

## PROLOGUE

### a good day to go public

When I think about it now, I guess I should have been more concerned that we were going public on Friday the 13th. But sometimes you realize these things too late.

Not that it would have mattered: We didn't have much control over the timing.

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I can still picture that morning in 1998. It was a cold, gray, November day, and the last leaves had fallen from the trees near my apartment just off Union Square. This was the Friday that my partner Todd and I were supposed to head over to the midtown offices of Bear Stearns, the investment bank that was taking us public. The night before we'd established an opening price of \$9, and just in time because our S1 (the detailed SEC registration document) would go stale that follow-

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ing Monday. Friday was the last possible day to file before everything crapped out. Another delay would be a death sentence. If it didn't happen, we'd run out of money. In other words: game over. The sky was threatening to fall, and our mission was to keep it propped up.

I hadn't slept the night before, spending most of that time watching CNN and the White House announcement that five American aircraft carriers were heading for Iraq. War talk. Todd and I knew that a declaration of war, among other things, could really disrupt the market. I was up until about 3:00 or 4:00 in the morning, tossing and turning, thinking about all the things that could possibly go wrong. You don't get many chances to go public, and for a moment, it seemed like the stars were aligned against us.

At the time, I had a unique way of dealing with stress: TheraFlu, straight up, no chaser. Yet, even with an inordinate amount of over-the-counter medication in my system, the eve of the IPO was a long, restless night. At the time, my personal life was in as much tumultuous uncertainty as the market. That Friday evening, after the IPO, I was supposed to go out on a first date with a beautiful girl I'd recently met who was (and still is) the greatest thing that had happened to me in a long time. So I was doubly anxious. My biggest fear was, of course, that everything would go wrong. With possibilities of war, romance, and some serious banking all dancing in my head, I was scared sh\*tless.

So, on Friday the 13th, I got out of bed at 7:00 A.M., showered, and dressed for a 9:30 meeting at Bear Stearns. My first thought was CNN. I switched it on and called Todd. "You watch the news?" The ships were on their way, but a declaration of war, at least for today, was now considered unlikely.

I couldn't eat breakfast due to the jitters and walked out of the apartment with an empty, quaking stomach.

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Breakfast aside, what does one wear to an IPO? We'd thought for a moment about suits, but I deliberately remember thinking, No, I will

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not put on a suit. Todd and I always dressed casually. There's nothing greater than standing amidst all those bankers in suits while people wonder, Who are those two college boys in khakis and leather jackets? In retrospect, and in pictures, we were just two scruffy college kids in ratty sweaters.

By 9:00, the sky had turned blue, and it was a beautiful day. My nerves were calmed a little when I met Todd at the northeast corner of Union Square. We grabbed a cab straight up Park Avenue, through the underground passageway beneath Murray Hill, and up and around Grand Central, hurtling down the switchback. The cabby was speeding, but I wanted him to go faster. I remember we both had huge rings under our eyes. We looked like hell. Note to self: If you're going to look like crap, the day of your IPO is not the best day to do it.

We arrived at Bear Stearns at 9:15 with plenty of time to spare and passed quickly through the lobby. By then, we'd been there so many times they knew exactly who we were. Still, the interminable security check-in made us anxious as we headed into the elevator to meet the Bear Stearns people on the *13th floor*—another telling sign I missed at the time—where there were innumerable conference rooms, all marked alphabetically. We'd always met in conference rooms assigned boring, unsymbolic letters like H or M or L, and we wondered constantly what power plays occurred behind door A.

This time they ushered us into an even smaller and stuffier room than usual. Shortly thereafter, Ed Cespedes met us. Ed did M&A for Dancing Bear, the VC (venture capital) outfit formed by Michael Egan, the former Alamo Rent-A-Car president who'd ultimately sink \$20 million into our company, theglobe.com. Ed was one of those guys who loved the job, loved the action of growing and creating companies. He'd been instrumental in setting this whole thing up, and we had a special bond with him. He'd turn out to be one of the few genuine good guys in this story.

