Coping with Success

By Eli Rabinovich

Welcome to “Profiles in Investing”, brought to you by The Bottom Line and The Heilbrunn Center for Graham & Dodd Investing. Every week we will profile a leading investor and get an inside look into their investment philosophy.

Up next, Jim Cramer.

Professional History

• Co-host of Kudlow & Cramer
• Co-producer, “Real Money with Jim Cramer” a national radio program
• Founder, thestreet.com

Hedge fund manager from 1987-2000, 24% compounded annual return after fees

• Author, Confessions of a Street Addict and You Got Screwed
• Goldman Sachs, Sales & Trading
• Reporter, Tallahassee Democrat and the Los Angeles Herald Examiner
• Harvard College, Magna Cum Laude, Harvard Law School

ER: How did you first get started in the investment business?

JC: I started following the market in 3rd, 4th, and 5th grade and I was turned on to it the way people are turned onto sports. I started making money in my personal account in ’79-’80. In ’81 when I went to law school I was leaving stock tips on my answering machine. A guy named Marty Perez, who owned the New Republic, was trying to get a hold of me to write a book review. I didn’t return his phone call for a long time. In the interim he made so much money off my answering machine he said he had to meet me at the Coffee Connection, a coffee house near Harvard. When I got there he had a check for half a million dollars – and that’s what I’ve been doing ever since.

ER: Why did you go to law school instead of business school?

JC: I wanted to be a prosecutor but I didn’t have the grades in my first year to be accepted by Giuliani. Between by first and second year I worked as a summer associate on the takeover team at Fried Frank and I despised it. It was horrible. It was really boring. I worked at Goldman between my second and third year, and basically worked at Goldman during my third year of law school. I couldn’t wait to get started. I didn’t know if I wanted to be a trader or in sales. Decided to be in sales because I wanted to build my own business – which is what I did and it was just terrific.

So I walked in on Monday and I quit and I’ve been really happy ever since. I don’t make any money but I am really happy. I was making a lot of money and I was unhappy. Its amazing how much better it is to me. It’s interesting.

ER: Have you achieved that balance in your life now?

JC: Yeah. I’m really good. I take my kids to school every-day now. I make them breakfast and lunch. I get back at seven everyday. I am trying to move my show up so I can be back at six. I coached soccer for the last two years. I never miss a game. I only missed back-to-school night because Grasso got fired. I am ritualistic about all the kids stuff. I don’t work on any evening and haven’t worked a weekend since. At my old firm, I believed that a mattered to me. Then my wife, best friend, sister, father and partner all had an intervention for me on Thanksgiving weekend and said “Look its never going to be this good for you. You are up huge. You are driving everyone crazy. You don’t know your kids. You are just a machine – You have to stop.”

I.M. Cheap

The Best Philly New York Cheesesteak Ever

By Matthew Wang

As some of you may have guessed by now, I am not the healthiest eater. I love the meat and grease that comes with fatty foods. There is nothing more satisfying then using a napkin to wipe your face and having it soaked in oil. My culinary habits obviously make Philly cheesesteaks one of my favorite foods.

The problem with living in New York City is that finding a good cheese steak is difficult. There are places like Tad’s Steaks, Subway, and numerous neighborhood delis, but they are pale imitations of the artistic creations that Philadelphia offers.

BB Sandwich Bar did something about it. Opened in the spring of 2002 in a small store front with less than 10 seats, BB Sandwich Bar serves one thing only, cheesesteaks. But these aren’t your authentic Philly-style cheese steaks, but a New York “gourmet” variation of it. If you are from Philly, let me warn you, the next several lines may sicken you.

First, rather than using a hero roll, BB’s uses a round Kaiser roll. According to the owner in a New York Times review (May 2002), the Kaiser roll absorbs the juices of the meat better.

Second, instead of using Cheez Whiz or provolone, BB’s uses white American cheese, claiming that the white cheese “has a higher fat content than yellow” and that “fat transfers flavor the best.” Provolone’s flavor “overwhelms the meat.”

Third, rather than only frying the onions, BB’s caramelizes them and marinates them giving the onions more of a grill flavor.

Finally, to further differentiate itself from a Philly cheesesteak, BB’s adds a mixture of ketchup, chili peppers and balsamic vinegar on the bread to give the cheese steak a kick.

All of this is wrapped in wax paper so there is no leakage and combined into a cheese steak that even Philly natives could appreciate for under $5.00.

So next time you get a craving for a great sandwich, hop down to the West 4th Street stop, go past the playgrounds and enjoy a New York original.

I would like to thank everyone who offered comments about my review of Corner Bistro. I received so many suggestions about people’s favorite burger places that I will write a burger sampler in the spring. If you have any places that you think must be on my list of places to go to, please write in. I already have about five to six, but the more the merrier.

