

Chapter 4 **Shangzhen-Yi**

The short week went by almost without incident. Doug, Rich, and Vanessa continued to visit the restaurants for lunch and hop the clubs on weekends. They visited Kand's store often to buy drinks. On Thursday, the boxes from Singapore would come in, and their contents were arranged on the shelves and counter. Rich was finally received his pens, and placed another order, this time for a hard-to-find business calculator. Through it all, the knight continued to stand on Copley Plaza.

On Friday, an incident threw the trainees' routine out of whack, when they met with Todd Molin. He was the Managing Director of the firm, and though he was not around every day, he was active full-time in winning deals and setting the tone. Jeremy Prichart had passed away a few years before, and Martin Weaver was now retired. The trainees saw Weaver once a week or so earlier, when he came in with several Asian executives for a meeting. It turned out that their meeting with Molin was going to be related to that one.

"Read it and weep," hollered Molin. Doug, Rich, and Vanessa sat down at the long conference table. Mr. Molin had just pushed a set of binders across the table at the three. They each took one. He remained standing, and he went to the conference room door to close it.

Mr. Molin was tall, with a full helmet of hair that greyed at the temples. He wore a grey pinstriped suit with a

yellow shirt, unbuttoned at the top. His face was not very wrinkled, but was deeply pockmarked. It was square and long, and his teeth were brilliant white and as big as Chiclets.

Molin sat down on the other side of the table from the three. He looked at each of them as they started to open the binders. His face showed no expression, and Doug could not tell whether he was furious or pleased. He sat back in his chair, but his eyes stayed on Doug, who finally closed his binder and pushed it aside. Rich and Vanessa looked at him, and then closed their own binders and pushed them aside.

"Good," said Mr. Molin. "That only took you a fucking eternity."

The trainees sat there looking puzzled.

"People listen to people," he said. "You see people put shit out for everyone else to read, and that's exactly what happens. One guy talks, and the rest read. Nobody listens."

Doug had read this in Molin's bio when he originally applied for the job. He listed his pet peeves, and one of them was people trying to listen with their mouths or eyes instead of their ears. "Deals are written on paper, but they are made with words," he said in the bio.

"But you guys did better than the other crew," Molin continued. "I almost had to say something. I would have canned one of them on the spot."

Doug, Rich, and Vanessa were now listening intently, their eyes on Molin's.

“I’ve noticed you guys hanging around a lot, and that’s fine. We’re not a day-care. I don’t care who you share your Play-Doh with, as long as you get shit done. Now, I won’t blow smoke up your asses. You’ve got a long way to go, just not as long as the other guys. That’s why you’re getting this deal to work on. It’s going to occupy every second of your next two weeks.”

“What deal?” Doug asked.

“Good,” said Molin. Doug knew he believed in active participation in conversations, especially ones involving deals. “You have to ask so that the conversation moves forward. Show that you are proactive.” He said as he looked at the other two. Doug was careful not to develop a smug look on his face.

“Here it is. This is marked confidential for a reason.” Mr. Molin glanced at Vanessa as she looked down at her binder. “It is not to be discussed with any of the others in the office. Everybody knows what’s going on anyway, but they don’t know they know it, and that’s the same thing.”

He kept on, “This company is about to be bought. The Chinese investors you saw a few weeks ago, those are the buyers. Damn near a billion dollars is changing hands. Nothing else is going to change for awhile. I’ll be here. Everyone will be here. The program will continue, and you guys are going to have a lot of work. Good thing.”

Doug kept listening. He figured that Molin didn’t really mean it about being proactive once he was on a roll.

“So you guys are going to be running point on research,” Molin continued. “The deal is final, but we need to make sure all of our financials are in order. The SEC report is not in yet, because it requires some of this info. Everything has to be completely disclosed, understand? Every cup of coffee, every cab fare, every pad of paper, and every Christmas card has to be evaluated and accounted for. Ten years from now I don’t want some bureaucrat shutting us down because of unaccounted swag we gave to a client who later got busted for insider trading. We are clean, and we are going to stay clean.”

