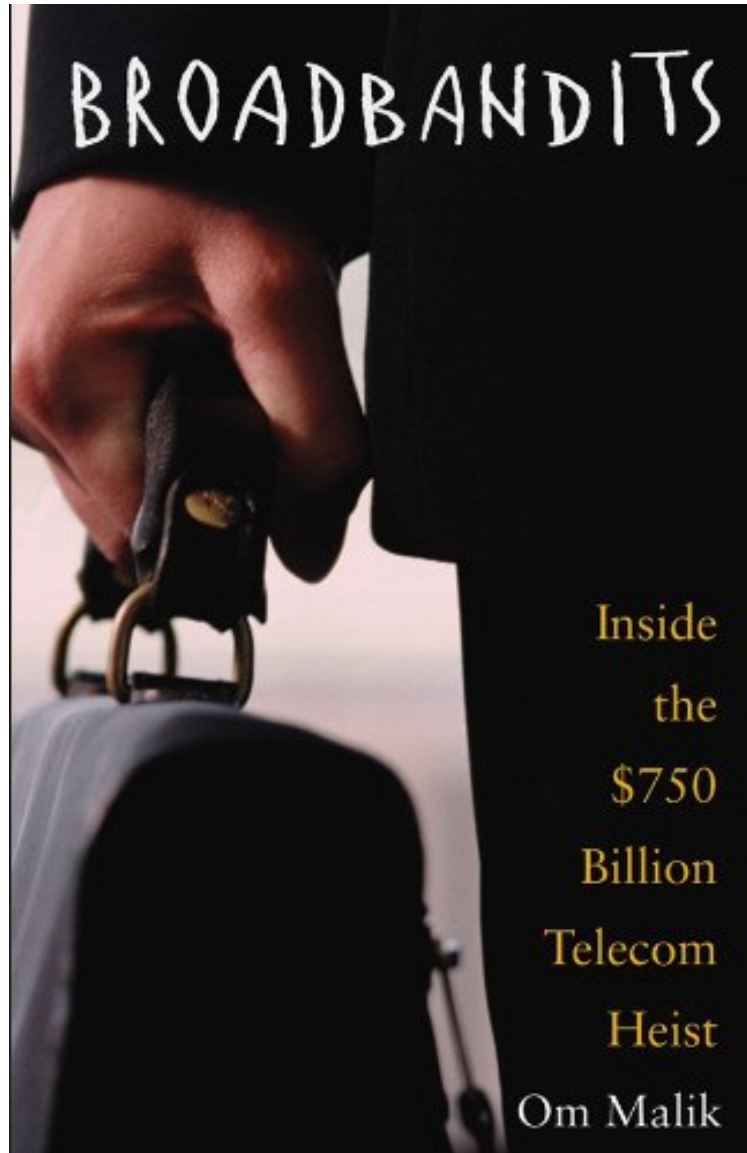


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## Broadbandits: Inside the \$750 Billion Telecom Heist

*Om P. Malik*

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**Om P. Malik : Broadbandits: Inside the \$750 Billion Telecom Heist** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Broadbandits: Inside the \$750 Billion Telecom Heist:

6 of 6 people found the following review helpful. I am invaluable-I didn't know what was going on!By noffyThough much of the financial carnage associated with the companies chronicled in Broadbandits is well documented, I found Om Malik's coverage of the human element and motives involved to be both fascinating and illuminating.His timing on publishing this book could not be better, given the backdrop of ongoing investigations and legal action against many of the companies or principals he writes about. I find it ironic that a number of these "visionaries" and

"promoters" who were paid like kings because they were supposedly so invaluable to their companies or firms, now use as a defense that they really didn't know what was going on in their companies. It is amazing people like Bernie Ebbers who made literally hundreds, if not thousands, of presentations to knowledgeable investors, who ask insightful questions, could now make this claim. Also, where are the other research analysts on Wall Street. It is one thing for Grubman to be an active co-conspirator, but where was the independent research that should have debunked these charlatans before they got started. The easiest myth to debunk of all is the myth that the Internet was growing 100% every four months over a sustainable period and press releases that claimed dial port consumption was increasing 10% per month. Any reasonably astute person could do the calculations on this and realize that there are not enough people or information to sustain this growth rate for more than a fleeting moment. In a matter of a couple of years everyone in the US would have had to have been signed onto an individual dial port twenty-four hours a day. Om Malik makes it clear how phony these arguments are and how dishonest and disingenuous they are. Future generations will look back on this much as we look back at the Tulip Bubble in Holland and wonder how did anybody ever believe any of this. This is a great first book for Om Malik.