BB Sandwich Bar (120 West 3rd Street between MacDougal Street and Sixth Avenue, (212) 473-7500) Closest Subway Station: A,C,E, F, V train to West 4th Street.

Are there any cheap places you want reviewed? I will be in New York during the holidays and I will be reviewing a ton of places. Please e-mail me at MWang05@gsb.columbia.edu with your suggestions and opinions.
five day week was a mistake and we work six days. And you could not pick which week you wanted to work – you could pick Saturday or Sunday. I didn’t care which day you took off for religious purposes, but the others did. And I led that life myself. I felt if everybody else was working five days, it was imperative to work six days. If everybody else was working 12 hours, it was imperative to work 14 hours.

ER: Any desire to go back to running a fund?
JC: No. I like the process of running money. I wouldn’t mind losing money and making a little more economic sense, the Boston route’s $10 fare seems to be artificially made, on average, four trips a day on both routes, each bus making, on average, around 143 trips. With a five day week was a mistake. I’m done with that. I said – “I’m done. I’m done. I’m done.” And I led that life. I believe that my investors were my bosses. It was their money and that was how I led things. I’m done.

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maintenance costs, a Boston bus has to make approximately 333 trips to pay for itself and a Washington bus has to make around 143 trips. With each bus making, on average, four trips a day on both routes, it takes 83 days to pay off a Boston bus and 36 days to pay off a Washington bus.

While the Washington route (which is what I’ve taken) may make a little more economic sense, the fare seems to be artificially low, and organized crime may be part of the reason. On November 1, the New York Post reported on a knife in front of the New Century Travel bus company’s office in Chinatown. Reports are still unclear on what happened, but one report says a 31-year-old Chinese bus attendant robbed a couple of friends. Someday I might do that. But the responsibility of running money for people where they are my boss is never going to happen again. I totally believed that my investors were my bosses. It was their money and that was how I led things. I’m done.

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in the logical conclusion of everything you were supposed to do in your life. I went to the best schools and did my best to finish first. I went to the best firm and tried to finish first. I was the leading commission generator at Goldman in ’84, ’85 and ’86 even though I was kid. I went to my own fund. I was everything you were supposed to be and it was awful. We are not machines, we are people. I was destroying myself. It must have been comical to watch it as an outsider. I had all the money in the world, a great kid, wife and... and it didn’t mean jack.

ER: Could you have achieved the proper balance any earlier or even today, if you have to go through the process?
JC: I had to go through the process because I wasn’t rich and I was insecure. I think I could have been kinder. I was in a mode where I felt that nice ties were a time consumption I couldn’t pay for myself. So you’ve learned Chinese were only so many hours in the day to succeed. What was important was to make money for my partners – that was the litmus test. And everything else was a distraction. I remember screaming at my partner when he went to his kid’s play on the day when we lost a million dollars. I said, “Your kid is going to be the star of a million plays, Intel only reports once a quarter. And you’re going to your kid’s stinking play.” This was right before I quit. He said to me, “One day you had to be so embarrassed about yourself.” I said, “Well, I don’t care about that one day. You told me Intel was going to be fine and then you go to your kid’s play and you stuck here managing the Intel position.” I went home and described to my wife the tantrum my partner had and asked her if she could believe it – and she said – “Did you really say he shouldn’t go to the stinking play to see his stinking kid?” And I said “Yeah, back only reports once a quarter.” And that is when she contacted him and people were starting to realize I was out of control. The last thing anybody ever thinks about when they are starting out is what would happen if I made it. What would happen if everything that was supposed to happen happens? What if I succeed and get into an area where I want to get to? What happens? No one prepares you for that. You are prepared to fail. But I don’t think anybody knows what to do once they get there.

ER: What advice would you give to students?
JC: I think you need to have goals and when you hit those goals you need to set another target. I said “I’m going to be a millionaire” and I got that. Then I said I going to have ten million dollars – and then I got that. Then I said I’m going to have fifty million dollars, my own firm, lots of employees, and become really powerful – I did that. Today I have a hundred million dollars and I make a hundred million dollars and start another company, a public company brought public by Goldman – that’s a good goal – and I did that. Well then what do you do? Raise your target to two hundred million. My original goal was fine – to get some money because I was insecure about not having any money. But once I met that I should not have ratched and ratched. There is a period when you are supposed to do this stuff – and I regard that period to be when you are in your twenties and thirties. But when you get to your forties and you have kids and a family – if you are single and don’t have kids it is different – but [when] you go and get married and have kids they trump this other stuff.

ER: Thank you very much Mr. Cramer

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