Doug continued to watch Molin. This was obviously a very menial task, and it was going to take long hours of reading spreadsheets and crunching numbers. The stuff the trainees had been doing was not at all glamorous, but this project was far more tedious. He began to wonder if it would throw them off track for staying with the program. The other guys, who Molin said had a longer way to go, were going to keep researching client deals, while Doug and his friends would be doing the work of file clerks.

“In these binders, you can open them up now,” said Mr. Molin. They did. “In these binders are company records going back three years. You’ll find every expense report from every employee. Every supply receipt, every deal sheet, every filing. If the people who did them are here, schedule an interview, if they’re not, give them a call. The numbers are in there.”

Molin had another reason to want to keep the company clean. Doug had read that he was planning a run for governor.

The election was still two years off, but he had already read about Molin's plan in the Wall Street Journal. He was unhappy with the current governor, who Molin said had failed to create a business council 'to expand the state's economy' as he had promised. Molin was pissed because he had hoped to become chair of the council and expand his client base, but he left this detail unsaid in the column. Doug had heard that part of his motive from others in the office.

"You guys have some different tasks in there. Rich, you have some old stuff that is going to give you headaches, but a lot of our archives were scanned to on the network a few years ago, so it's not all paper. Vanessa, you have a lot of the newer stuff, going all the way up to this week, but it means there is a lot more paper."

"Doug, you have most of the information about the Chinese buyer. It's a large firm called Shangzhen-Yi. They are a raw materials importer. They do a ton of business with Australasia and South America. They didn't like the way most of their vendors ran their shops, and it sucked money down the drain. They opened a financial services division to assist their vendors, but really just to clear their own headaches."

Doug flipped through the binder as he talked. Shangzhen-Yi was a company worth \$88 billion. With so many divisions, it appeared to be more of a portfolio investor than an importer.

"Their financial division is a tiny part of the company, but it's still a lot bigger than us," Molin continued, "Their goal

is to get a foothold in this country. Everyone says China is going to be a player. I'd say not so much China, but Chinese money. It's as green as ours. Actually it's a bunch of different colors, but it still buys shit, and that's what matters."

The three laughed quickly. Molin finished, "Are you guys ready?"

They nodded, answering "Yes," in various forms.

"Then go," Molin said, shooing them away from the table. The three stood up, as did Molin. Rich and Vanessa reached the door and went through it, as Mr. Molin caught Doug's arm. "Hold on," he said. Doug turned around.

Molin leaned toward Doug and said, in an uncharacteristically quiet voice, "Shangzhen is very secretive. Corporate laws in China are not what they are here. You won't find a stock exchange or anything."

"Okay," Doug said, nodding.

"But there is a way to find things out. In there is a way to access an information clearinghouse on global companies."

"An information clearinghouse?"

"It's a stock exchange analysis tool, but not really. It's not just a bunch of indexes or valuations. It loads stock info into the database in real time, but you need to be careful."

"What do you mean?" Doug asked.

Molin looked out through the opening in the doorway. Rich and Vanessa were gone, realizing that whatever caused Molin to hold Doug back was none of their business. Molin closed the door. "It is sort of beta, really beta. If you are not

careful, you could screw up the source files. Use it for analysis only. If you're not careful, you could really fuck up the whole database." He looked at Doug very solidly.

"There is a numeric code in there to access the clearinghouse. It's on page 13," he paused and said in an even more quiet voice, "There is no damn way you are supposed to know about this, or have this code."

Doug nodded.

"Understand? You don't look like you understand."

"Understand what?" Doug asked, a little boldly.

"Good," said Mr. Molin, grinning. They were done. He pulled the door open and Doug left the room. Presumably, Molin did, too, but walked the other way to his office.

Doug returned to his desk, where Rich and Vanessa immediately convened. They seemed excited and kind of nervous as well.

"What do you think?" asked Rich. He and Vanessa had already had enough time to discuss their own feelings about the project with each other.

"I... I am not sure what to think," Doug said.

Vanessa started, "Well, you got the best part of the deal, looking at..." Rich's eyes widened as he held up his hand. Vanessa lowered her voice to nearly a whisper, "what was it, Ginseng-something?"

"Almost blew that one," said Rich, looking around as he ran his hand through his hair.

