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Crash and Burn

"Well, that was fun," Craig said sarcastically to his traveling companion. He and Rex were in Craig's truck again, headed home to Charlottesville.

"Our friends are going to get nailed," Rex moaned. "You know they'll be the first ones fired. It's going to be a bloodbath. Damn! After all the times we brought the company back from the dead."

"That's no comfort to those being laid off."

"We gave it the good fight. We lost the last round."

"How do you lose a company to a pack of strangers?"

"They're so damn arrogant about it." Rex slumped in his seat.

"Oh, yeah. They actually think we're the problem. They think the stock's going to go up. They're in denial. Just use the right words and Wall Street will buy this harebrained scheme. Can you believe how many times they told the Witch to use the word 'focus' in her release?"

"Hocus Focus, is more like it," Rex cringed. "What we've got here is a mass hallucination. They finally drank the koolaid, but not until it was laced with cyanide. Thing is, it's going to kill us as well as them."

"Well, that's convenient, 'cause we just left our own funeral."

"They ignored the package we sent 'em, sure as hell. None of the issues we raised were even discussed. With so much at stake, they never even bothered to read our plan. Or hers, for that matter!"

"Like you said, pal, we were sneakers up a month ago. Our goose was cooked the moment the board elected Dorchak. Right or wrong, boards support management—that's what boards do. From that point on, we were just background noise, an irritant."

"And I thought they existed to protect the shareholders."

Craig sighed. "Is it us, or them?"

"What do you mean?"

"I mean, are we wrong? Our corporate types, the board, Wall Street analysts are all saying we're nuts."

"Yeah, maybe, but the people who count know we're right. Thousands of brand and alliance partners have invested in us. Our original team knows better too, as do our customers. We've got a lot of support."

"But, our management and board, wrong as they may be, are in charge now. So let's face it. We've empowered our own executioners.

A few moments of quiet slipped by as the two unemployed dot-com founders turned off US 28 and merged onto the westbound lanes of I-66. Rex broke the silence. "There may be a bright side to all of this."

"Oh, a funeral with a happy ending. This I want to hear."

"I'm serious. You know how all the analysts hammered us because our business model didn't fit theirs?"

"Yeah. Ours made sense."

"Well, this new plan doesn't. So they're gonna love it."

"The plan is so ridiculous, the Street'll actually buy it?"

"Stranger things have happened," Rex mused.

"While I'm not buying your 'It's-stupid-enough-to-be-smart' argument, you're right about one thing. The day wasn't a complete loss. We resigned," Craig said thankfully. "We'll never have to walk into purgatory again." Purgatory was what everybody had come to call the executive offices on Rio Road, also known as the "den of thieves."

"We got more out of the meeting than that," Rex noted, still endeavoring to make the rape and plunder of their dream look like a little misunderstanding. "We're free to sell." He shook his head. "Can you believe that little prick actually told us not to sell our shares while 'the Special Committee evaluates its options?'"

"What an a-hole," said Craig, using an uncharacteristic vulgarity. Alas, the founders' vocabulary had deteriorated to match their mood.

Rex replayed the encounter, "Let's see. They abuse us, ignore us, slander us, and dismember the company we built. Then they expect us to love and cherish our…" Rex left the expletive deleted, "shares."

"Makes perfect sense. Most people I know would be thrilled to own a company stupid enough to piss off their largest shareholders. Hold on to our shares? What color is the sky on their planet?"

"I must say, you did a nice job clarifying our position when Caise's donkey tried to get us to bend over and capitulate. 'We have no intention whatsoever of restricting our property rights.' Well put."

"Thank you. You hammered him too, right there on the stairs on the way out. You gave that pompous buffoon both barrels: 'I wish to confirm that you understand it is our intention to sell our shares. We waived none of our rights. Make certain the record correctly reflects our position.' Based on the creativity they showed drafting the last set of minutes, who knows what this set will say."

"I don't trust that boy as far as I could throw him. It's guys like that who give lawyers a bad name. We haven't heard the last of him."

"You know, Rex, apart from us, the board is united. They've chosen a plan. It's their plan. There's no way on God's green earth they can blame us if their plan tanks."

"You're right. It's our company, but it's their plan. We're gone. Hasta la vista. They're on their own. They've got to make this thing work. It's a big damn deal challenging a firm's largest shareholders, especially when they're the founders. They've drawn a line in the sand. If the company craters now, they're in deep shit." Rex paused, "They're not only risking their reputations, they're begging for a humongous class action suit."

"All the stuff we wrote them, pleading with them. Our letters are going to come back to haunt them," Craig said as he glided down the exit ramp and turned south on US 29. They were headed home. "I really hate this," he groused as they waited for the light to turn green. "We're pledged to secrecy. For seven long days we've got to carry this burden. This is going to be a miserable Christmas. Three hundred families are going to get torched by the Witch's broom, and there's not a damn thing we can do to stop it. We can't even warn them."

"Don't get yourself depressed any more than you already are. We don't even know the names of ninety percent of the folks they're gonna lay off. Like I've been telling you, this stopped being our company a long time ago."

"I still feel responsible," Craig moaned, "like there's something more I could have done, should have done differently."

"Yeah. We should have fired that lying blond bitch when we had the chance. But who knew? We should never have hired Morgan, and even after we did, we should have canned him the day we came back from the road show. He was worthless: couldn't talk, couldn't think, couldn't even manage his own damn coup! No wonder nobody blames him for anything. How do you blame a guy who never does a damn thing?"

"He's living proof of the adage, 'It's better to remain quiet and seem dumb, than to open your mouth and remove all doubt.'"

