

gone: THE LAST DAYS OF NORTEL

By JAN WONG

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As of next month, Nortel's layoff count will climb to 65,000 worldwide. Five of the company's refugees speak out on what it was like to work there, why they kept buying shares (after they were dumped) and why they don't feel bitter

An embarrassingly short time ago, Nortel was named, by this very magazine, the No. 1 company to work for in Canada. To be fair, everyone was singing Nortel's praises, including Time magazine, which, by the end of 2000, had named CEO John Roth "the most successful businessman in modern Canadian history."

Though not in the sense Time intended, Roth indeed proved exceptional. The company is now in tatters, its share price plunging below the psychological \$1 mark, layoffs reaching 65,000-sixty-five thousand-by next month, its global workforce slashed from a peak of 100,000.

The exceptional Roth, a career Nortel engineer, became the company's CEO in October, 1997, at a time when the blue-chip phone manufacturer was remaking itself in fibre optics. During his four-year tenure, revenues doubled to \$30 billion (U.S.) and the company's market value of \$400 billion was roughly equivalent to the GDP of Canada's richest province. In July, 2000, Nortel's share price hit an all-time high of \$124.50, up 286% from the previous year.

Then came January, 2001. Nortel dismissed 4,000 people in its first, shocking round of layoffs. "We believed in the company," says David Cork, a former chief operating officer of a Nortel unit in Ottawa who was cut in the first round.

By the time Roth resigned on Nov. 1, 2001, shareholders were bleeding-but Roth himself had made about \$86.3 million (U.S.) by exercising his stock options. Now retired, he spent much of last year on a driving trip around North America with his wife, Margaret. He didn't take his Lamborghini or his Porsche, his 1966 Jaguar XKE, his MG or his 1967 Corvette; he took his \$500,000 RV.

In August, 2002, Roth severed his last ties to Nortel, selling his remaining 751,245 shares at less than \$1 (U.S.) each. "It was just heartbreaking to watch this poor company go through a terrible spiral," he told an interviewer by phone from his 20-hectare Caledon estate, explaining that he wanted to put an end to his misery.

For his former staff, however, five of whom we profile on these pages, the misery continues. Nortel staffers had a front-row seat on the company's incredible growth, and they believed the company would bounce back. David Cork had such faith in the company that he bought shares when the price spiralled down. He bought just before his entire unit was shut down. "I thought I'd be able to help out with my kids' university," says Cork, who has three teenaged children.

Marketing executive Kirsten Watson spent part of her RRSP, investing at \$67 (Canadian) a share. "I thought they could cut to be lean and mean," she says. She bought even after she was laid off. Her

father, a retired lawyer recently diagnosed with lung cancer, had to lend her money to cover the household bills.

Five months after Roth made \$54 million in a single day cashing in his options, Ted Brown, a former Nortel electronic technologist, paid \$72 a share. When the price dropped to \$70, he purchased more—and lost half his RRSP.

Vincent Li, a software engineer, bought through the company investment plan when the share price was over \$100. "I don't want to look at it any more," says Li, who was laid off from Nortel's downtown Toronto lab and is still unemployed. "It's better not to look at it."

Only Fay Kolpin, who worked in human resources at Nortel, declined to buy in. When she joined the company, the price had scaled up to \$120 a share, far too expensive for her budget, she decided. "But I know people who lost millions."

Now, each of these five former employees is trying to forge a new life. They all say they loved working at Nortel, but all hated the way it ended. In the company's heyday, there were signing bonuses, year-end bonuses and \$1,000 office chairs. There were free lattes, golf shirts, NHL tickets and white-water rafting trips. At sales conferences, wrestlers from the WWF provided entertainment. As for salaries, Kirsten Watson was earning, after seven years in high tech, as much as her father did in the prime of his law career.

But it wasn't just the perks and pay. For Vincent Li, it was about the early years—the company's can-do culture, its cutting-edge R&D. When he joined Nortel in 1987, he noticed happily that many people around him had worked there for 20 or 30 years. "And then they gracefully retired," he says. "But not any more."

the missionary

Fay Kolpin former senior technical recruiter

Left Nortel June 20, 2001

A walkie-talkie crackles on the battered desk of Fay Kolpin, human-resources director at The Mission, a shelter near Parliament Hill in Ottawa. It's 8 a.m. Downstairs in the lobby, vacant-eyed men wait silently for a cup of coffee and a blueberry muffin.

"So many people would just die of culture shock the first day," says Kolpin, who is married, with three daughters and five grandchildren. It's her job to hire cooks and cleaners, some of whom are illiterate, for a 24/7 operation. For The Mission's 80 employees, she edited a handbook that includes a procedure for "cleaning up bodily fluids." There's a whole page on "needle-stick injuries."

But only two years ago at Nortel, she was part of the team that recruited 22,000 people globally. They included kids right out of university and PhDs in fibre optics, who sniffed at the \$20,000 signing bonuses. "A year and a half later, we let them all go. Sometimes there would be tears. Sometimes you'd get abuse, like, 'How come you've still got a job?'"

"Well, gee, somebody's got to do this shitty job," she once snapped back, "and I'm probably next."

By June, 2001, after six months of non-stop layoffs, Kolpin figured she had better things to do with her life. On a day that began with a power breakfast, followed by six other meetings and finished with a business dinner, she handed in her resignation.

Then she panicked. "I thought, 'Am I an idiot? The paycheque'" She sighed. The paycheque was six figures including bonuses. Back in her cubicle, she glanced at her desk calendar. The thought du jour read, "Leap and the net shall appear."