"I think you're right, it's the best part. You guys got screwed," Doug said.

"Yeah," Rich smiled. "I'm gonna be buried in expense reports for weeks."

"Me, too," said Vanessa, shaking her head and looking at her open-toed shoes.

"Well, mine is not all that easy, either," Doug said. He briefly thought about telling them about the database. Should he do it now, he thought, or wait until they were out of the office?

"Hey, guys. You get reamed?" a voice said. Doug, Rich and Vanessa looked up as Stephen, one of the Harvard guys leaning over the cube wall. They knew the three had been to see the boss, just like they had.

"No," said Rich, "just a big promotion. I'll be heading the San Francisco office."

"I'll be running London," said Vanessa.

"Yeah, right, guys," said Stephen. "I'll be opening the Mars office."

"It was nothing, just another project," Doug told him.

"Just another project? The toilets on 13 need licking again?" jested Stephen.

"How about you guys?" asked Rich.

"In all seriousness, we're going to try to open some deals in South America." Stephen said. Rich, Vanessa and Doug looked at each other as he continued. "We've got some new numbers and we'll be making the first calls."

“Awesome,” said Vanessa.

“That’s great,” Rich agreed, nodding his head. Doug laughed inside, and he was sure they all were. Stephen did not possess much of a tendency to kid, so they all knew he was telling the truth. Molin had those guys making fucking cold calls! Meanwhile, Doug and his pals knew where the South American contacts had come from, and they felt a sense of victory. It was the first real win in their short careers.

Stephen looked quite pleased.

“We have some calls to make, too, we got Asia,” said Rich.

“Great,” said Stephen. “Big continent.” He had the personality and wit of a golf club.

“Yes, that’s why we have a lot of work to do,” Rich finished, looking at Doug and Vanessa. The three of them left Doug’s cube, and as he turned away, he heard Rich ask Vanessa, “Did you get A through F or S through Z?” There was a definite chuckle in his voice.

13. This number had stuck with Doug since Molin mentioned it. He opened his binder to page 13 and saw the code:

429502893

All he needed to do now was read the rest of the binder, in the hopes that it would tell him how to gain access to the clearinghouse. He felt sorry for Rich and Vanessa. They truly did have an arduous task. At least the three would have something to claim to be a part of; the merger of the company.

This beat the hell out of making calls to South America, opening doors that were only going to be used by the junior partners.

Rich, Vanessa and Doug met again at lunch to talk about their new project. While flipping through their binders, it was obvious that they were in for more than they bargained for, although they were still giddy about the other trainees drawing the shorter straw. If the three could keep quiet about what they were doing, there would be a huge payoff when they found out.

They all agreed that Doug had the best role by far. He was actually going to be putting together the nuts and bolts of the deal, using completely out-of-bounds insider information. If Shangzhen-Yi so much as sneezed the wrong way before the deal was reported, it was up to Doug to find it. He was sure there were rewards for delivering a spotless report, but he was even surer there were severe penalties for missing something.

Doug knew that having the access to the database could be powerful and dangerous. He would have information not only on Shangzhen, but on several other global companies. Who knew what the database might include? He could not wait to find out. Mr. Molin had doubtless given him the code in such a way as to prevent any interested parties from knowing he had given the code to a mere rookie.

The question that bothered Doug most was what do tell Rich and Vanessa. He had thought about saying something during lunch, but his mind kept going back and forth. It was enough that he had drawn the task of researching the Chinese

conglomerate. They were jealous as it was. Doug decided not to mention the database after all. There would be time later after the deal went through. He had gotten this job in part because he had proven he was ready to be trusted with confidential financial data, and there was no point in blowing it just weeks in.

The trainees made plans to hang out on Saturday night. Vanessa was able to come along, which was a rare occurrence. They decided to meet at the waterfront at about 7PM.

They visited a number of bars at the waterfront, and left at about 1:30 in the morning. Vanessa had missed the last train, so Rich offered her a ride. His car was parked in the parking garage back at the office, so they all hopped on one of the last subway cars.

The train schedule was a huge pet peeve for a lot of Bostonians. Nightlife was always curtailed because of the early shutdown of the transit system. It was a bone of contention between night owls like Doug and his friends and the provincial local taxpayers. Most other large cities ran their trains all night.

