

## The Shimmer of an Oasis – or a Mirage

*Should investors still flock to Core Communications and its CEO?*



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NEW YORK CITY – There was a phone call. Then an email. Then a flurry of questions.

The rumors had exploded. Core Communications – the darling of both the tech world and Wall Street – had finally hit the wall. Core and its CEO had finally outrun their exponential growth.

Or had they?

So began the questions about what has otherwise been the most acclaimed stock on Wall Street and the most renowned CEO in all of tech businesses.

“When we heard the rumors,” says Jilian Spence, one of the most trusted analysts on Wall Street, “we met the news with a mix of resignation and satisfaction. Core has been the perfect company, the perfect stock. Robbie Case, he’s been the most adept CEO. But now, it seemed some cracks in the veneer had finally appeared.”

Or had they?

That was the question permeating Wall Street as rumors of trouble at the hereto-

fore impenetrable Core Communications surfaced up and down The Street.

For three years, Wall Street has watched in awe as Core grew rapidly, throwing off record earnings, and consistently beating market expectations. However, when rumors of trouble with Core’s networking systems spread recently, the value of Core’s stock fell.

In all, the rumors on that recent day were met with a mix of disbelief and panic.

“When Core’s stock fell, I said to myself, ‘It can’t be true,’” says Patrick Marn-ing, senior analyst at investment house Williams York. “When the stock recovered, it seemed like all was right with the world.”

**True Believers.** By the end of that most uneven week, The Street clearly came down on the side of Core and its CEO, Robbie Case.

And with good reason.

“Core is truly the bulletproof stock,” says Andrew Fittipaldi of Brown & Brown, senior analyst for the esteemed Wall Street financial advisory firm. “They are the company without real competition or strategic threats.”

Even after the trouble emerged, Fittipaldi held to his assessment. “They’re like diamonds or gold,” says Fittipaldi. “Everyone knows it.”

Asked what happened to cause the rumors to spread, Case declines to give specifics, citing the privacy of the company’s clients and the sensitivity of the data carried on the Core network.

“I can’t comment on what happened. Sometimes people ask if there is any reason to doubt this company. Sometimes people ask if there is any reason to interpret what we do differently.” He pauses, then says, “Sometimes people want to see a company fail.”

If there are doubts about the company’s system, Case does not show them. His calm confidence is unshakeable, no matter what is said by traders and analysts.

When he wakes up in the morning,

Case says he sees one thing: a company. His company. And every day at five in the morning, Case sets about making that company one step bigger, stronger, and more successful.

“I wake up and my entire focus is on this company,” says Case. “Even before I’m standing up, I’m thinking about what we must do next at Core.”

So begins the day of the acclaimed CEO of Core Communications. In the 36 months since Core launched its famed

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– Anonymous Financial Analyst

networking device, the Blue Box, the company has grown to revenue of \$20 billion, it has launched offices in 30 countries around the world, and it has hired five thousand employees.

Such growth was never questioned till the stock hit its most recent low and rumors of trouble flooded the voice mails and email inboxes of traders and analysts.

The stock may have stabilized and the rumors quieted, but there are some who say that questions linger.

“You have to wonder,” says one executive from a competitor of Core’s. “Nothing’s that perfect. No one is that clean.

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I hear rumors every day. That the Core system is under stress, that the company is burning cash, that what seems like an unstoppable business is, in fact, a slowly sinking ship.”

**Calm in the Storm.** “Growing like this is what we set out to do,” Case explained in an interview some months ago, before the rumors spread. He walked among the steel and glass partitions of the 20th floor of Core’s towering headquarters near Tribeca, at the southern end of Manhattan. Ceiling fans and open ductwork hung above his head and employees walked the halls with dogs on leashes or ride scooters between co-workers holding impromptu meetings in the hallway. “And now this is where we find ourselves,” Case said then. “We like it. We like it very much.”

Like it they must. Not only is the 35-year-old Case a near billionaire, hundreds of Core employees are millionaires themselves, with their stock and stock options growing at unprecedented rates.

Yet what is perhaps most striking about the adoration of Core is that the product it sells is both complicated and obscure. While Google has grown to prominence as the search engine millions use every day, and Microsoft and Apple are the ubiquitous providers of the very software that makes millions of computers work, Core makes something far less familiar.

Core makes the Blue Box, a high-end networking device that allows corporate mainframe computers to communicate at extremely high speeds. The technology had become something of a Holy Grail in the obscure world of mainframe computing, a seemingly unattainable process that scientists took to calling “drawing blood from a mainframe”.

Yet Core managed to draw blood from those mainframes. And to make billions of dollars in the process.

And they did it with a program written by Robbie and his engineers. It is a program called Shimmer and, twenty-four hours a day, Shimmer manages the flow of high-speed traffic between Blue Boxes, satellites, fiber optic networking and the mainframes themselves.

“It is Shimmer that makes Core possible,” Case says. “And it is Shimmer that makes billions of dollars flow from Core’s clients.”

**Shimmering Billions.** If there are problems at Core, critics say it is the secrecy surrounding Shimmer.

“Consider the amount of data from so many different companies around the world that is controlled by Shimmer,” says an executive at a foreign competitor of Core’s. “It’s troubling. No one except Robbie Case is allowed to touch Shim-

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*CEO, Core Communications*

mer. What is it that Robbie is afraid they’ll see?”

For now, though, all those billions of dollars that flow through Core have kept most skeptics quiet. Investors continue to line up to buy Core stock. And so attractive is a job at Core that the company has a lottery system for prospective employees to even be considered for a position. “You can be your best self here,” says one long-time executive who has been at the company since nearly its founding. “Core is a place without cynicism.”

**A Cousin and Partner.** It is that lack of cynicism – and the seemingly endless growth – that has resulted in Case appearing on the covers of some fifty magazines and newspapers in the last few years.

Often those covers feature not just Case, but also his cousin, Trevor Case, the head of sales for Core. A notoriously foul-

mouthered and cutthroat executive, Trevor Case is what one observer calls the dark alter ego to his cousin, Robbie Case.

“Trevor does the things, says the things, that Robbie simply won’t – or maybe can’t,” says one company executive, speaking off the record because of the “volatile tendencies” of Trevor. The same executive notes that Trevor is rarely seen in the New York headquarters.

“Trevor is required to report in to Robbie any time he is in New York,” the executive says. “It’s like a restraining order on his own head of sales.”

Trevor Case was unavailable for comment. For his part, Robbie would say only of his cousin and partner, “Ultimately, Trevor is judged on what he and his team sell.”

If that is the case, then the only judgment on Trevor is a positive, even euphoric one. Sales at Core Communications continue to grow exponentially.

Yet some analysts find something problematic in the secrecy and volatility surrounding Trevor Case. “It’s like Shimmer,” says one analyst. “If you think about it too much, too hard, you start to wonder if there’s another reason for all the secrecy that surrounds the company. You start to wonder if there is something they are trying to hide.”

Although he remains controller owner of the company and leads Core with what insiders say is a close hand, Case is in many ways an atypical CEO.

In an exclusive interview, when Case is asked if he was prepared for the kind of explosive growth Core Communications is experiencing, Case is surprisingly reserved. “Anyone who tells you they’re ready for this is, I think, lying,” he says, as he walks across the 16th floor.

When it is suggested to Robbie that comments about the company not being prepared for such growth could cause the price of Core’s otherwise skyrocketing stock to drop by a few dollars, Robbie smiles slightly, pauses, then delivers an unexpected answer. “Yes,” he says, “but I’ve got other things to tell you that will drive it up by ten.” ■