"Speaking of dumb, forming an all-outside board wasn't real bright, either, pal."

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When Craig reached home, he went to his office and opened Dorchak's plan to see if it was really as bad as he'd thought.

Value America Plan of Restructure

Management's review of the business revealed that the number of product categories served significantly affected the Company's efficiency, headcount [as if they were cattle] and capital requirements. The number of distributors and brands has negatively a67ffected [sic—just carelessness] our service.

Management plans to eliminate the following product categories and non-core revenue streams: Suppliers from 450 to 25; Business Alliance Development; Custom Stores; Direct Mail; Marketing Services; Presentation Revenue; Account Sales; Radio, Broadcast, Magazine, and Online Ads."

That pretty much eliminated everything of value. Jettisoning magazine and online ads would have been a good thing, of course, but it didn't occur. The company's brilliant new CEO, unconstrained, promptly signed the $5.5 million Yahoo! deal Craig had thwarted. She even blamed Winn for approving it! Funny thing, though. Reference to the elimination of online ads mysteriously disappeared from the December 28th version of her plan. Perhaps she thought no one would notice.

"Management intends to reduce office space from 14 locations with a total of 77,668 square feet to 8 locations with a total of 32,568 feet." And waste $165,000 canceling the leases. But that was chickenfeed compared to what came next. Thinning the herd was going to cost…

WARN Act—60 days (required)	$1,750,000
One week for each year of completed service	$25,000
Reemployment package	$175,000
Employment Contract breakage penalty	$100,000
Non-compete agreements	$500,000
Total Severance Costs	$2,550,000

$2,550,000 to pay people not to work. Amazing. But not nearly as amazing as the revelation that came from Joe Page. His father was no longer Counsel for the UAW; President Clinton had appointed him General Counsel for the National Labor Relations Board. He had co-authored the WARN Act and had lobbied Congress for its passage. He said Value America didn't qualify, for a number of reasons. So much for great legal advice. But heck, Caise, Perkins only charged $375,000.

Funerals were getting expensive. As Craig waded through the plan, he lived a succession of emotions: disappointment, sadness, anger....

There was a new organizational chart, just in case someone missed an earlier memo and wondered who was in charge. Kari Meyer, the new $290,000 SVP of Human Resources, was already on board. I guess there was no reason to wait for Compensation Committee approval. Imagine her first day on the job—Welcome. You're in charge of human resources; now fire half the humans.

Tom Starnes was also listed prominently on the new org chart: "T. Starnes, EVP & CMO." That's Chief Marketing Officer, for those without their secret decoder rings. Sounds important, doesn't it?

It must have been amusing watching Starnes, the Kuos, and the other Morgan co-conspirators trying to suck up to Dorchak, whom they openly loathed. Their coup hadn't gone exactly as they'd planned.

There were a plethora of new committees. Cliff Chambers headed the "SWAT Team" to monitor order fulfillment and improve reporting. Then there was the "Customer Delight Taskforce." No, I'm not making this stuff up, I swear. They even assigned someone the responsibility of "Process Management." They must have fought over that one.

Team Value America claimed they had already shipped $65 million in the fourth quarter, and expected to ship $72 million by the time it was over, twelve days off. Remember those numbers, because before they were through, something mysterious would happen to them. As Craig sat there alone in his office, he could still hear General Glenda M Dorchak's stirring words, "We are focused. We are not admitting defeat. Our team is still trying to achieve our goal of $83 million for the quarter." They were having such fun with numbers. Think they could spell "fraud?"

Flipping the page, Craig read, "Value America has a membership database of 562,113 and customer base of 143,040." These factoids were followed by an asterisk that indicated that the customer data was provided courtesy of an outside consulting group, apparently because they recognized their own reporting was no longer credible. The report went on to say that there were 613 FTEs. That's people. It means "Full-Time Equivalents."

Craig had scribbled some notes in the margin during the meeting. He listed the number of people Glenda had concluded were working in each product category and the amount of revenue they were generating. The numbers were entirely contrived, but they were presented as the very foundation of her reorganization plan. There were sixty-plus pages recounting every last minuscule detail of this elaborate scheme, yet she managed to omit any written record of the very premise upon which her charade was based. Do you think it was a careless oversight?

So as not to throw up on his desk, Craig turned the page. It made him laugh. Good. It said the firm's most glaring weakness was, "Business Processes and Process

Management." That was them. They were that. Why were they condemning themselves? That was all they were good at.

He laughed again. Citibank was listed as a "marketing opportunity." Yeah, right. They won't generate a dime's more revenue from this relationship. They didn't build it, and they're too unethical to deal with such a fine firm. Besides, it was based on the premise of having a comprehensive store, something they had now destroyed. Oops.

Some pretty graphs followed. They were real audience pleasers. They depicted "eKiosks, eCall Centers, eStores within a Store." Then, a couple of pages later, it all came together:

Our new and improved ads are going to generate a 20:1 ROI. We will replace ValueDollar offers with Free Freight, a tested value proposition… A site redesign will increase customers seven fold. We will deliver the new VA value proposition and limited product specials in newspapers with less frequency and with a new style. It will transform our 2.5:1 performance in 1999 to 8:1 in 2000.

So how were they planning to magically enhance their dismal track record four to eight fold? Details, details.

Then Craig saw his dream of a direct-response solution. "Catalogs performing at a ROI of 4:1 by using a small, high-density catalog approach developed thematically around the Consumer Electronics and Business Segments." What? Didn't they just say they were incurring huge savings by eliminating direct mail catalogs? Who writes this stuff anyway?