After getting off the train, the three walked back toward the tower, and they had to pass Kand's store. The entire block was desolate, which was strange, even at this hour. There were usually a few clubs and restaurants still letting out. There should have been valets around and drunken socialites stumbling and laughing down the sidewalks. Tonight, there

was nobody. Doug and his friends noticed, and began to walk carefully toward the store.

They noticed that the store looked especially dark. At this hour, it was supposed to be, but as they crossed the street, they realized it was not only closed, it was boarded up. There was nobody nearby, and no sign to announce that the store was under renovation. It had been open only the day before.

The three stopped on the sidewalk in front of the store and discussed what might be going on. Their curiosity was short-lived, because within a few minutes, two men with suits and earpieces showed up and held up their hands to stop all conversation. The men had come from a car across the street. They approached the trainees and said this was no place to be. Rich told them that we just used to shop here, and Doug noticed Vanessa shaking her head, barely perceptibly.

“Not anymore. Sorry for the inconvenience,” said one of the men, though he clearly wasn't. They stood between the trainees and the door, and it was obvious to the three that they were to leave, and begin shopping somewhere else from now on, preferably far away. The agent-types had one more thing to say, however. “Are any of you from Weymouth?” asked one of them.

Doug and his friends were not, thank God. They turned and left. After they had walked far enough to get out of earshot, Vanessa bickered with Rich over why the hell he had to say they were ever in that place. It was just a store, and Kand always seemed nice enough. Maybe it was because of the close

encounter with the agents, but they made it back to the building much faster than normal.

Rich's car was parked in the parking garage under the building. The garage had a separate elevator shaft that bypassed the security lobby. It was always easy to tell who drove to work by which door they came into the office. The stairway door was at the end of the building, near the executives' offices.

Doug thought about Weymouth. It was a town a few miles south of Boston. Part of it was upscale, near the coast, but a lot of it was lower-class, and used to be the location of a military base. The closed base was once responsible for many jobs in the area, but was now considered a hazardous location, and drove down home values in its vicinity. Doug only knew about it because he had heard one of the VPs talking about the place in the lunchroom. Apparently it was involved in a failed deal.

The following Monday came, and the three trainees met to talk about the project. Doug finally dug into his binder, and the code popped up again, on page 13.

429502893

It was time to dig into the online database. It wasn't as simple as opening a website. First, there was an application to download, which took nearly an hour. It turned out that there was some security compatibility issue with the operating system, and it had to be upgraded in order to get the database to install.

After doing battle with the PC for awhile, Doug began to imagine himself in a trench wearing a battle helmet. There was the enemy, marching across a smoky field, an army of robots that looked just like Bill Gates. And there was Doug, standing completely alone, armed with only a keyboard and a jittery mouse. He was on his own. Because of the sensitivity of the database, he was determined to avoid getting the company's IT people involved. Also, he sure wasn't going to go running back to Mr. Molin on only the first day into this new project.

Finally he had upgraded the operating system, restarted, installed the application, restarted again, and launched the database. The only thing left was to punch in the code. The install had taken all morning, and part of the afternoon, and Doug had not been to lunch. He was under no illusion that the code would actually work.

Doug clicked on the icon for the database. For some reason, the application was called "Globe.exe". It opened up to a simple grey window with one field, and it was blank. This was presumably where he should punch in the code, so he did.

429502893.

The computer hung for a few seconds, and Doug was sure that the code had failed. It was either that or the application was incompatible, or it was full of bugs. He began to wonder if the thing was already deploying viruses that would destroy his computer, and probably his short career.

Just as Doug was about to reboot the machine, a window opened that filled the screen. It was grey, like the login window, and it had a simple menu in the middle. It read:

- Listings
- Overviews
- Filings
- Analysis
- Updates

Doug clicked on the first one, Listings, and it opened to a set of fields. He could search for a company, or view lists by industry, company size, country, and several other parameters. He had used software like this in B-school. It was used for company analysis and demographic info. He knew that many huge companies had access to information about neighborhoods, shopping patterns, and television viewing habits.

