk.

"Hi ya, Cliffie!"

Except Trace, of course.

Trace was Tracy de Grandpre, whose punctuality rivaled Godot's but who otherwise was the perfect partner in crime-solution. By day, she was working on her MFA at NYU's Tisch School, intent on someday making a name for herself in the Broadway theater world. Nature was on her side. She was blessed with one of those names that was impossible to say only once, sort of like Roseanne Roseanadanna or Hohokus, New Jersey. And looking at her just once was also a bit of a challenge. She was wearing a lime angora sweater that seemed to pluck the hazel from her eyes and pull it across the table. She had a thick, yet tamed, mane of reddish auburn hair, shoulder length. It had been two inches or so shorter the last time Cliff saw her. The prior length was perfect. So was this one. And as she took off her coat, Cliff got an ever-so-faint whiff of a perfume he knew but couldn't name. But it was hers, all right. Knowing the Harrington's clientele, it was dollars-to-doughnuts that no one else in the joint was wearing any fragrance whatsoever.

The two had met almost precisely one year before, courtesy of a five-line help-wanted ad in *The New York Review of Books.* Harrington's, the designated meeting spot, was Trace's idea all the way; with its slightly too-bright lights and student infestation, it was probably in her student handbook as the one Manhattan greasy spoon where it was safe enough to hook up with a total stranger.

Where job interviews were concerned, Cliff had taken his cues from Admiral Hyman Rickover. Legend had it that whenever a prospect showed up in Rickover's office, the old admiral made a point of complimenting the prospect on his tie, whether it was wide, narrow, polka-dotted, or paisley. Finally, Rickover would come right out and ask, "Say, could I have that tie?" Those who answered "Yes" managed to lose their neckwear and their job chances, all at once. But Trace didn't have a tie, and Cliff didn't think complimenting her on her silver-and-jade bracelet would have the desired effect. So he had asked her a few simple questions, and she gave a few simple answers:

Question 1: Are you familiar with the term *p/e ratio?*

Answer 1: Sure. You start with *operation* and take off the first and last letters.

Question 2: If you had to pick one adjective to describe yourself, what would it be?

Answer 2: *Disappointed.* I was hoping for a better question.

Cliff hired her on the spot, being careful not to mention that she was the only person who answered his ad.

Trace's role was to finagle information through personal interviews, the likes of which Cliff found himself too shy, too clumsy, or just plain too unresourceful to obtain. It was a simple deal, really. He would pay all of her expenses and provide her with an hourly fee that would make waitressing permanently unattractive. But their precise contractual arrangement was in constant flux. It started with a few requirements from Trace, now legally defined as "Associate."

1. Associate cannot be forced to work on Friday nights.
2. Associate gets to goof on Principal at least once per case.
3. If Principal ever says "You go, girl" to Associate, relationship is dissolved immediately.

After their first case together, Cliff figured he'd better throw in a few provisions of his own:

1a. Principal reserves the right to engage in investment research during the course of the investigation, without being considered a low-grade slacker.

2a. Associate shall confine her written communications to the facts of the case, and shall at no point try and emulate Emily Brontë in her e-mails, as Principal will not be impressed.

3a. Associate should strive to find ways to create interviewing opportunities that do not involve colliding her rented Pontiac Grand Am into the interviewee's unrented Lincoln Town Car.

The contract wasn't exactly the work of Cravath, Swaine, and Moore.

The only truly binding clause was the "error account," which was basically a mechanism for Cliff to dock Trace's pay for any factual mistakes in her reportage. So far, it was nothing more than an idle threat, and things were working out just fine. But the Hooperman case promised to be their biggest challenge yet.

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"I don't think I've ever heard you say 'portfolio manager' and 'inventive' in the same sentence," Trace laughed.

Cliff said, "Hooperman was different. His rule for investing was to wait for stocks that made everyone else in the office throw up. You've heard of K-I-S-S?"

"As in 'Keep it simple, Stupid'?" Trace asked. Her eyebrows said, "Duh?"

"Well, Hooperman couldn't spell. His idea of K-I-S-S was Kompanies In Serious Shit. In the '80s, he bought Texaco when it filed for bankruptcy, Johnson & Johnson after the Tylenol scare—stuff like that. Every last one of them was a huge success. You know, I think he even bought Union Carbide after it nuked Bhopal."

