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## Now The Medium Is The Message Board

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Finance: STOCK PLAYS

### NOW THE MEDIUM IS THE MESSAGE BOARD

Diana's wild ride shows how cyberpostings move stocks

The stock symbol for Diana Corp. is DNA--the same as the building blocks of life itself. But lately, Diana stock has been death incarnate. In just four weeks, this Milwaukee-based company's stock has fallen from 103 on May 28 to 39 1/4 on June 26--after climbing all the way up from 5 a year ago. Some of the gyrations were caused by ordinary market influences. But for much of Diana's wild ride, the stock was sent careening by a potent new force in the markets: the power of online services.

Diana's rise was fueled by postings online--particularly America Online Inc.'s Motley Fool electronic bulletin boards. But so was its fall--and in a manner so troubling that it has apparently drawn the interest of regulators. The New York Stock Exchange, where Diana's stock is listed, is investigating trading in the stock, according to company officials. Diana executives maintain that the company's shares were driven down by disclosure of inside information that was posted on Motley Fool message boards. If so, the implications could be serious for the online world, which is getting increased scrutiny from regulators as a medium for market manipulation. Editors of the Motley Fool, whose stock recommendations have been hammered in recent weeks, did not return phone calls seeking comment.

In Diana's case, the negative information posted on Motley Fool was accurate--but premature. On June 13, a person with the AOL handle

Duke121 wrote in the Diana "folder" of the Motley Fool that the company would take an \$850,000 writedown in its fourth quarter on the meat distribution business the company has been trying to sell. Without any other major news, Diana's stock slid 8 3/4 to close the day at 77 1/4. And then, lo and behold, 12 days later the company reported fourth-quarter financial results--and they included an \$852,000 writedown. "That was clearly inside information," says Diana Chairman Richard Y. Fisher. "We are going to look into how that got on the bulletin board."

**PURPORTED EXPERTS.** At first glance, Diana is an unlikely company to find in the middle of an Internet controversy. Its primary business is distributing meat and seafood. What's driving interest in Diana is its 80% stake in Sattel Communications Corp., which makes switches aimed at lowering the cost of providing access to the Internet. The Motley Fool forum is full of messages from purported experts who expound in detail on Diana's technology. Since Diana's stock is thinly traded--only 4.1 million shares are outstanding--the stock is more prone than most to online influence.

What has been added to that mixture in Motley Fool are alarmist comments, both positive and negative. In February, a Fool forum participant with the handle VALUESPEC posted a public message saying that a "very bullish" announcement would come in the "not-too-distant" future. In March, the same author wrote that "MCI might be interested in" Diana. The posters of these messages, who would not respond to E-mail queries from BUSINESS WEEK, are anonymous AOL subscribers. VALUESPEC describes him- or herself in a member profile as a 34-year-old owner of a landscaping business, while Duke121 will only disclose her gender and marital status.

Sometimes the online leads are correct, sometimes not. Diana did announce a major deal to sell 21 switches in May, which helped its stock rise even further. But no MCI Communications Corp. interest has materialized. "I think the Motley Fool postings have definitely helped drive Diana through the stratosphere," says Richard Keim, whose Keim Wilson Associates has a short position in the stock.

Since late May, the bears have had their way in the Motley Fool forum and with Diana. On May 29, Asensio & Co., a New York research and trading firm, posted a sell recommendation on the Motley Fool bulletin board. The stock dropped 2 3/4, to close at 101. The next day, "SsOprtr" posted a report that the Securities & Exchange Commission was looking into possible manipulation of Diana's stock--and the stock slipped another 2 1/4. Fisher says he knows of no SEC investigation, and the SEC declined to comment.

The Diana saga shows that the Internet and online services are providing a new way to discuss securities: Anonymous people who may have hidden agendas can post any information they want, accurate or not, in a public forum. But perhaps less has changed than meets the eye. "The lesson is what it's always been: Investigate before you invest," says Merton Miller, a University of Chicago economist and Nobel prizewinner. Even in the new world of cyberspace, the old lessons of investing apply. By Peter Elstrom in Chicago

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