Marketing people used this type of thing to tell what kind of person was likely to buy a Volvo, read Golf Digest, buy Tums, and drink Johnny Walker Green Label. These people were segmented into categories, called things like ‘exurban upscale’, and ‘urban core’. The type of software that included information about companies could often provide mailing addresses, company size by revenue, number of employees, SEC filing category, industry codes, ownership structure, and recent financials.

This database was similar to those. It had information about companies like Coca-Cola, Lockheed, and even smaller

local companies. Doug took a look at the years that some companies were founded. He also tracked some patterns, such as ownership changes leading to improved finances, or declines in productivity. He could look at bankruptcy filings, stock buyouts and initial public offerings. He looked at how Chrysler weathered its problems in the 1970s, 80s, and 90s. He looked at how Disney leveraged its purchase of ABC.

Most of the info Doug had found so far could be found on any research website. He kept searching for ways that this software was different. He looked at ‘Overviews’. No big deal. He looked at ‘Filings’, and it simply duplicated info that could be found at the SEC website. One bonus was that he could look at foreign companies as well, which was not as easy with conventional web applications. This would be necessary for looking at Shangzhen-Yi.

The ‘Analysis’ tag was even more useful. It allowed Doug to plug in any information from the other sections of the database to track trends and see correlations. Of course, he had software that could do this, though this application made it simpler. He did a few graphs, and then decided to check out the final tag, ‘Updates’.

Doug figured that Updates would allow him to see the latest news regarding these companies. The database was connected to several other online sources, and was sure to be updated in real-time. He guessed that there were people behind the scenes, and this was where they parked new information

before it could be checked and incorporated into the company information.

He was wrong. Instead, another window opened. It was full of empty fields. At the top, there was a selection where Doug could enter a company name. Below that, there were other fields for various financial data, stock values, and news, all blank. At the bottom were buttons labeled ‘Update’, ‘Clear’, and ‘Cancel’.

At first, Doug had no idea why the fields were blank. He entered a company name in the top field; ‘Coca-Cola’. The other fields filled in automatically, and he recognized the info as being just like the numbers he had seen a few minutes before. He looked at one of the other screens, which showed a ticker. Doug opened a window that would track Coke, and it was trading around \$58.

Another one of the database fields showed that Coke’s revenues for the previous year were \$32 million. He plugged in some new numbers. For the heck of it, he pumped the stock up to \$70, and raised revenue to \$40 million. Then he raised the net margin to 30%. Several other fields recalculated themselves to match the new numbers.

Doug looked at his new Coca-Cola, and the analysis program flew out of whack. It responded as if such a drastic change had actually occurred, and the numbers fluctuated wildly. He decided to try a more reasonable stock price, so he typed in \$59.50 and hit ‘Update’. The other screen read Coke’s price, which went from \$58.06 to \$58.29, to \$58.17.

It was time to start looking at Shangzhen-Yi, so Doug began to type the company’s name into the blank screen, and then he looked back at the Coke price. The price of Coca-Cola read \$59.50.

Doug froze. His jaw dropped. There was no way this was anything but a coincidence, so he decided to make sure. He plugged in another number, \$58.75, and hit ‘Update’. The Coke price rose to nearly \$60, then dropped a little, and suddenly he saw \$58.75 hit the screen. Doug then typed in another number, \$57.60, and after a couple of minutes, and a few more stock changes, the next reading came up \$57.60.

Doug figured this was a little too strange to explain as a coincidence. He decided to put the old price back in and leave it alone. He typed Coke’s price back in at \$58.06, where it was before he started playing with it. It reverted to that number within a minute, and Doug suddenly realized what he was playing with.

The clearinghouse was obviously not updated by an imagined bunch of data entry clerks. Doug figured the companies themselves were using it to report financial data. They had their own codes that allowed them to manipulate only their company’s info. Furthermore, the info they could enter was limited. They could not input their own stock values, for instance.

What Doug had was probably a master code, a key that would open all companies and all fields. “Holy shit!” he thought. This part of the software could really screw some

things up. He figured there must be a way to track his activities, and if there was, he was probably already doomed. Doug clicked on another section of the program, and hoped that there would be no negative effect from his little foray into illegal tampering.