9 of 10 people found the following review helpful. How the great telecom bubble grew and finally burst

By cs211 It was the best of times (money flowed like water), it was the worst of times (in retrospect, for those who didn't cash out at or near the top). It was a great human drama, and unlike Dickens, it was all 100% nonfiction - it really did happen. For anyone in the telecom industry who lived through the bubble, and now the depression, for anyone who invested in the telecom bubble, or for anyone curious about one of the greatest financial manias in human history, I recommend *Broadbandits*. *Broadbandits* profiles most of the key individuals and companies who helped inflate (and in many cases profit from) the telecom bubble, at a steady one company per chapter pace. Being in the telecom industry myself (still), I can state that Malik accurately captured the major stories I already knew, so I assume the rest of the book is generally factual. Although Malik focuses most of his anger on company bigwigs, he also admits that a bubble the size of this one could not have been created without active, willing participation from all sectors of the community: greedy disconnected CEOs, conflicted Wall Street and industry analysts, small investors who wanted to double their money overnight, and a unique confluence of regulatory and technological changes and advances. *Broadbandits* could have been better. Malik's principle sources are business press articles, and he has a fascination with documenting dollar figures, so he doesn't probe as deeply as he could into the reasons behind the actions he reports. The book was written hurriedly (to keep it topical), and there are more than a few data errors. Malik correctly cites Ravi Suria's seminal report on the debt and finances of telecom firms, which proved how the emperor of telecom stocks had no clothes (I remember almost crying for joy when I originally read Suria's report), but he missed Jeremy Siegel's equally important bubble bursting op-ed piece in the *Wall Street Journal* proving that Cisco and other high P/E stocks were way overvalued and that we were experiencing another "Nifty Fifty" tech mania episode. Finally, to return to my Dickens reference, the book would be even more dramatic if it recounted more anecdotal stories and statistics of the small investors and employees who lost their money, retirement savings and jobs, to provide contrast to the well-documented stories of folks who cleared many millions during the boom. However, I do admit that with the title of *Broadbandits*, the focus is on the bigwigs who inflated and profited from the bubble.

One more minor quibble: two of the people who praise *Broadbandits* on the back cover are thanked by Malik in his Acknowledgements. Conflicts of interest are everywhere! And just what did Malik do during his brief stint as a venture capitalist?

3 of 3 people found the following review helpful. Don't repeat history, learn from this book!

By Daniel D. Briere The latest run-up of telecom stocks -- for no reason -- is an interesting backdrop to reading this book, because you can see it all happening again. Malik's insights are deep and enjoyable, the pace comfortable, and the writing is engaging. While I can't say I enjoyed re-living the disasters in the telecom industry, I can say that it's something we all should do to avoid making many of the same mistakes. A great beach book.

Investigating the financial fraud and misguided power plays that brought down the telecom industry

Once the foundation of the Dow and NASDAQ, the telecom industry has eaten up more capital than any other industry in recent history and has nothing to show for it. Today, it is by far the worst culprit in the spate of financial dirty dealings that have been splashed across the business pages, and yet the rewards reaped by top executives at many of these failed or failing companies have been inversely proportionate to their decline. *Broadbandits* takes readers behind the scenes to get the story they won't get in the media. Investigative reporter Om Malik follows the money trail and deciphers the actions and motivations of a generation of new economy "barbarians" that brought down this once lucrative industry. This intriguing book offers an inside look into the telecom bubble, with tales and anecdotes about mavericks who turned simple light and glass fibers into veins of gold, financiers who got greedy and fleeced unsuspecting millions, clueless venture capitalists who thought they'd tapped into the mother lode, hapless entrepreneurs who believed that they were changing the world, and self-proclaimed pundits who were cheering it all on from the sidelines. *Broadbandits* is a compelling account of the downfall of telecom giants such as WorldCom and Global Crossing, and will show readers how many telecom upstarts and veterans alike became victims of what one chief executive aptly described as "high-yield heroin." Om Malik (New York, NY) is a Senior Writer for Red Herring who focuses on the telecommunications sector. Prior to joining Red Herring in July 2000, he was senior editor at Forbes.com. His work

has also been published in newspapers and magazines such as The Wall Street Journal, Business 2.0, Brandweek, and Crain's New York Business. For a very brief while, he was a venture capitalist.