Around 9:30, a few Stearns muckety-mucks swung by to make

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sure we had the important tools: croissants, bagels, and gallons of coffee. I had a bagel with cream cheese, even though I still didn't have much of an appetite. (Whenever we'd gone to a banking deal at a law firm, they always had all this food lying around, so I'd end up stuffing my face. What I didn't know at the time was that I'd become lactose intolerant, which was why I continually suffered from big-time stomachaches.) As we sat around, pounding bagels with cream cheese and smiling vacantly at each other for what seemed an eternity, the stress started peaking at an exponential level, and the closer we got to show time, the more we felt that something was amiss, and the more my stomach hurt.

Then the bankers came in. I won't bother mentioning their names, since all the Bear Stearns people who worked with us are gone now—there's no one left for me to feel bitter toward anymore. Anyway, one of them came in and I couldn't contain myself anymore. "Are we going to *price*?" I blurted. "Is this thing going through, or what?"

"Yes, yes, yes," the banker said, casually.

"Oh, and by the way," he added with a grin, "word is it's going to open somewhere between \$20 to \$30 a share."

Here's what you should know. Forty-eight hours earlier, we'd struggled just to raise the price up to \$8 a share. The best Bear Stearns had been able to do was raise our price by a dollar.

Naturally, Todd and I were flabbergasted by this new figure. I'd assumed we'd price at \$9, and if the stock went up, it would happen later in the process. But that's not the way it goes down. In actuality, there's a buildup in the price as a stock goes onto the market. But somewhere between \$20 to \$30? That's 200 percent higher than we thought! This was absolutely insane. Despite the stomachache, both Todd and I were in giddy hysterics.

Meanwhile, we were still sitting there in that room, waiting, waiting, waiting, waiting. Waiting, waiting, waiting, waiting. Then, finally, at around 10:15, a few more bankers came to take us down to the sec-

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ond floor—the trading floor—a huge cavern with 400 traders, all eyeballs glued to their consoles and monitors, all screaming—like a scene out of *Wall Street*.

They led us through a narrow passageway that cut through the middle of the floor to the edge of the room, along this tiny walkway, like a prison catwalk above the inmates. At the end of the hall was a big corner office where Ace Greenberg sat.

Ace Greenberg is the chairman of Bear Stearns and a legend in the finance world. He's been there for some ungodly number of years, and everyone knows him. I remember thinking that if we were being handled by the chairman we were part of an omnipotent inner circle and would be well taken care of.

Ace is well known for doing card tricks. While we were sitting there, going insane from the anxiety, Ace did card tricks for us. Cards vanished out of his hands and then reappeared. He's so good at it, you actually wonder how the hell he did that.

About 10:35, another banker came in with an update. "Any minute now," he said. Ace's office was all glass windows. We could see the traders out in the middle of the floor; off in a pit, there's another pod of traders who will represent our deal. This particular banker kept shuffling back and forth between the two rooms like a gopher.

A few minutes later, he returned. He looked right at me and said, "By the way, the deal's not going to open at \$20 to \$30." He had this strange expression on his face, and I actually felt my heart beginning to break. Then he said, "It may hit between \$50 and \$60." I jumped out of my chair and said to no one in particular, "What the f\*ck?"

Everyone burst out laughing. Even Ace.

At 10:50, the banker came back again. "All right, guys," he said, "let's go." We all walked down that little aisle, single file, like prisoners marching toward the gallows.

Down in the pit, I could see a few people eyeing us. Now remember, IPOs happen—at most—a few times a month at any given bank. So the pit people always make an effort to check and see who the

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lucky bastards are. Since we weren't in suits and we'd just been screaming, the people in the pit must have thought something really bizarre was going on. I'm sure someone said, "Who are those two kids? What the hell is this?"

Once past the pit, we were taken to a wall of computer screens set in a room that looked like an extension of the Millennium Falcon with all these monitors and triggers just ready to fire away. Three or four guys sat behind the screens, and there was one main guy behind them—the head pit boss for our trade.

This guy was too busy to talk to us. He was fiddling with papers, whispering numbers. I still had no idea what was going on. I checked out the screen, trying to understand something, but it was all completely unfamiliar. In other words, more waiting. Then I realized we were starting a countdown. The thing was going to happen at exactly the stroke of 11:00. All of a sudden, the main guy was counting, "Ten, nine, eight, seven. . . ." It was almost too much; Todd and I were in disbelief.

