

Posted to the Gilder forum - December 18, 2000

G* Angst (or anguish)

Most of us here are retail investors, individual investors. This post is not for the few angels or venture capitalists that might be lurking around here.

Individual investors have no business dabbling with G*, long, short or otherwise. G* is NOT an investment, it is speculation, pure and simple. Why do I say that? There is no other working mobile satellite telephony business against which to compare this one. The closest one was a failure, it went broke. Even if there were a model to guide our investigations, our due diligence, this company has no customers and no revenue to speak of. Much less earnings. In any case, carriers are a commodity business, there are no real switching costs for customers because all telephones have to be able to talk to each other. Remember that AT&T, MCI and Sprint used to pay you to switch. Switching carriers is free. Yes, there are some barriers to entry, but it is only a question of money. Several deep pockets have been thinking of getting into the business. Boeing could give Loral a run for its money as well as Hughes and others.

By now you are probably asking why I, a declared long in the stock, am saying all this. Because I hear a constant wailing that has no possible answer:

- George: hold my hand
- George: let me cry on your shoulder
- George: tell me that all is not lost
- George: tell me that G* will triumph in the end
- George: tell me I was not stupid to invest in G*
- George: save G*

and because George cannot do any of these things, the next set of anguish sounds like this:

- George: why don't you talk to us
- George: where are you when we need you
- George: when will Vigilante make his report?
- George: when will Jeff make his report?
- George: why have you abandoned us in our moment of sorrow?

still no answers so here come the third inning:

- George makes too much money and he neglects us
- George makes 60 million a year and we get zilch
- George sold out

I better stop here!

Guys and dolls, we are all adults who should be responsible for our money. If you did something silly, like believing that G* was an investment and not pure speculation, write it off as an expensive but necessary lesson in investing. There is no such thing as a free lunch and much less in the stock market. Most professionals don't beat the averages. They can't. It's a mathematical impossibility for everyone to beat the averages. You are no exception, whether professional or amateur. You must learn your lesson and you must put it to good use in the future. If you must wail, please buy a ticket on El Al and visit Jerusalem.

As a speculator in G* let me tell you this. All is not lost. Once you realize that you can lose all, the risk of selling at this time is much worse than the huge returns that are still possible with G*. Most of the surface of the earth has no telephone service except for G*. Yes, the first round of marketing was a dud but Bernie Schwartz has publicly recognized this and has told us what the new marketing strategy will be: vertical markets. This is in line with the marketing ideas of Geoffrey Moore of how to cross the chasm and how to go after the market in bowling alley style. But this takes time. And the only question is: will the money run out before G* can collect enough MOUs? If the answer is "Yes!" then the follow up question is: Will the partners support G*? No one can answer that at this time, not me, not Jeff, not GG, not even Bernie Schwartz. So don't fret about it. Just wait and see. Yes, it is difficult, but that is what you should have known when you happily pulled you checkbook out and bought G*. Or when you happily connected to your on-line broker and placed your buy order.

Yes, G* can go broke and you can lose the \$1.25 per share. Make up your mind. Are you willing to stay the course? Do you want the \$1.25? You won't get your money back unless G* makes it. There are no money back guaranteed investments or speculations. That is the lesson to be learned.

I, for one, will hold G* till bankruptcy do us part or until I get rich with it.

Happy Investing!

Denny

"Demand creates queues. Supply gets rid of them."

[Software Times](#)

PD: Today (Dec. 18, 2000) G* announced the availability of data at 9600 baud in North America. The post on the GTF did not elicit one single positive response. How do you figure that? What are the shareholders thinking about?