This utter waste of ink and paper ended with a recitation of "Strategy Proof Points" and their "Benefits," (translations provided):

Strategy Proof Points:	Benefits:
Clear Message	[We're going to bankrupt this company.]
Effective Communication	[Fooled the board, didn't we?]
Focus on Priorities	[Watch us line our pockets.]
Operational Efficiencies	[Let's scrap everything we don't understand.]
Headcount Reductions	[Merry Christmas, cows.]
Demand Generation	[We demand hefty retention packages.]

And famous last words… "The effective communication of this plan can create a short squeeze that will drive significant gains in the stock price."

The stock ended the year at five dollars a share. Even with dot-com math, it's hard to make five look like twice seventeen. Maybe the board goofed.

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It was easily the worst Christmas Craig can remember. His friends were going to get fired in three days, and he was powerless to stop it.

No longer in the Christmas spirit, Katharine asked her extended family to stay away. The Winn household was no place to be. The news articles were flying with reckless abandon. The story line was always the same: Winn got fired because he managed the company so poorly after the IPO. But now Glenda was riding in to save the day.

Craig wrote one last letter. It was a bazillion-to-one shot, but the board needed to be awakened from their collective trance-like state of denial before they officially ratified their suicide pact.

To: Value America Board Members
Re: Maximizing Shareholder Value Date: December 27, 1999

Rex Scatena and I voted against the adoption of management's restructuring plan and we elected to resign our employment with the company because we believe the plan will make the sale of the company more difficult, and believe it will diminish the company's value in a merger. We are convinced that the company, its employees, and its shareholders are at greater risk if the firm is not merged into a larger corporation. Therefore, we believe Value America must be managed to sell with the greatest certainty, the greatest speed, and at the highest valuation. Cutting the company in half is inconsistent with these objectives.

We are pleased that a committee has been formed to select investment bankers and manage this sale. We are pleased that the committee is moving toward this goal. However, the manner in which the company conducts its affairs in the next three months will have a great impact on the value, speed, and certainty of a sale. It is our opinion that if the board gives its final approval to the restructuring plan, the company we built, its core competencies and many of its best people will be lost. Additionally, we believe a restructuring of this magnitude will inevitably slow the sale process. As the company's largest shareholders we view any delay of a sale to be against our interests and counter to those of fellow shareholders.

Board members seemed surprised by our rejection of the restructuring plan during the conclusion of our last meeting. To minimize any misunderstanding we have written the remainder of this letter to constructively communicate our rationale. We believe that any restructuring aimed at diminishing Value America's losses and prolonging cash reserves in preparation for a merger or acquisition should focus on the company's most expensive and least productive area: advertising. Promotional expenditures can be reduced quickly and substantially without diminishing the value of the company.

Management's plan actually burns more cash in the short term and eliminates the company's business development team, demand alliances, presentation marketing and most consumer products merchants and brands. Incredibly, 75% of the company's expenditures, as evidenced by our Q3 statements ($28M of $37M) are in Sales and Advertising. The answer is simple: cut advertising, not people.

The Path to Profitability focused on Value America's requirement to reduce advertising, to make it more productive, and to diminish the its net cost by increasing brand co-op. Our strategy to diminish the company's largest expense area, and thus diminish the company's cash burn, was rejected. Similarly, our efforts to obtain access to affluent Americans through Demand Alliances must not have been valued, because the approved plan eliminates all of the Business Development team that built and managed these relationships.

We earned access to the names and addresses of over 100 million of the wealthiest Americans. We were given the opportunity to use targeted data and promote to those that shopped the most, bought the most, even those that favored direct response sellers. For the first time, we proved we could get our brand partners to pay for our advertising. We proved that we could use direct response to successfully sell a wide range of consumer products.

Success was within our grasp. Yet the board approved a plan that will negatively impact people's lives, rather than cut advertising. It will eliminate consumer products, and cast aside much of the business model and people that attracted you all to this company. It will also eliminate all the Demand Alliances that would be viewed so favorably by an acquiring firm.

Tomorrow, as a result of this decision, half of Value America's employees will be laid off. Many have been with the company for more than two years and have been devoted to its success. The impact of a restructuring of this magnitude in a small town will be devastating to the company's credibility and thus its ability to attract talented people. A 50% reduction in employment in an Internet business where growth often exceeds 50% quarterly will be equally devastating to the company's ability to retain the talent it now has, most of whom joined the firm because of its powerful model, inventiveness, and growth.

A reading of the VUSA message board on Yahoo! shows that we have fostered an environment that fails to discourage employees from communicating misleading or confidential information. Posted there you will find that the firm intends to lay off hundreds of people and will miss revenue estimates this quarter. This is not conducive to the sale or management of the company.

Bright, passionate, and dedicated people make a company valuable. Their excitement and vitality are the first things a prospective buyer notices. It is the very thing every member of our board noticed during our first meeting. Empty buildings and the cumulative depression that will most assuredly follow the dismissal of over 300 people in a company of 600 will have an equally negative impact on how a prospective buyer will value the firm. This is a tremendously painful and unnecessary risk.

Sadly, we will waste money on severance and facility closures. Not only will we receive no benefit from these employees over the next several months, they will actually cost the company more than if they were working to serve our customers, brand partners, and shareholders. And Value America will become less valuable and salable as a result. This deplorable situation is unnecessary because the alternative is to do the right and obvious thing: reduce sales and advertising spending. Under one strategy we spend a lot less cash and have a whole company to sell. Under the other plan we spend a lot more cash in the short term and have half a company to sell. What are we missing?