Cliff took another swig of his fourth iced tea. Trace by now had a Diet Coke. The last time Cliff had come to Harrington's, he'd struck a deal with Sue Ellen, the waitress. If she'd skip the entrees entirely, he'd tip as if they'd had truffles and caviar.

"Actually, my favorite was in the early '90s, when he was managing money for the Calabrese family—you know, the ones who sued Philip Morris when their old man dropped dead after inhaling 40 years' worth of Chesterfields. Well, Hooperman figured the suit had absolutely zero chance, so the week before the decision was announced, he loaded up on out-of-the-money Philip Morris options for the Calabrese account. Sure enough, the company won and the stock popped six points."

"I'm impressed," Trace said.

"Yeah, it was a brilliant stroke, all right. The only problem came when the Calabreses found out where the windfall came from. The idiots didn't realize that buying options doesn't help the company in any way, shape, or form. They sacked Hooperman pronto, and the guy wore disguises to work for about three weeks."

Trace said, "No, I'm impressed that you thought I knew what an out-of-the-money option was."

"Oh, that? Well, let me explain. . . ."

Cliff lowered his voice as he launched into his monologue. Freud would have been proud. It was totally uncool to be out with a gorgeous redhead and be heard discussing stock options, of all things. Except that stock options are the things you get when you join an Internet start-up. He was talking about options *on* common stocks, which was even worse. Cliff felt for a moment that all the tiny wire-rimmed glasses in the room were staring at him as though he was a perverted finance professor. But as long as Trace was listening, he was talking. He pulled out a cocktail napkin from underneath his iced tea and scribbled on the back:

Philip Morris		**Mar**	**June**	**Sept**
26	20	6½	7½	8¾
26	25	1½	3¼	4
26	30	½	1	1½

"Okay, Trace, here's your typical set of option quotations. The number below the company name is the current stock price, let's say 26. The next column of numbers gives what we call the strike prices for the option. The numbers to the right are the prices of the various options, and the months tell you when the options expire."

"Expire? These things die?"

"Faster than a school of guppies," Cliff said. "That's why options are different. But the thing I want you to notice is that the farther out the expiration date, the more you have to pay for the option to buy the damn stock. In other words, right now, you'd have to pay half a dollar per share for the right to buy Philip Morris at 30 any time between now and the third week of March. That's what it means for an option to be out of the money."

Trace said, "Let me get this straight. I can buy Philip Morris directly for $26 a share, but I should be willing to pay someone fifty cents for the right to buy shares at $30? What gives?"

"The reason you might do that is if you think Philip Morris is going to something like $35 a share." Cliff said. "If that happens during the life of your option, then the right to buy the stock at $30 is worth at least $5, which means your option has increased tenfold during a time when the stock itself rose less than 40 percent. Now you're *in* the money instead. It's what's called buying naked call options. Not too shabby, eh?"

"But what if the stock goes to 20 instead?" Trace asked.

"Then the option goes to zero," Cliff said. "It expires worthless. Meanwhile, the stock is down only 20 percent, so the leverage works against you there. But that was the beauty of Hooperman's move. The only way his options were going to expire worthless was if the Calabreses won their suit; but if that were the case, they'd still have come out way ahead. It was one of the best hedge plays I've ever seen. He took an all-or-nothing situation and made it win–win."

"Okay, I get it, but I want to get back to the expiration part," Trace said. "The reason Hooperman was able to score big with Philip Morris options was that he knew when the Calabrese lawsuit decision was going to be made, right?"

"That's right," Cliff said. "Within a few days, anyway."

"But there are options on a whole lot more stocks than just Philip Morris, right?"

Cliff said, “You got it. Say it with more gusto and you could do voiceovers for the CBOE.”*

“No, I’m serious. Here’s my point. If I bought an option on, I don’t know, Exxon—maybe ’cause I thought that oil prices were going up—why in the world should oil prices go up during the life of my option? Who’s to say that the option won’t expire worthless, and then, four months later, oil prices do go up and the stock follows suit, so I was right all along but I’m left out of the action like an old dishrag?”

