

John Romano was third generation Italian. And he had the gift of gab. Whether it was a genetic trait or not, I did not know. His office had all the trappings of a successful salesman. Enough elegance with just a little touch of gaudiness to satisfy the old money as well as the new money. John came across as if he was your best buddy. To the older folks he looked and sounded like a son's best friend. He was a salesman's salesman.

Now in his late thirties, John Romano had seen all that needed to be seen in the brokerage business and more importantly he had done it all. We knew each other well because we had plenty of common clientele. I had seen him at many gold tournaments held by the insiders of the financial community. Though I was truly an outsider, I would be given passes to some of these events by some of my bigger clients. I would attend some of these events only to maintain my contacts. Over the years I had shared some drinks and chats with John Romano. He was well-connected and was a big stockbroker in the local area.

As I walked into his office to keep my appointment with him that Thursday morning, he waved me down to a chair across his desk. I read the little sign on his desk. It read: Salesmanship begins when the customer says, "No." John Romano was on the phone. He put his speaker phone to give me a firm handshake and a pat on my back. From the tone on the other end of the phone, it was obvious John was working his magic on a cold call. He still maintained his set routine of making a set number of cold calls every morning. That kept him on his feet and on the edge of his sales capabilities. It was a habit he had developed from the first day he had walked into the brokerage business over a decade ago.

Cold calls are phone calls brokers make to prospective stock buyers where a sales pitch is made to entice the buyer to buy stocks. These calls are called cold calls as the prospect is picked from a deck of sales leads and is a person unknown to the broker. The typical sales lead comes in the form of a 3" x 5" card and has on it all the pertinent data of the prospective buyer including but not limited to name, address, telephone number, age, net worth, prior investment experience etc. And with just a name and number in hand, the broker is expected to call the lead and make a sales pitch. The best brokers are those who can learn everything about the prospect within moments into the phone call and use that knowledge and human psychology to make a sale.

Truly successful brokers make notes about the prospect and call back in a few weeks or months to follow up. And many times it takes two, three or more such calls to land a sale. John would make his handwritten notes on each call he made. He would write in detail the subject and the summary of the conversation he had with the prospect. He would include anything he learned about the prospect. He would pick up on the prospect's interests, family, current investments, ability to spend cash, sporting interests, personal tid-bits, etc. He would refer to these notes in his subsequent conversations with the prospect. And the prospect would be led to believe that John Romano was his best friend with only the best of intentions. Again, this was a habit he had learned and developed from the old timers when he had started years ago in the business.

As I sat down, I listened with fascination and smiled to myself. I was a spectator to the smoothness and natural ease with which Romano talked to strangers on the phone.

"I am sorry, Bob. I was watching my screen as the shares of Majestic Wireless jumped 5% at the market open today on very heavy volume. Somebody big is buying and buying with some serious conviction," he paused for a moment. "Now where was I?" John said into the speaker phone.

Bob, the cold prospect on the other end of the phone said, "I am not interested in stocks right now. I do not know where you got my name. Please take my name off the list you have. I am looking at real estate at the moment to invest in."

John deflected the skepticism on the phone with casual talk, "Hey, Bob! You and I spoke two or three months ago, remember? You were thinking of real estate even then. I guess you are still looking for the best possible real estate investment. If you recall, I was trying to get you to take a look at shares of Majestic Wireless then. It was a \$30 stock at that time. It is now a \$50 stock. I am sure you understand that stocks are very liquid. If you want to liquidate stocks to buy your real estate property, all you have to do is call me. I can sell your Majestic Wireless shares at a moment's notice given by you. All I am saying is that while you look around and check out the real estate you have in mind, why let that dough just sit there. I would encourage you to put your money to use. After all, if I had been more effective in convincing you of my recommendation to you two months ago, you would be up \$20,000 on a small 1000 share buy on Majestic by now. My research team is pegging a \$100 price target on Majestic shares before the year is out. In the past two months it has moved from \$30 to \$50. The move has just begun," and with that John stopped. He wanted to see what silence would do to Bob. The way Bob reacted in those few seconds of silence would clue in John about how close he was to a sale.

Bob said, "I have never heard of Majestic Wireless." It was a bite. Bob had remembered the name of the stock John had mentioned. Not only the name of Majestic Wireless remembered by Bob, but he had shown interest and the interest was clear in his hesitancy. Bob was asking to be sold on it more.

John complied, "Bob, nobody had heard of Cisco in 1991. Now everybody knows about Cisco. By the time everybody knows about Majestic, it would be time to cash in. The gig is to get in on the ground floor. And get out of the elevator before it reaches the top floor. Take a look around. Everybody has a wireless phone and now the next big thing is wireless internet. Everyone you see walking around with a lap-top or a cell phone or a palm hand-held is going to be on wireless internet in just a matter of time. You are a real estate guy and I do not have to tell you this. You buy low and sell high. You want to be buying before the crowd gets excited and then sell into the excitement."