As a result of management's reorganization plan, all of the expense and enormous effort to form relationships with thousands of consumer brands will be wasted, negating the value of these relationships to a prospective buyer. In the wake of this decision the company must rely on the sale of low margin and high return goods. Value America will become a more expensive version of Buy.com, OnSale, and Outpost—a more expensive version because the same executives that managed our poor advertising performance are now elevated without addressing their failures, or without proposing a more productive alternative. An acquiring company can quickly resume advertising, but they will not be able to quickly hire 300 skilled people, or be able to resume relationships with our demand alliances or with thousands of quality brands.

It is possible to diminish costs outside of advertising without delaying a sale of the company or diminishing its value. We can eliminate Convergys, the outsource call center management brought on line in Q3. Those managing this relationship claim we pay them twice as much per hour than we do our own people, and receive less than half the performance. They claim we contract for between 125 and 150 people at Convergys. If this were in-house, we could lay off 50% fewer people, we would be more valuable as a result of the increased in-house capability, and we would spend much less money, short and long term…. We could eliminate the hiring freeze in technology and replace the fifty $200 to $300 an hour consultants with $20 to $30 an hour employees. If we are managing the company to maximize the value, swiftness, and certainty of a sale, these actions should be taken rather than the alternative of enduring the great risk and cost of management's plan.

Please review the three documents we sent to you two weeks ago. We believe it is clear that we must sell Value America to a strategic partner, now, not later. The board, in our view, has been misled into believing our technology would not endure due diligence. We were told a sale should be postponed until our systems are fixed. Those responsible for our integrated e-commerce solution were never given the opportunity to refute this charge. They resolutely believe, and can substantiate, that Value America's infrastructure is superior to the systems and capabilities that endured years of intense inspection preceding our funding rounds.

Even our challenges, in particular our excessive advertising, are eliminated with the right buyer because a more established company can replace our advertising with theirs and our customer acquisition cost with their customers. The crown jewel of Value America is its superior e-tailing engine. A strategic partner will be able to capitalize on this capability with minimal cost while simultaneously building our custom marketplaces. We are more valuable to our shareholders and more responsive to our employees following a successful merger.

The company must be managed in a manner that maximizes value while it minimizes risk. This course of action ensures longevity and supports the interests of our shareholders, employees, customers, and brand partners. As a result, Rex and I voted yes on focusing on the swift sale of the company and voted no on terminating half of its employees and brand relationships. During today's teleconference meeting of the board you will have the opportunity to concur with the position of the company's two largest shareholders…."

It's hard to imagine rational men ignoring such words, but they did. Reading takes time, and thinking is...well, who thinks anymore? So Wolf made a mockery of it. Caise said he would support it only if it were the unified will of the entire board. Smith bristled, asking Craig why he bothered to write it. Based upon their actions, there is no evidence the others even read it. Most board members, in fact, didn't even bother attending the December 27th teleconference. The new chairman struggled to obtain a quorum. If Craig had hung up, the board would not have been able to conduct its business.

Perhaps it's understandable. After all, this board had served less than six months. They were openly defying the firm's founders, rebuking their largest shareholders, firing half their people, disposing of their most valuable assets without gaining any benefit, inviting—begging for—a class action suit, and dispatching shareholder value—all because of incomplete and inaccurate information. Important? Why should I attend? It's Christmas.

CEO Dorchak began the meeting by revealing that with three days left in the quarter her sales outlook had fallen from $75 million to $70 million. The Street already knew it. The previous day, someone using the code name "gotnomomoney" had posted this message on Yahoo!'s VUSA board: "VUSA will miss earnings estimates. Whispers are $70 million, maybe less. Rumors are they are going to lay off hundreds of people. This is going belly up." Another said, "Major announcements are coming. Layoffs are coming. News on Wednesday."

Dorchak's other numbers "migrated" a tad as well. The $2.5 million she proposed paying 300 people not to work jumped to $4.1 million. Even that wasn't close; in the end, the direct cost of cutting the company in half would exceed $8 million. While wasting $8 million is foolish, destroying people's lives and a company in the process is downright criminal.

They got nothing for their eight mil except a class action suit. But to their credit, they'd anticipated that. In their plan, they wrote, "The costs detailed above are limited to those liabilities management believes currently exist and those that can be reasonably estimated. Costs associated with possible litigation resulting from implementation of this plan of restructure have not been included above and could range up to, or be in excess of, $7,000,000." It took only a few weeks for the shareholders to turn management's fears into reality.

The highlight of the December 27th tele-board was the "Key Personnel Retention Packages." It was approved by majority vote. The board must have thought it was in their shareholders' interests to guarantee the top brass a "one-year salary for termination on Change of Control with immediate stock option vesting." The new CEO explained that it was important to make the company "difficult to sell." She said, "We think it's important that we put a prospective acquirer on notice that if they wish to buy this company, it will cost them an additional $3.4 million."

Later she conveyed her high treason in writing: "An acquirer of Value America would be liable for $3,410,000 if all executives covered were dismissed due to change of control. It is imperative that we move quickly to reduce anxiety and contain turnover." Why would one be concerned about reducing turnover if they planned to "turn over" half the employees the very next day? Perhaps there was an ulterior motive for their "Key Personnel Retention Packages."

The one-year bonus babies included Ewert, Starnes, Anders, Chambers, and stunningly, the two-day-a-month Chairman, Wolf Schmitt, along with Dorchak herself. It was their plan, so why were they "anxious?" Some of the six-month bonus babies were Kim and David Kuo, Biff Pusey, HR's Kari Meyer, Nick Hofer in Advertising, and Candy Clifford in Sales.