From Booklist Even as the conspicuous dot-com bubble burst in March 2000, an even larger bubble was still forming that would bring disaster to the telecommunications industry. The race to develop broadband fiber optic networks is a story of overcapacity and overproduction with an all-too-familiar theme of greed and deceit that has left companies in shambles, employees without jobs, and investors swindled while executives cashed out with millions. Malik, a former senior writer for Red Herring and Forbes.com, reports on more than a dozen of these "broadbandits," such as Gary Winnick, cofounder of Global Crossing, who became a billionaire faster than anyone in U.S. history; Jack Grubman, telecom analyst at Solomon Smith Barney, who pocketed \$100 million touting overpriced broadband stocks; and Bernie Ebbers, chief executive of Worldcom, who went on an acquisition buying spree until the company's financial dirty tricks caught up with him. Losses in this sector have approached a trillion dollars, reputations have been ruined, and the economy is suffering as a result, but disaster does make for interesting copy. David Siegfried Copyright copy; American Library Association. All rights reserved The latest in an increasingly popular string of works analyzing another burst bubble, this book takes on the demise of the telecom broadband industry. The author, formerly a writer at Red Herring and now an editor at Forbes, focuses on the individuals and corporations involved in some of the most egregious hypes and heists of the telecom industry. The individuals profiled include Bernie Ebbers (WorldCom), Phil Anschutz (Qwest), Gary Winnick (Global Crossing), Jim Crowe (Level 3 Communications), Ken Rice (Enron), Alex Mandl (Teligent), John Doerr (Excite@Home), Teddy Forstmann (Forstmann, Little Co.), Jack Grubman (Salomon Smith Barney), John Roth (Nortel), Gururaj Deshpande and Daniel Smith (Sycamore Networks), and Vinod Khosla (Cisco). This is a lively work, though edging toward overblown, which delights in dishing the dirt on some once high and mighty industry giants. By providing background and details, however, it helps the reader connect individuals with corporations and gives insight into the tangled web that has now almost completely unraveled. Purchase where there is interest. ?Susan Hurst, Miami Univ. Libs., Oxford, OH (Library Journal, June 15, 2003) "...This book offers a scathing analysis and a riveting read?a very readable book...it's a must read" (The Inquirer, 19 June 2003) Lenette Crumpler, a former employee of Frontier Communications, lost \$86,000 of her 401(k) money. Paula Smith worked most of her life at US West and then lost her life's savings of \$400,000 after Qwest took over US West. How and why did these employees find themselves in such an outrageous situation? To find the answer, Om Malik burrowed deep inside the so-called broadband bubble -- the colossal build-out of communications networks that accompanied the technology and investment boom of the late 1990s. He unearthed copious evidence of what he dubs, "broadband bandits" mdash; businessmen who took full advantage of the telecom bubble to line their own pockets even as their companies collapsed. The result was "Broadbandits," a book that tells the whole sordid story of the dishonest men who profited from the broadband boom. The author, a senior writer at Business 2.0 magazine, provides a clear, sober account of what he calls 'the robber barons of the information age' mdash;and how they pulled off one of the biggest heists of all time. Some \$750 billion vanished when the telecom bubble burst, Malik writes. More than 100 companies went bankrupt and an equal number shut down, leaving up to 600,000 telecom industry workers without paychecks. "The biggest bubble in the history of the modern world was not the dot-com bubble but the telecom bubble," the author writes. Some of the industry insiders Malik cites as culprits are Global Crossing's Gary Winnick, WorldCom's Bernie Ebbers, Qwest Communications' Joe Nacchio, Salomon Smith Barney telecom analyst Jack Grubman, Enron Broadband Services' Ken Rice, and Lucent's Richard McGinn. To understand the unscrupulous insiders who got rich on an industry built on light and fiber, one must first understand the broadband bubble. Malik writes that about 80.2 million miles of optical fiber was installed in the United States from 1996 through 2001. That means about three-fourths of the installed base of 105 million miles was put in place in just six years. What's even more stunning is that the vast majority of this cable is not even used today amid the colossal fiber glut that has emerged from years of overbuilding. As Malik points out, "the world is crisscrossed with fiber that is unlikely to be used for decades." The whole complicated situation began with the Telecommunications Act of 1996. The act was meant to increase competition in the once closed-off telephone industry and to help create new companies. The capital markets caught wind of this new technology revolution and basically threw money at anything or anyone connected with this new open telecom market. Along with deregulation of the telecom market, demand for bandwidth skyrocketed. These conditions set the stage for the broadband bubble. Malik writes that 'the broadband bubble and the dot-com bubble resulted from overblown expectations and irrational exuberance.' This book is the story of the unsavory businessmen who benefited as companies collapsed and rank-and-file employees saw their life savings and retirement funds dissipate. The saddest part of the whole story is that these men basically got away with their greedy corporate maneuverings while many of their loyal employees had their lives turned upside down by the downfall of the companies they worked for. The financial shenanigans of the telecom executives and insiders have become the stuff of legends. For instance, Gary Winnick of Global Crossing took in \$735 million while the company was blowing through \$15 billion in investor money, eventually ending up as the fourth-largest bankruptcy case in U.S. history. Then there's stock analyst Jack Grubman, who had buy recommendations on 20 telecommunications companies. Twelve are now