Bob continued his hesitancy, "I have to think this over with my wife."

John pushed in for the kill, "Ok, Bob. Here is what we can do for you. How about we start off with a small 2000 share lot of a buy on Majestic today? This thing is not going to offer these buying prices for much longer. You can talk to your wife about buying more in the coming days. I'll have my courier pick up your check this afternoon for the 2000 shares of Majestic. He will also have the papers all filled out for you

to attach your signature on. By next week your wife will ask you why you did not buy more. So let us get the ball rolling. I'll now switch you to my finance department. They will fill out the forms for you on the phone and courier it for your signature, Ok?"

Bob had no chance. John continued, "Bob, you'll thank me in a few weeks. I'll talk to you again tomorrow once I have your forms and the check. Hold on for a second while I transfer you, Ok?"

Bob was done, "Ok. Thank you."

John put Bob on hold. He turned to the intercom and said, "Suzie. I have Bob on hold. Please help him give you all the information, have the forms fully filled and typed on your computer and arrange a courier delivery for his signature and pick up all at one stop at his home in Scottsdale. Fill in an amount of \$100,000 as the amount he will open the account with. Set up the courier for a pick-up this afternoon. Include three of my business cards along with one of yours in the package for him. Thanks."

John Romano turned around and smiled at me. "How are you, buddy? It has been a while," he said. We exchanged pleasantries and we got right to the topic at hand. The Taser stock.

"John. I heard you did some heavy work for Sachs and Sachs on the Taser IPO a couple of years ago. I am doing some follow up work on the Taser story. Basically, looking back to see how it all began. Since you were there at the very beginning, I figured you could offer me an angle not covered by the papers," I figured with his salesman's ego, a mention of a possibility of his name being in my report would get him going.

John smiled. He smiled a lot. It was hard to see what was beneath the smile. I did not care what his reason for smiling as long as he could offer me the information I was looking for. His agenda was of no interest to me. I already knew his role in the game. There was little I did not know about the brokerage business. I had been, after all, a reasonably successful commodities broker in my day.

"My friend, I have done some IPOs at the best of markets and others at the worst of markets. Taser was unique. I feel we may be coming to a top on its price run soon. My antenna is up now. And it is saying to me that it is near the top. When Sachs came to me as an outlet for the Taser IPO, I told them that they should go to the boys in New York or San Francisco. But Sachs had been apparently discouraged by those big city boys who were still on the prowl for internet IPOs. Can you believe it? After over a year of thrashing, they were still holding out for internet IPOs. We humans are just amazing. Greed makes us do some really stupid things. Sachs needed to raise a buzz about the new stock but had no outlet. Nobody wanted to touch a gun maker. So Steve Sachs wanted me to sell it locally in the West and in the South to the gun buffs. I told him that a stun gun is not a gun. It needed a different softer sell. I put together a few heavy hitters in the South and in the West who helped support the stock through the fall of 2001. There was nothing to it," explained Romano.

“Surely, you were offered a deal to take up the cause when nobody wanted the stock? And with the way things have turned out, you must have some pretty happy clients,” I pursued.

Romano stopped his smile. It was for just a fleeting moment but I caught it and it seemed like I hit a nerve. I knew well enough that I would not get another chance to sit with him on this matter until the stock had fully topped out. And by the time I got to speak to Romano again, my report would have been submitted to Joe already. Romano took a deep breath and then began a story.

“You know how the market works. Nobody in the stock market catches the top of a move. Stocks just keep changing hands from one set of owners to another along their move upwards. I wish my clients had all held onto their shares from the IPO days.” He paused to take a sip of water and continued, “When I started selling the IPO on Taser, I had about a dozen heavy buyers who spent a good chunk in supporting the stock through the fall of 2001. They all got their shares at a good price too considering that they all made good money in a short duration of time. About three months after the IPO, 9/11 attacks occurred, Sachs called me and left standing instructions to me that should any of my big buyers wish to cash out of their Taser holdings, he wanted me to call him. Sachs was willing to buy back the stock himself. I called my clients and informed them that a big buyer can absorb their large stakes. Since it was a small stock and traded small amounts, any big sale had to be countered by a willing buyer. Sachs gave me the heads up that he would fill the role of the willing buyer and support the stock’s sale price. Most of my clients sold all out of the stock by the end of 2001 or early 2002. Most of my clients had doubled or done better on their money in six months time. They had paid around \$6-7/share and had gotten out around \$12-15/share. They were happy. Volume was heavy in January 2002 when many big sellers sold but at the same time somebody big was buying as well - I suspect it was Sachs. My clients were happy until the recent few months. Now they see how far Taser has come and they wish they had held on. In fact, now they are looking to get back in at currently ridiculous prices.” He paused again to sip his water. He looked at me squarely in the eyes. “It is now over \$300 and my clients missed the entire move. And the past two weeks have been amazing as Taser has climbed from less than \$200 to over \$300 a share. I am now getting more and more calls from them and they wish to buy back in large stakes.”