Doug looked back at the top screen, and saw the Coca-Cola trading price. His heart sank. Coke was trading around 52 bucks, well below where it had been. He looked at their recent data. The price had not been below \$55 in months. He looked at their news updates. There was nothing recent to explain such a drop. In fact, the company had just announced that they had exceeded their 3rd quarter profitability target. Doug watched the numbers continue to drop.

Before long, Pepsi and 7UP were also falling. He saw an update on the soft drink industry pop onto the screen. Analysts were calling it a bout of profit-taking, and they did not think it was cause for concern. Doug noticed that the entire NYSE, which had been rallying all day, had suddenly stopped. He closed the database, and suddenly felt like he had to puke.

Doug ran to the restroom and entered the first stall. He bent over the sink and started heaving. It was dry at first, but the more he pushed, the more these dry heaves started to feel like the real thing was coming. Then, it did. There was not much, just some bile and some clear liquid. He spit more of it into the toilet, and then stood up. After a few minutes of breathing, Doug felt fine again. He realized it was a good thing he kept a toothbrush and toothpaste in his desk.

Doug did not think that tampering with the stock index would lead to such a drastic outcome. He should have known better. Stocks are traded by individual traders, but it is a mob mentality that drives their decisions. They see a price going up or down, and decide what to do according to their strategy, which depends on the goals of their firms, their customers, and their portfolios.

Doug's mistake was raising the price of Coke by too much. This made a lot of traders hop on board, thinking there was an opportunity that they had not researched. Once the traders realized there was no justification for the hike, they dumped the stock. The result was the loss of about \$14 billion in company value.

Doug's little experiment had cost a lot of money. There was no way the database could be that powerful, but the coincidence was too striking.

He vowed that it was the last time he messed around with stock values.

Doug sat back down at his desk, just as Rich popped up over the cube wall, asking if he wanted lunch. Doug did not feel much like eating, and Rich noticed that he looked pretty pale. Doug told him he was fine.

They talked a little about the merger project, but Doug was not really listening. Rich complained about how hard it was getting info about old expense reports, and he felt sorry for the folks in accounting, who did this sort of thing daily.

Doug told him he had not quite dug into Shangzhen yet, but that he was about to. Rich chided him about his laziness.

After Rich and Vanessa left, Doug opened up the database again. This time, he went right to the search field and entered Shangzhen. The company's info came up, along with most of its subsidiaries. He looked at its revenue, its profitability, and began to develop a spreadsheet to keep the information in order. This took the rest of the afternoon, but he was happy to finally be on track with his research.

Later in the week, the group met with Mr. Molin to talk about their progress. So far, everything was going pretty well. Rich had gotten a lot of his material together. Vanessa's task was taking a bit longer, so Molin put them both on the compilation project. Doug's report on Shangzhen's background was coming together just fine.

After the meeting, Mr. Molin waved the trainees off and went to the window. Doug stayed in the conference room after Rich and Vanessa left. Molin finally turned around, surprised that Doug was still in the room.

"Something troubling you, or just lazy?" asked Molin.

"Mr. Molin, I noticed something about the database I was working on."

"What, too difficult to use?"

"No. It seems to affect the actual NYSE data."

"Impossible. It reads data from the market, but can't possibly work upstream."

"Well, I put in some numbers-"

"What market?"

"The NYSE," Doug said. He suddenly realized he had screwed up. Shangzhen wasn't listed on any American market.

Molin sat down in the chair next to Doug and looked at him squarely. "Do you have any fucking idea how wrong it would be for you to use this thing for your own trades?"

"Yes, I do."

"Are you insane? I need you working on Shangzhen. That's all. That's it. Nothing else."

"Yes. I know."

"Forget what the thing does. Forget that any other companies exist. Or you won't be certain whether you exist. Got it?"

"Yes," Doug answered.

"Out," Molin said as he jabbed his leathery thumb toward the conference room door.

Doug left the room and closed the door quietly. He could feel Molin glaring at him through the windows as he slunk back to his cube. This would be the last time he brought the database up, and the minute he handed in his report, he vowed to delete the thing from his computer.