The twenty-three page fax Ms. Dorchak sent the board this day was hilarious. Glenda had screwed up and was desparately trying to cover herself. She had sent a letter to Byron Peters, firing him. Only then did she discover that he had an employment contract. Her move wasn't particularly professional. So she did what came naturally: she lied. She told the board she "was considering" firing him, because there was no longer anything for him to do. Since her restructuing plan was already three times over budget, she needed to elicit their complicity.

Glenda had gotten herself into this pickle because she didn't like the fact that Peters had worked with Craig. At the same time, she wanted to reward Starnes for the role he'd unwittingly played in her ascension.

One of them had retail experience; the other had none. One had ability; the other had, well, let's not go there. One had an employment contract she now revealed would cost $1,368,856 to sever; the other had nada. So Glenda besieged the board, hoping they would bail her out and indulge her childish whim. Besides, how could she maintain her "professional image" if she admitted she'd already blown the money.

Craig knew she was lying, but he elected not to say anything. In each of the last two board meetings, he had gone out of his way to show that the new CEO and Chairman were not "truth-tellers," but he had been trained, like Pavlov's dog, that such revelations would not be well received.

He argued the merits of doing the intelligent thing but the board was, well, the same board who had approved the restructuring plan. Value America's "brilliant" new CEO, now with board approval, promptly re-fired the guy with ability, experience, and a contract and promoted the guy who had none of the above. Kiss another million bucks goodbye.

Rex was out of the country this day, so Craig cast the lone dissenting vote. "Hell no," he said defiantly. It would be the last vote either of them would ever cast—the last board meeting either of them would ever attend.

As the festivities drew to a merciful close, a deeply saddened Winn pressed what he thought was the disconnect button on his new speakerphone. Oops, wrong button. Before he could figure out what was wrong, his sadness turned to revulsion. As others signed off, Fred Smith and Glenda Dorchak remained on the line. Fred was positively gushy, praising Glenda and her new plan with unbridled admiration. Craig's heart fell a mile before he was finally able to get the technology to release him.

"They completely ignored your letter." Craig's coworker, friend, and neighbor, Sean Flynn had listened in on the conference call. Winn had wanted a credible source to attest to the fact that his letter had been faxed to every board member—no excuses, no denials. With Rex out of the country, he thought that another set of ears might be helpful. The board's behavior had become so bizarre, an independent witness might help to corroborate the absurdity.

"Based on the last set of board minutes, it's not beyond these folks to doctor what was said today. I'm glad you were here, Sean."

"Isn't that illegal?"

"Probably. I'm not a lawyer, but it's never good when you have to change the facts to keep from looking bad."

"I don't have much experience with this sort of thing. But how do you explain the fact that they never so much as discussed any issue you raised in your fax? I read it. It told them the truth—that by approving this plan they would kill the company. With so much at stake—so many lives, so much money—they ignored it. Sounds crazy to me."

"And to me. Listen, I had thought they'd study the material Rex and I sent them prior to the last board meeting. It would have taken them an hour or so, but they were evidently too busy with their own issues—family, business, politics, who knows? These guys were all chosen because they were successful doing something else, and that something took precidence over this something."

“So they destroy a company rather than alter their priorities long enough to make an informed a decision?”

“They didn’t mean to kill it. They probably think they saved it.”

“Not a chance,” Sean exclaimed. “Ask anybody who counts. I have. We all know this company is doomed without you.”

“Well, they haven’t, so they believe the opposite, that the stock will double with me gone.”

“Don’t they read the message boards, see what the shareholders think? Check the newspapers for the stock price?”

“No. All they knew was that the stock was below the IPO price. They needed a scapegoat. I wasn’t only the easiest target, I was the only target, because neither Dorchak nor Morgan did enough to get noticed. They got a half dozen idiots to say I was the problem, and these fools fell for it.”

“No way!” Sean couldn’t believe what he was hearing.

“Do you really want to know what happened?”

“Yeah.”

“It’s the board. Start with Bill Bennett. He’s a nice guy. Damn smart, but claims to know nothing about business. He’s a friend of Kuo’s, so guess how he votes. Second, Rex, Dean, and I replaced Justin Caise’s firm with a more qualified outfit after the IPO. He loses his biggest client. Then Justin picks up two million bucks in billings when Dorchak fires the big firm and rehires him. How do you think he votes?”

“You’re oh for two.”

“It gets worse. Rafe Durn, Mr. Union, threatens to ‘bring me down’ if I do a deal with the ‘anti-union FedEx.’ I do, and he does. He even gets his new partner, Don Tarpin, to go along. So now it’s four to nothing.”

Sean’s eyes were big as saucers.

“We’re just getting warmed up. Take Gerry Roche and Sam White. They were introduced by that overpaid idiot of a spiritual advisior—Goose Godfrey. They remain loyal, for whatever reason, to the Bretheren. So it doesn’t take a PhD to figure out how they voted. Do you think it was hard to convince them that Morgan was grand or that I was scum?”

“But Godfrey doesn’t know anything about the inner workings, the operations of Value America.”

“He doesn’t have to. He knows the board members, and therefore is in a position to ‘influence’ them.”

“This is really sickening.”

“It’s six-zip. So now in a knee-jerk reaction to save the company in the midst of all this foolishness, I stupidly empower Wolf Schmitt. The very second he’s promoted, his true colors come out.”

“Nobody in the company even knows who he is. How could he have any credibility? The few people who’ve met him think he’s arrogant.”