“It happens all the time,” Cliff said. “The technical description of the phenomenon you just outlined is that you have to be a lucky son of a bitch to make money with naked call options. Like the time Hooperman bought McDonnell Douglas call options, just because he was impressed with the company’s cost cutting, or some bullshit like that. Two weeks later, the company was bought out. I’m telling you, the guy had a golden touch.”

“I thought you said he was losing his touch,” Trace said.

“Well, he might have been; that’s all I can really say. Do you remember that lunch where I exposed Augie Beauchamp’s bogus alibi?”

“Do I remember? You’ve only mentioned it about a hundred times,” Trace said, with an impish schoolgirl laugh that had to be a one-way ticket to the principal’s office.

“Trace, I’ve only seen you four times in my life,” Cliff said.

“Okay, I exaggerated. You’ve only mentioned the lunch four times then.”

“Very funny. But the last time I saw Kyle Hooperman, it was at the same sort of function.”

“So we’ve established what?” Trace asked. “That the man gets hungry at lunchtime?”

“No, the point is that the luncheon was part of a road show for this poor excuse of an Internet company called URLybirds, which

* It stands for the Chicago Board Options Exchange, but Trace didn’t really care.

Rutherford & Hayes was helping to bring public last fall. The only reason I was there is that I got a call from Linda Greer, an old buddy of mine who happened to be an administrative assistant under Hooperman. The syndicate department wanted her to round up people like me just to fill the empty seats."

"They do the same thing at the Academy Awards," Trace said. "If James Coburn goes to the men's room, someone comes and takes his place for the TV cameras."

Trace's contract still didn't forbid non sequiturs.

Cliff said, "Well, the point is that, according to Linda, Hooperman actually bought shares at the offering."

"You seem surprised."

"Stunned is more like it," Cliff said. "All that URLybirds did was collect URLs—you know, uniform resource locators. Domain names for websites, that's what I meant to say."

"I thought there were people who got rich by owning the rights to those things," Trace said.

"Oh, there are. But it's just not a real business, at least not on the level you'd expect from a public company. I mean, they bragged at the road show about selling names like *wallstreet* and *beastieboys* for big bucks, but it's not as if they had an infinite supply. The only way they could post any earnings is by selling what they owned, but these things aren't annuities. So right away you know that earnings are completely manipulated, because they depend on what the company has decided to unload in any particular quarter. At some point, they'll have nothing left, which is why the stock fell from 20 to 5."

"But why did they go to the trouble of faking their earnings when they knew they'd get caught?" Trace asked.

At last Cliff recognized Trace's perfume: *Naïveté*, by Charles Jourdan.

"Why do companies fake their earnings? Why do dogs lick their genitals? Because they *can*, that's why. Companies have a whole lot more accounting latitude than most people realize. And they get intoxicated by the thrill of going public, and all the money involved. They either deny their problems altogether or figure that they'll solve them before anyone finds out."

Trace said, "But they still need investor types to buy their shares, right? What happened? Was everyone at the lunch intoxicated too?"

Cliff perked up with that one. Wining and dining clients is an age-old strategy, but he'd never considered getting them completely shit-faced before they signed for an offering. Then again, maybe SEC reps carry Breathalyzers.

"Trace, we're talking about 1998 here. Rutherford & Hayes could have floated 15 million shares of dildos.com if they'd felt like it. Anything that had Internet on it was golden." Cliff started shaking his head. "But I still can't believe that URLybirds faked out Kyle Hooperman."

Cliff took a piece of paper from his coat pocket. "Speaking of which, lest I forget the whole reason we're here, Linda Greer gave me the names and numbers of those hapless Hooperman clients that got stuck with URLybirds. There are only a few of them. But just in case they didn't take kindly to the whole experience, I'd like you to check them out."

"And if I'm caught or killed, the IMF secretary will disavow any knowledge of my actions?"

"Something like that," Cliff said. "Good luck."

CHAPTER 3

Cliff sat at his desk, pondering. He did a lot of that. He explained, to anyone who cared, that the tragedy of his life was making the Olympic pondering team in 1980, the year the U.S. boycotted the Summer Games. He had little choice but to make up for lost glory.