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Do you want to know what an IPO feels like? Honestly? You feel like you're about to die. You're standing at heaven's gate, your whole life is flashing before you, and there's a judgment coming. We'd never done this before. We weren't bankers. We didn't know what it all meant. In my head, I'd worked out all these grossly exaggerated animated scenes, but then I'm standing there actually mumbling stupid things like a Warner Brothers cartoon character.

Then it hits. "Three, two, one. . . ."

Boom.

The main trader yelled out, "87!" He was frenetically writing down numbers on some papers, and the whole room—bankers and everybody—was yelling and screaming. The whole room was one giant "Waaaaa!" Everyone started howling; a few guys threw their

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phones down. All these heads popped up like prairie dogs; everyone was looking. It's total primal chaos.

They were all looking at me.

My first reaction was, "What the hell is 87?! Eighty-seven pesos?" Everyone laughed at me. They said, "No, 87 dollars."

Then five seconds later, someone screamed out, "\$97!" Todd and I could only stare at each other, incredulously. The day before, we were at \$9 and the deal was nearly dead. Now we're at \$97. It took me a moment to realize we'd just become a \$1 billion company.

Sweat was dripping off me, and my shirt was soaked. I could feel my body temperature soaring, the pressure building up to my head, and everyone was still yelling.

That was when the phones started ringing. A friend called to say, "*Ohmygod*, you guys are on CNN *right now*. Wait! You're on CNBC, too—it's breaking news." Everyone in the room was talking at once, and I heard myself getting hoarse. My throat was beginning to kill me.

The stock kept fluctuating. It flew between \$97 and \$60 within seconds. Boom, boom! Boom, boom! Up and down, 30 points up and down equaled a \$300 million swing in market cap. It was just a wild fluctuation. All the institutions that had gone into the stock were dumping it like crazy. As soon as the stock would dip, somebody would buy in. To get a sense of how much action we generated, think about this: theglobe.com IPO was a 3-million-share deal. Sixteen million shares traded hands that day; everyone traded their shares at least five times over.

People we'd never met made millions because of us. Anyone who put a hundred grand down made \$1 million. Even the traders at Bear Stearns were dumbfounded. We just set worldwide stock market history; no one had ever seen anything like this before. And we were 24 years old!

As we were heading over to the NASDAQ office for a press conference, an older trader, a gentleman in his nineties started tugging

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at my jacket. "Are you the guys who caused such a ruckus here today?" he asked. I nodded. "In my 40 years on Wall Street," he said, "I have never seen anything like this before."

Today, those words mean a lot to me.

Still, at the time I wasn't thinking about making history or that I was about to be running a billion-dollar company, but rather that I'd just extended our lease on life. Everything Todd and I had worked toward for four years wasn't exploding into a fiery ball. I didn't have to find a "normal" job.

I remember Michael turning to me and saying, "Well, enjoy it, boys. This is a really unsustainable number. It can't last."

Was *that* ever an understatement.

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Whenever I meet people today, a lot of them say, "Hey, I know you. I saw you on CNN." Sometimes, they've seen me on MSNBC or CNBC or read about me in the *Wall Street Journal*, *Fortune*, or *Time*. It doesn't really matter, except that they always know who I am. "You're the kid who took that company public two years ago and set stock market history," they say. "You're the guy who was running a billion-dollar company at 24. You're the one who was worth \$97 million dollars before your 25th birthday." Then they smile and say, "You're the guy who lost it all."

They're right, and this is my story.

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My name is Stephan Paternot. Between 1994 and 2000, I was the cofounder and co-CEO of theglobe.com, an online community that I started with my former college buddy Todd Krizelman when we were both 20. On that fateful Friday the 13th in 1998, after four years of preparation—an adventure that began in the labs of Cornell University and culminated at the nexus of Wall Street and Silicon



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Alley—theglobe.com went public up to \$97 a share. I held a million shares. You do the math.

Fourteen months later, I watched in horror as the stock plummeted to \$7, erasing my fortune almost as quickly as I'd managed to amass it. In August 2000, with the stock at \$2, I formally stepped down as the chief executive of the company I founded.

I am proud to say that after seven years, theglobe.com is still in business at the writing of this book. But its rise and fall and the crazy era in American business history that theglobe.com ostensibly embodied has never been properly documented.

Until now.

Enjoy the ride.