“But not the board. He speaks their language. And they don’t know enough about the company to realize he’s just blowing smoke.”

“So he votes against you. That leaves only Fred Smith and Frank Flowers. What’s their story?”

“I’m not sure Flowers even knows what business we’re in. He’s super smart, plenty talented, but he’s become a cable guy. He’s managing umpteen billion bucks for Paul Allen, so even though I think he wants to do right, he doesn’t know how.”

Sean slumped back in his chair.

“As for Smith, he was worked over by the Brethren. They pounded him relentlessly, somehow convincing him that everyone would bail if I returned to management.”

“That’s absurd. You’re the only reason we’re all here. In fact, the opposite is true. Guys like Dean Johnson and Ken Power left because you got out of management.”

“You know that. Smith doesn’t. I have irrefutable confirmation that the Brethren got to him big time. All they needed him to do was waver on one vote. After that, it was all over. From that time on, they knew that his military experience combined with the corporate culture he’d created at FedEx would cause him to support management blindly. So long as I wasn’t brought back into management at the November 23rd meeting, it was curtains. I became nothing more than a friendly irritant. Smith is as predictable as the sunrise. Chain of command, ‘proper organizational protocol,’ in his corporate parlance, is supremely important. He has always and will always vote in favor of management. During his six months on the board, I was never a manager. So guess how he voted?”

“That’s it. Nine against you and Rex. Bye-bye company.”

“And come to find out, we can’t fire them, even though we own the company. It’s sick. Sad. But not all that mysterious.”

The press release was issued the following morning. It used the word “focus” a lot, but that didn’t help. The stock continued its free fall. Buried at the end of the release:

‘The board of directors has been very involved in this process. We are supportive of the management team and the potential of this new business focus,’ said Wolf Schmitt…. The company also announced that the board has appointed a special committee to explore strategic opportunities for Value America. In addition, they announced that its two founders, Craig Winn and Rex Scatena, had resigned.

Unable to think on their feet, the management team prepared talking points. They said, “We are moving from an entrepreneurial start-up to a more professionally managed public company. Even without focus, Value America has become e-commerce’s leading computer reseller. With focus, we will become e-commerce’s leading technology superstore.” Anticipating the obvious, they wrote, “Q: Aren’t you just the first dot-com failure? A: We’ll focus on our winners and more tightly manage costs for acceleration toward profitability. Backed by a world-class board of directors, we think we can be one of dot-com’s great success stories.” It was incomprehensible drivel like this that caused the stock to plunge seventy percent in the first month of the Wolf & Witch era. Yep. Craig and Rex are the problem. Get rid of them, and the stock will double.

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The layoffs were as cold and calculated as the schemes that had precipitated them. Everyone was asked to attend a company-wide meeting at the Doubletree, the same hotel in which Joe had met Craig their first day together in Charlottesville.

Some thought little of it; Glenda loved meetings as much as Hitler loved a good pep rally. She had just held one a few days before Christmas. In addition to spending and lying lavishly, she had arranged for everyone to have a token of her esteemed adoration—a five-cent badge that said, "BEST." It was evidently an acronym for some corporate agenda.

Other invitees were considerably more concerned. They had read the VUSA message boards and knew something was brewing, something ominous. As they gathered in the hallways and prepared to leave, someone opened an email to everyone@valueamerica.com. It was a copy of the press release announcing the D-Day festivities. Dismantling Value America was to be Dorchak's crowning achievement. She was so proud of herself she couldn't suppress the temptation to spread the news. She wanted everyone to know who had done this magnificent thing.

The troops did what they had become accustomed to doing: they sent a copy of the announcement to the press, who quickly dispatched reporters to the scene. The news reports said Dorchak, filled with pride and passion, announced her plan to axe 300 employees: "Half of you are being laid off today."

The whole room gasped, then exhaled in unison. Joe Page recounted, "It was the most painfully emotional experience I've ever witnessed."

The CEO then turned the meeting over to her new CMO, Tom Starnes. Few even knew who he was. He gave this room full of strangers their marching orders: they were to go back to their workstations, sit with their hands folded, and wait. Their immediate supervisor would tell them if they were friend or foe, victor or vanquished, en route to the Promised Land or Poland.

As Starnes concluded his address, he laced his final words with threatening overtones. "If any of you talk to the press about the company or its management, you'll jeopardize our generous severance package." All the while, Starnes and his cronies were spewing venom to the press like famished rattlesnakes. Perceptions were more important than reality. The lapdog had a new mistress.

The vanquished were banished, unceremoniously told to gather their personal effects, without touching their phones or computers, and were escorted out of the buildings. Each was given an envelope inviting them to a "counseling session" the following day.

The officers were nervous. They must have seen it coming, must have known the crew would be miffed. Those who were laid off were coerced into signing a document that released the company and its management from all claims the dearly departed might have, along with a promise not to disclose their feelings to the media, forever and ever, or there would be no severance. So Caise, who had lawyered a gargantuan severance for Morgan without a non-disparagement clause, wrote a suffocatingly restrictive non-disparagement agreement tied to a piddly little severance for these who were being fired without cause, these who had served in the trenches, some as long as three years. I don't get it.

All the while, der Dorchak hunkered down in her bunker on Rio Road. Elaborate electronic locks were installed on the doors to keep the critics at bay. An armed guard was stationed at the entrance. She didn't make another appearance. She didn't go out to comfort those whose lives had been ravaged by her actions. She didn't try to inspire those who were spared. Instead, she left. Dorchak had the company charter a corporate jet to whisk her off to a vacation in sunny Arizona. Why not burn twenty-five grand of company money?