This time around, he was pondering something he had picked up from Linda Greer. It didn't come from the recent call about URLybirds. This tidbit dated back to 1997, when Linda had called just dying to relay the latest piece of R&H gossip: Kyle Hooperman had been ordered to dry out at Betty Ford. It passed for a scandal back then.

The move wasn't a big surprise, at least for those who knew Hooperman as a marauding Manhattan moonlighter. In his prime, he had felt a personal obligation to close down the East Side's finest gin mills. The amazing thing was that his carousing never seemed to interfere with his work. But management didn't like the trend. They clamped down and ordered a two-month hiatus. His move to the suburbs came shortly thereafter. Linda said it had made a big difference. Cliff figured Hooperman was the only person who could stay on the wagon while immersed in Rye.

Such pondering aside, Cliff wasn't making much progress on the case. His consolation was that he was in fine investment form. That was his spin, anyway.

Take Wednesday, for example. Cliff's primary accomplishment was *not* buying Eastman Kodak. The choice seemed pretty clear, at least on a long-term theoretical plane. The balance sheet wasn't the problem, and neither was near-term earnings. The truth was that Kodak was a great company. As one of the 30 companies making up the Dow Jones Industrial Average, it was a real blue chip. It had gotten that way because some enterprising fellow named George Eastman had gone out and invented the first commercially viable camera. The Kodak name had become synonymous with quality film processing, a position that had served the company well for over a hundred years. Not bad, in the scheme of things.

But the photo lab of the twenty-first century was going to be a completely different animal. Would it do any good to be the acknowledged leader in film processing if nobody was using film anymore? "Repeat after me," Cliff said to himself: "The market doesn't care if *I* don't own a digital camera." The fact was that digital processing was taking over, and it was far from clear that Kodak would continue to be the major player. And it's not as if the company could turn on a dime and claim to be the leader in digital processing. Corporations don't abandon their heritage that easily, especially when that heritage is ultra-profitable. So far, Kodak had put millions into digital technology without hitting paydirt. And with Canon, Sony, and a whole laundry list of other folks muscling in, would the profit margins of digital processing be anything like what Kodak was accustomed to? It was entirely possible that Kodak's twenty-first century was going to feature the longest, cruelest water torture ever devised.

None of this was for certain, mind you. Stock market decisions can boil down to educated guesses, and part of the game is deciding which is the educated part and which is the guesswork. If you guess wrong a few times, you're still in the game. Some bright young optimist once claimed that to come out ahead in the stock market, you only had to be right on 60 percent of your decisions. Cliff felt up to the task, but he was never sure how to make that calculation. Did his decision not to buy Kodak count only once? What if he didn't buy it tomorrow and the next day? Would that be three decisions?

Whatever Cliff made of the 60 percent rule, he also knew that you couldn't make money without taking some sort of action. He remembered an old quote from Dash Quillen, one of the few senior people at Rutherford & Hayes who gave him the time of day. It went something like this: "When there is danger in standing still, and danger in moving ahead, one should take the path that is incident to the latter course." The quotation wasn't original with Dash. He attributed it to a guy named Castlereagh, who apparently represented Great Britain at something called the Congress of Vienna. Lord Castlereagh, it was. The name had a nice ring to it, and so did the quotation.

Cliff looked back at his Kodak file. Should he short the damn stock instead of just leaving it alone? That didn't seem so clear either. When Cliff went short, he vastly preferred that the company in question be hemorrhaging cash or unable to get Price Waterhouse et al. to sign off on its accounting principles. Kodak was far from fitting the bill. The status quo could go on for years. And the fact that the company wasn't guaranteed twenty-first-century leadership didn't mean it wouldn't end up achieving it. Besides, when you're short, you don't want to be short for long, and you should think extra hard before betting against a blue chip. Shorting is a completely different enterprise than buying, and Cliff didn't get into it unless the odds were avalanched in his favor.

Damn! When Cliff looked at it that way, he realized that, technically speaking, his decision not to buy Kodak had been balanced by his decision not to *short* it. His success ratio was back down to 50 percent, even before the story had played itself out. Not good enough. You didn't have to be Lester Thurow to see that Cliff was stuck in a zero-sum game.

