A Word of Thanks

It is a New Year and time to reflect on our recent activities. In doing so, it was impossible not to recall some of the events that played a part in our good fortune. We offer below a word of thanks to some of those who helped bring financial gain:

- A thank you, goes to Mr. Lawrence M. Gold, a friend who recommended the book: “The New New Thing” by Michael Lewis. This book chronicled the exploits of wiz kid and financier Jim Clark who founded three billion dollar bubble companies: Silicon Graphics, Netscape, and WebMD. Although not his intention, Michael Lewis confirmed how shallow the Internet bubble really was.

- Thanks to Mr. Tim Price, the former number two man behind Bernie Ebbers at WorldCom. After making some 70+ acquisitions, Mr. Price was quoted as saying with some astonishment: “Hey, we’re going to have to stay around and run these things!” Mr. Price was savvy enough to depart shortly after this revelation. Although late to the party, we were able to short WorldCom at $12.50 and are still holding at $0.18.

- A special thanks to Mr. Tim Koogle, former CEO of Yahoo, who advised that Yahoo was limiting disclosure of certain information because “there were some things investors didn’t need to know!” We were able to take short positions in the $130’s and $140’s, covering in the $90’s and $80’s.

- A thank you is due to Mr. Russell Solomon, Senior Analyst with Moody’s who in a telephone conversation, told us here at Mountebank, LLC after having recently upgraded Adelphia’s debt that the recent disclosures of impropriety were “not material”. We were again late to the party shorting Adelphia at $17.15 and still holding at $0.09.

- Gratitude to Mr. Scott Kriens, CEO of Juniper Networks. Mr. Kriens was responsible for the irresponsible claim that “Juniper’s router technology was 10 years ahead of the industry”. This lead lasted about four months. We were able to short Juniper as high as $230/share and are still hanging on at $7.

- Appreciation to Mr. Jerry Levin, former CEO of AOL Time Warner, who was quoted in response to his departure from Chief Executive Officer of the largest media company in the world as “leaving so that he could spend more time on ethics in the media”. If that were truly the reason, wouldn’t he be more effective at AOL than on his porch? We were able to short the dial-up Internet provider at an average basis of $39.98, covering at just under $15.00.
Thanks to the Bear Stearns Customer’s Men, who while traveling in New York, openly laughed at me in front of our common client, for being short Amazon.com in the fall of 2000.

A special thank you, is due to Mr. Shawn Arnette, a good friend, who after studying for an interview with AirGate PCS, suggested that I look at “the worst balance sheet he had ever seen”. Further research disclosed that AirGate was a publicly traded special purpose entity who’s mission was to issue stock and debt for the purpose of providing cellular dial tone in rural areas of Georgia, South Carolina and Tennessee. For the privilege of providing cellular dial tone to sparsely populated areas that Sprint PCS didn’t want, AirGate would pay Sprint PCS 8% of each dollar of revenues. After shorting AirGate in the 40’s and 50’s, things were pretty shaky for Mountebank as the stock subsequently traded as high as $60/share. Things really began to get exciting when AirGate flogged four million shares of stock issued to the Blackstone Group onto the public at $50/share. We are still holding on at $0.63/share!

Dennis Kozlosky, now former CEO of Tyco International never received proper credit for his actions. Long under criticism from the “evil short sellers” for not properly disclosing industry segment detail, Chairman Kozlosky announced that Tyco had been wrongly maligned and as a remedy he was going to spin off the major subsidiaries and have them trade on their own. The media was oblivious to the fact that, if disclosure was the problem, all Tyco had to do was to disclose the details. The fact that Tyco announced that they were going the break-up route really meant two things: 1) The detractors were correct because all Tyco really had to do was to disclose the facts. And more importantly: 2) that Tyco’s scheme of acquiring companies in various unrelated industries under common ownership was not working. The message: The day of the serial acquirer was dead. No longer could companies look to be acquired at unreasonable prices or possibly at all. They would have to make money on their own and … Oh No! Reward their stockholders from their own results!

We are truly saddened at the passing of the Internet bubble and all of the related shenanigans. It was most rewarding for us. We will not live long enough to witness another farcical charade of this magnitude.

Next time we may talk about were we think we are in the process.

Best of luck in the New Year!

Note: Past performance is no guarantee of future success.