The board stood idly by as Value America was torn asunder. They were busy and couldn't be bothered. Not a single member of the company's illustrious board said a word. To this day, none of them have had the courage or the character to accept responsibility for the travesty they unleashed, a travesty precipitated by a convoluted notion that wonderful people serving a company with noble aspirations were somehow less productive than advertising.

One board member, who shall remain nameless, was still willing to talk to Craig this day, to his credit. As Craig pleaded one last time for sanity, the response he got sent a cold shiver down his spine: "Your concern over the hardship this is causing your people isn't healthy. I learned a long time ago to separate business from people. You should do the same."

Craig couldn't. His first call was to his lifelong friend, Bill Hunt. His wife, Judy, answered the phone. She was crying. Bill, Value America's fifth employee, had been discarded like yesterday's newspaper. There was pain in Judy's voice, melded with a sense of bewilderment as she tried to comprehend how a group of strangers could wreak such havoc on the firm her husband had worked so hard to build. There were no good answers, only sorrow. Judy, through her tears, asked but one question: "Why?"

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"Rex," Craig said, "I'm at a loss. I don't know what to do."

"I pride myself in being able to size things up," Rex said, "understand what makes people tick, good or bad. But nothing I've experienced has prepared me for this. It's like we're breathing different air than they are."

"They're so callous. Will they ever wake up?"

"No. Never," Rex cautioned his friend. "When prideful people make bad decisions, they work overtime justifying them, rationalizing what they've done. That's what this board will do."

"And so will the come-latelies. They'll shirk responsibility for the pain they've inflicted. I'm sure they'll blame us. I'm so damn sick of reading my name in the paper. It's nothing but one revolting lie after another."

"Get used to it, my friend. It's going to get worse before it gets better."

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The following day, there were two meetings at the Doubletree. One was for the saved, the other for the damned. The two groups passed in the hall. The new professional management team had not been astute enough to schedule them at different times. It was a sad affair—friends holding one another, comforting and supporting each other. Those who still had their jobs seemed embarrassed by it. It was hard to know whom to be happy for and who was to be pitied.

Curiously, about ten percent of the people management took credit for laying off were not actually dismissed. They were simply transferred to InService's payroll to create the illusion of savings. InService was told to pay them even though they had no idea who they were or what they did.

Meanwhile, the professional managers did what they do best; they held meetings—meetings with consultants, meetings at hotels, meetings at expensive corporate retreats. They held meetings just so they could blame each other for what wasn't happening—business. No plan ever materialized. No direction was ever forthcoming. Under the Witch's watch, the business just melted away, dissipated in the vacuum of leadership.

Against this backdrop, Winn and Scatena resigned their board positions. On February 3, 2000 they both wrote, "Please be advised that I hereby resign from the Board of Directors of Value America, Inc. effective immediately. Please be further advised that until such time as I otherwise advise the company in writing, I do not want to receive any non-public information about Value America."

The only thing now that tied them to the company they'd founded was twenty-one million unwanted shares. But parting with them would not be easy. The company, at the direction of Schmitt, Dorchak, and Caise, conspired to deny Winn and Scatena their right to sell their stock. In a desperate attempt to thwart the founders, they wrote a convoluted letter falsely claiming Craig and Rex had agreed not to sell their shares. Caise's henchman, the very guy Rex had predicted would come back to haunt them, did. He lied on behalf of his employer—and his pocketbook—denying that the founders had proclaimed their intent to sell. And the practice of law used to be such an honorable profession.

In time, the founders circumvented the bogus challenge by pointing out that: a) no such commitments were made; thus there was no supporting evidence, b) the opposite was indeed true, and c) even if everyone in the room had heard one thing though another was actually said, there was no consideration paid; thus no contract was possible.

Not to be outdone, the conspirators then lamely implied that Craig and Rex were still insiders, with access to material, adverse, non-public information, and should therefore be prevented from selling their shares. In actuality, they had been so isolated by the company's management, they were little more than disgruntled mushrooms left in the dark to rot. In the end, Craig went to Smith and relied on his sense of fair play. Fred promised to correct the record, and did. Though easily misled and sometimes wrong, Fred Smith proved himself to be an honest and decent man.

Others were not. The new management team and their hired gun, the law firm of Caise, Perkins, seemed to enjoy torturing shareholders. They simply refused to provide a clean opinion on the founders' shares. According to Robertson Stephens, this was easily the most underhanded and unethical move their firm had ever witnessed. For Craig and Rex, it was just one more insult, par for the course.

The crowning blow came when Smith told Craig that their lawyers had discovered a Virginia law that prevented them from conveying their voting rights to a company that might buy their shares as a block. This, of course, killed any incentive for a firm to buy Value America.

An equally bitter pill was one that had been swallowed years before. At Caise's suggestion, the board had been set up with a staggered structure. This meant that only one third of its members came up for reelection in any given year. So even if Craig and Rex had called a shareholders' meeting (which would have taken ninety days), they could have ousted only three of the nine members of this board that was now unanimously aligned against them.

A letter Craig wrote captured the moment:

At no time since the inception of Value America have Rex and I known less about the firm than we do now. The company we founded and helped build has completely distanced itself from us and charted a new course in which we were neither involved nor supportive....

Rex and I have consistently expressed our willingness to assist the Special Committee with matters related to selling the firm. We have expressed our willingness to manage Value America in a manner that maximizes the value, certainty, and swiftness of a sale. These offers have been rejected; thus we are sellers."