But Cliff didn't really care so much about zero-sum games these days. He still couldn't get over the fact that the great Kyle Hooperman had bought shares of URLybirds. How the mighty had fallen. Trace had asked Cliff to write her a crib-sheet review of why the stock was such a sucker play. This is what he came up with.

1. Earnings were a joke.

The prospectus for the URLybirds' offering indicated that earnings had been $1 per share in 1998. The whisper number at the offering was $3 per share for 1999. Earnings were tripling. Wowie, zowie. Trust me, Trace, it's a farce. Does the mother of triplets really expect to hatch nine of them the next time around? More likely, there won't *be* a next time around, which was precisely what happened to URLybirds. They had generated $3 per share by selling the rights to olympicgames.com and a few other names in their portfolio, and they only did that to goose the numbers prior to the public offering. Everyone at the luncheon seemed excited that they had finally found a profitable Internet play. People were comparing URLybirds to Network Solutions, just because they were both in the domain-name business. But Network Solutions was in the business of *registering* domain names, not selling their own supply. They just got a buyout offer from Verisign for something like $20 billion. URLybirds' earnings were nothing but a one-time gain.

2. Names dry up.

Did investors really think URLybirds could keep their act going forever? I'm reminded of Patten Corporation, the land developer that became a hot stock in the mid-'80s by parceling up blocks of New Hampshire and Vermont and selling them to delusional, nouveau riche land barons. The scheme didn't last very long. Will Rogers may have said "Land's the best investment. They ain't making any more of it," but he never said anything about land companies. Patten's day in the sun lasted two years, max.

Even Disney faced a variation of the finiteness problem. In the early '90s animated hits like *The Lion King* and *Aladdin* became an integral part of Disney's growth rate. Investors pushed the stock up even though the quality of earnings was clearly suspect. I mean, you just can't pull off a hit like those every year. *Pocahontas* was no *Lion King*. By 1996, earnings went south and the stock did nothing for about three years.

As for URLybirds, their future was even bleaker. In ten years, all they'd be left with would be the dregs of the domain-name universe—things like chickenliver.com and hoedown.com, which they'd probably end up selling for $1 apiece on eBay.

3. Litigation gives, and litigation takes away.

Check that. In ten years, they might not have anything at all. The company had gotten into serious hot water by going into the people business, buying up names like kimbasinger.com and even newtgingrich.com. Boy, were they desperate! Then they sought large sums from the beleaguered souls whose names they had bought, which was close enough to extortion to get the Feds interested. No more than a few weeks after the IPO, the government finally got around to creating "cybersquatting" laws that had URLybirds written all over them. Their business *was* extortion. And pretty soon after that, there was the matter of the class action suit from poor-sport shareholders who went down with the ship and didn't appreciate the timing of the IPO. The company's legal fees alone were something like 50 cents per share—maybe higher.

The best you could say was that, by now, the stock was way down. Analysts were starting to calculate the company's "carcass value"; URLybirds might be worth more dead than alive. It was even true that if the legal problems were settled, a major expense would be eliminated in one stroke. And maybe a suitor was around the corner, who knew? But carcass value only applied because the stock was 75 percent lower than at the time it went public. You don't go from being a growth stock to a value stock without incredible interim carnage. Kyle Hooperman had been around long enough to know that. And he hadn't gotten to where he was by taking fliers. He was too smart for that.

So what the hell was he doing in this stock? It doesn't add up.

It was now 11:26 P.M., one of Cliff's three favorite times of day or night. His favorite was, of course, 11:11, for its digital simplicity. Next there was 12:36; whether you added the first three digits or multiplied them, you'd get the fourth. The reason 11:26 made the list was more personal. It was Cliff's birthday.

Sometimes he was in bed by 11:26, but Cliff had some extra energy left over from his exhausting day of not buying and not shorting Kodak. He put on his bathrobe and trudged to his study, home of his 486 AST Advantage computer complete with Windows 3.1 and a 28.8 modem. Prior owner: Charlemagne. The damn thing still worked, though, just not at the pace that any of his day-trading brethren would tolerate. And unbeknownst to Cliff, there was a little surprise waiting for him when he opened his e-mail stash.