bankrupt and the others are on the brink. Grubman himself pocketed \$100 million and has been barred from the securities industry. The exploits of the companies are no less staggering. Sometimes it seemed as if common sense had completely blown out the window. For example, Lucent acquired 21 companies between September 1997 and July 2000, spending a staggering \$43 billion. CEO McGinn was fired in October 2001. His severance package was \$12.5 million and his total take 'for reducing Lucent to shambles' was about \$38 million, Malik writes. The author clearly exposes the mismanagement and wrongdoings of these individuals and companies. He relentlessly pursued them in his research and interviews, peeling back the layers of misconduct to reveal the shocking greed and dishonesty so prevalent as the broadband bubble grew bigger and bigger. The bubble finally burst, creating a huge mess for all but the executives who took care of themselves. The book is fascinating and well-written. Lay people will appreciate the way Malik cogently analyzes the tumult in telecom. This book enables even those who have never read a stock market report in their life to understand exactly what happened and why the broadband bubble and its demise were so stupendous. (San Jose Mercury News, July 20, 2003) "...a compelling account of the downfall of the telecom giants..." (Dunstable Gazette, 6 August 2003)

**Broadband** (noun): High-speed network access.

**Broadbandit** (noun): One who padded his coffers by \$50 million or more riding the bandwidth bubble. Before the ink was even dry on the Telecommunications Act of 1996, a telecom bubble larger than that of its dot-com sister was quickly beginning to form. With the deregulation of the telecom industry finally complete, the race was on; and what ensued was nothing less than a financial hit and run, which left the telecommunications industry in shambles and investors broke; but made the broadbandits who led this charge rich beyond their wildest dreams.

**Broadbandits: Inside the \$750 Billion Telecom Heist** goes behind the scenes to uncover the actions and motivations of a handful of men and a few dozen companies who worshipped at the altar of corporate greed; and for the most part got away with it! Through interviews with numerous industry insiders and real-world stories, investigative reporter Om Malik follows the money trail to reveal the events that all but destroyed an industry and decimated thousands of portfolios in the process. **Broadbandits** offers a candid look at how fiber barons such as Bernie Ebbers of WorldCom, Gary Winnick of Global Crossing, and Joe Nacchio of Qwest turned simple light and glass fibers into veins of gold that allowed them to build enormous personal fortunes, even as their companies were going down in flames. You'll be there to watch as eager venture capitalists and unknowing investors try to buy their piece of the American Dream; only to get burned by once high-flying companies such as Excite@Home, Winstar, McLeodUSA, Nortel, and Sycamore. **Broadbandits** puts you face-to-face with the shameless individuals who used the hype and hysteria of the telecom revolution to pump up telecom stocks and line their own pockets; even when there was little evidence to substantiate their claims. You'll learn how the former pied piper of the telecom industry, analyst Jack Grubman, played both sides of the fence to make millions, while pundit George Gilder's pie-in-the-sky predictions transformed him into a cult hero, until everything came crashing down on him. The broadband bubble was the result of over-blown expectations and irrational exuberance. **Broadbandits** provides an inside look at the financial schemes and misguided power plays that made victims out of everyone and brought an industry to its knees.