Value America's stock continued to fall. About the time NASDAQ hit a high of 5,000, VUSA hit a low of $3.50. The investment community was as impressed with the company's management and their prospects as Winn and Scatena were. By the time the board and their management team were through with their shenanigans, Rex and Craig were worth less than five percent of what they'd been worth when they left management on IPO day. Their first miniscule stock sale as persona non grata from the company they'd founded brought them just three dollars a share.

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It was a bright, wintry afternoon, the 24th of February 2000. Craig and his farm hands had cleared several acres for a new orchard. Early that evening, they began burning the large pile of debris their labor had created. As the fire began to rage, Rex arrived unexpectedly, pulling his blue pickup truck over to where Craig was standing. Dressed in overalls, he was still dirty from having toiled all day in his vineyard.

Both had talked to Robertson Stephens over the course of the afternoon. They hadn't sold anything. The volume had dropped to an insignificant 200,000 shares a day—far too little volume to sell a block of any quantity. By contrast, on November 23rd—the day the Street anticipated their return to management, the day the board rejected them—2,300,000 shares had been traded at a high of $17 a share. That reflected a trading volume of $39 million versus this day's sobering $700 thousand—a ninety-eight percent reduction.

Robbie Stephens said that institutional interest in VUSA was nil, as was analyst support. Even the day-traders were sitting on their hands. The only hope, they felt, was a sale or merger, and none was in sight.

To make matters worse, both Craig and Rex had been named in a class action suit filed against Value America the previous day. Even though they had voted "hell no" to the plan that prompted the suit, it didn't matter. VUSA was damaged goods.

The harassment didn't end there. Management couldn't accept the fact that the collapse of Value America's stock might actually be their fault. They routinely blamed it on Craig and Rex, crying, "Winn and Scatena are dumping their shares. They're purposely flooding the market, trying to undermine the company, just to lash back at us for rejecting them." Sure, it sounds far fetched, but as many an evil regime has shown, the bigger the lie, the better it sells. The truth: between them they had sold 15,000 shares since November, an insignificant fraction of one percent of what they owned.

Rex, like Craig, had been stymied by the board and by the company's hostile management. Yet that didn't matter as much to him as it might have to a lesser man. To Rex, it had never been about the money. It was about working together to build something of value. They had accomplished what they'd set out to do. The beginning had been glorious, but the end, ignominious. In the dwindling light, near the warmth of the raging fire, they embraced. It had been a long journey from the first tee of the Mauni Lani.

It was over for them. They knew they weren't going to be able to sell their shares after all. Yet there were no complaints, no bitter feelings, no harsh words. They just stood there, side by side, watching the fire rage and then die, just like a certain company they had once known.

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For reasons only God knows, our story didn't end there in front of the smoldering fire. The very next day, out of a clear blue sky, lightning struck: Craig and Rex were each able to sell their first meaningful block, 50,000 shares of Value America stock. It wasn't over after all. Sure, it was just two-tenths of a percent of what they owned, but to them it was like manna from heaven.

That evening, Value America did something no company in their right mind ever does after the close of the market. They announced good news. Good news is supposed to be proclaimed at the opening of the market, and early in the week. Bad news is released at the close, and preferably late in the week. While Craig and Rex knew nothing of the sales alliance with IBM before it was announced, it is likely other investors knew of it earlier in the day. The company had earned its reputation for loose lips.

Under heavy trading, the stock shot up to $4 a share. Acquisition rumors suddenly filled VUSA's message boards. Over several weeks the stock rose from $3 to $6, fueled by talk of a buyout. Predictably, it settled back down to $3.50 when it became clear the rumors were unfounded. But during this aberration, the daily trading volumes were in the millions. On one day alone, over six million shares of VUSA were traded—600,000 each belonged to Rex and Craig. Around eighty percent of the value the founders derived from their "post-part-Tom" sales occurred during this remarkable time—about $35 million each. It was delicious. In the end, the company's mutinous crew and rebellious board had put daggers to their backs and forced them to walk the plank—right into an ocean of gold.

Thankfully, the traders wanted their shares more than Craig and Rex did. That, of course, wasn't saying much. According to the message boards, the reason so many suddenly considered VUSA's shares worth owning wasn't the company's "experienced management team." It most certainly wasn't the merits of their "focused restructuring plan." Nor was it the prospects of the advertising-centric e-tailer "growing profitability." It was their fascination with Fred Smith at the helm of the Special Committee. Institutional Review said, "An increase in VUSA takeover rumors has persuaded us to select VUSA for our stock buy for this coming week. Our short-term traders should play this stock up to $7." Everybody, it seemed, other than the company's misled board and its mercenary managers, knew what to do.

As successful as Value America had been at raising money and forming strategic alliances, investors believed that the "Babe Ruth of American business" would "get a deal done in excess of $10 a share." Then they thought $7, then maybe $5, or perhaps $2. Sadly the illusion didn't last. Even Babe Ruth struck out sometimes. As quickly as the bubble had formed, it burst.

The stock quickly fell below two bucks. It never recovered. The average volume shriveled. Craig was left with nearly five million worthless shares. Rex, happily, had been able to sell all of his.

They couldn't help but laugh at the irony. Had the board accepted any of their offers to stabilize and sell the company, they wouldn't have sold a share. They would have been insiders, prohibited by SEC rules from trading. But as a direct result of the abuse the board and management had heaped upon them, they had become free and motivated sellers.

For Winn and Scatena, it was a glorious moment in time. If living well was really the best revenge, they had bested their tormentors. They had had the last laugh.

Or so they thought.