I asked him to recap his conversations with his clients over the past two weeks with regards to Taser.

He replied, “Sure. The past two weeks have been really frenzied. The public is losing its mind. It all began on March 26, when Taser closed up \$14.16 a share and closed at \$206.94. It had just cleared its prior highs and was into brand-new high territory.” He was looking at his charts on the screen now as he was talking to me. He was obviously checking on Taser’s daily charts as he was talking. He continued, “It was a brand new closing high and suddenly the public was calling me. They wanted to see what my outlook was. I told them that it was a great stock that had moved from a \$5 price range to over \$200 in a year. And I did not know how much of an upside it had. But you know the crowd. They were getting excited. The calls began to be a daily development then for me. In the following days Taser made some great daily price gains. Yes, there were some days of very little price movements. On such days the calls were fewer and shorter in duration. There were no big down days.”

Romano continued after sipping on his water for a few seconds, "The one day it pulled back, the calls did not stop. On April 5, the stock pulled back \$19.50 and closed at \$235.55. It was down from the prior day's close of \$255. The calls just kept coming and coming. They wanted to buy but could not figure out where to buy. I could not help much but maintained that the stock was moving up strongly. I just kept saying that the earnings report was due on April 20 and the move may be in anticipation of a good report. But with such volatility it required some hard tough bellies to withstand the whipsaws. In the ensuing days, Taser continued its meteoric rise. The upward moves were mind boggling. The phone calls were getting more and more frequent, and more and more frenzied. Folks started to believe they were missing out on some major move. They all wanted to buy in but were waiting for another reaction. But the stock kept closing higher and higher. From April 6, in four days the stock showed some amazing climb. On April 6 it closed up \$41.28 at \$276.78. On April 7, it went up again. This time it closed up \$17.40 at \$294.12. The following day it went up another \$5.28 to close at \$294.12. And the day before Good Friday it closed that week out at \$299.40/share."

John Romano looked up from his screen and sipped on his water again. He shook his head.

And he added, "Oh! I almost forgot. I wanted to tell you that the specialist for Taser on the floor called me yesterday to now inform me that he was willing to sell large blocks if any big buyers show up. The stock specialist for Taser is a guy I know works closely with Sachs. That Sachs - he is something else. I have a suspicion that he is up to something with this Taser thing."

I interrupted him because I had a good idea of what Sachs was up to but I wanted to know what Romano was up to. So I asked him, "I thought you figured the stock was topping. If the big clients want to buy now, are you discouraging their buys?"

Romano laughed, "I am not that crazy. The public wants to buy. I am a salesman. I'll sell them anything they want to buy. I learned long ago that if a buyer believes that a stock is going up, it is my meal ticket and it was my duty to get him to buy what he wants to buy. On the other hand, if he thought that the time was to go short, who was I to disagree and dissuade him? It was his money and he wants to spend it the way he sees fit. I should just facilitate his action without any obstacles. Otherwise, I would lose this meal ticket type large client to another broker who will do what the client wants. The client is the king and the client is always right. If the client sees today's Taser price at \$300/share and hears the CEO of Taser touting a \$1000/share price, who am I to argue? The client believes the CEO. Not me - I am just a lowly stock broker. Why would I discourage the buy and share my belief that the stock has topped? The buyer will just walk away from me and spend his money with some other broker. In the end, the buyer would still have bought the stock. And I would lose the commissions to somebody else. So I have no interest in dissuading the buyer."

I just smiled on the inside to myself. I had seen this kind of reasoning myself. As a commodities broker back in the 1980s I had encountered the same public mentality. It was just amazing how everything stayed the same, now two decades later.

Romano continued, "This week the stock has pulled back a bit and is trading in the \$285-\$290 range. The calls have subsided a little this week so far. But today is only Wednesday and we have still two more trading days before the week is out. I can feel it in my gut. By the end of this week or early next week, we may be looking at a price of over \$300 a share. And I can guarantee you that I will be deluged by calls from the public as soon as we see a \$300 price tag. And the buying interest and frenzy will only increase. They are already feeling like they missed out on a gem. Now they see the prices continue to rise with no reaction in sight. And they will probably see solid earnings reports come out on the 20th. The public will want to be in the stock before that report of good earnings. I can almost see the volume exploding on Monday - a day before the earnings come out. You wait and see."

We continued our chat for a while longer when I received a call from Boyd on my cell phone. He had his complete notes of the Taser trades now available for me. I told him that a courier will come and pick up the material from his home. It was almost lunch time. I decided that during lunch I would call my courier for the pick up from Boyd's house. I took my leave from Romano's office, expressing my thanks to him for his time.

As I was stepping out, Romano offered a word of advice, "You know, if covered the way I think you will cover this Taser stock handling stuff, you have to make it a fictional story. Otherwise, nobody will believe you and more importantly many insiders in the business will probably ostracize you. You may find that landing new research jobs may suddenly become harder. This is a small world." I was savvy enough to realize that he was right.