The next day, she phoned The Mission, which had been trying to recruit her. She accepted a job as director of human resources-at half her Nortel salary. "You know what? It's not about money. Basically what we do here is help people who are worse off than ourselves."

She recounts how last winter, as she dashed inside the shelter, she tried to give the scarf off her neck to a man freezing on the sidewalk. "He said he already had one," she says, her green eyes filling with tears.

Recent years have been The Mission's busiest since the Depression. A Christian charity founded in 1906, it serves 750 meals daily to homeless men and women. The emergency shelter offers 235 beds, mostly for men, and a 12-bed palliative-care hospice that serves women too. A chapel accommodates any overflow on mats.

A few months ago, Kolpin needed to hire a computer expert. She advertised the job. On one résumé, the return address-35 Waller Street-caught her eye. "Isn't that where we work?" Kolpin recalled thinking. Although she had already hired someone, she sought out the applicant. He turned out to be a fellow Nortel refugee, a young man originally from India, who had been let go six months earlier from his job as a software developer.

"Like most people at Nortel, he had a big paycheque, a nice apartment, car payments," says Kolpin. When his severance ran out, he went on unemployment insurance and lost his apartment. He didn't have enough money to get back to India. "He had looked for hundreds of jobs. He was pretty scared. He said, 'I never ever thought I would end up in a men's shelter.'"

Kolpin hikes up the sleeve on her long, green knit dress. As a sign of her commitment, her left arm is tattooed with a green angel with a big red heart. "The guy that did it, he'd been let go from high tech too," she says. "It's amazing where you find high-tech people."

She was in the elevator in her apartment building one day and happened to be wearing one of the golf shirts Nortel had given her. A Swiss Chalet delivery man turned to her and said, "Oh, you're with Nortel."

"Not any more," Kolpin told him.

"Me neither," the delivery man said.

To remind herself of her former life, Kolpin ripped out the Daytimer page from the day she resigned-June 20, 2001-and stuck it on the pegboard beside her desk.

She doesn't know what happened to the Nortel man in the homeless shelter. "He checked out," she says. "I like to think he found a job."

the promoter

Kirsten Watson former senior manager of channel marketing

Laid off Jan. 11, 2001

Kirsten Watson eyes the waiter at breakfast in Ottawa. "I think I worked with him," she whispers. "I think he's a high-tech guy." He isn't, it turns out, but it's easy for ex-Nortel employees to bump into one another these days. There are so many out there that when Watson became part of the first layoffs, she spied a silver lining. A week later, the former marketing executive started HireTopTalent to market her former colleagues.

Watson, 32, had been at Nortel just five months. She was part of a 2000 hiring boom that brought her to eXtremeVoice, a division devoted to web applications. On Jan. 11 last year, she was in California on business, lunching at a restaurant in La Jolla, when her cellphone rang. Her entire division was toast.

"I can fix this," she remembers saying to herself. Within five minutes, Watson was back on her cell, networking. A week later, she and several colleagues created a web site where Nortel refugees could post their résumés: HireTopTalent. Within 10 days, she had organized a "reverse career fair" at the local Hard Rock Café, where recruiters picked over the freshly cut meat.

"Ninety-five per cent got jobs within 30 days," says Watson. That included herself. Cloakware, another high-tech firm, hired her as director of marketing at \$95,000 a year, roughly what she had earned at Nortel.

Meanwhile, Hiretopalent.com, a free service, was initially so successful that Watson was loath to wind it down. After putting in long days at Cloakware, she'd arrive at her century house in Carleton Place, Ont., wave to her husband and two young children, then hunker down all night tending to HireTopTalent. When recruiting companies offered to buy her out, Watson knew she was on to something. She quit her job, "my really well-paying job," she says, grimacing. "I jumped off the cliff with no parachute."

It was April, 2001. Although her husband had his job in sales at Xerox, Watson was the main breadwinner. Putting down their home as collateral, she borrowed money, hired three staff and rented office space in Kanata, Ont. From high-tech companies going under, she bought a boardroom table (\$150), laptops (\$1,000 each) and a PC with monitor (\$650). The bargains should have been a warning: The entire industry was about to flat-line.

In July, HireTopTalent began charging companies to access the site. It pulled in \$50,000 a month in revenue. Then 9/11 came. "The phones stopped ringing. Nobody was hiring," she says. "Suddenly nobody was returning your calls." Even as the database swelled to 10,000 résumés, companies no longer needed high-tech matchmaking.

To survive, Watson brought in two office mates to share the rent. She also cut back to one day a week at HireTopTalent. "At the end of every month, I go through the books. And it's like, okay, I don't get a paycheque again this month," says Watson, who remains CEO but stepped down as president.

Figuring that many marketing divisions had been decimated, she called up every CEO she knew,

including her former boss at Nortel, David Cork, who had himself lost his job and launched a start-up. Watson offered herself as a "virtual VP marketing" two days a week. "Everybody gave me a contract. I realized I had just billed myself out nine days a week." (So she hired an assistant.)

At Nortel, Watson enjoyed a subsidized cafeteria and free gym. At Christmas parties, there were Häagen-Dazs ice cream bars for her children and Beanie Babies with "Nortel" embroidered across the chest. Now, "We're earning enough to keep the lights on," she says, quickly adding, "Nobody is feeling sorry for those in high tech."

the boss

David Cork former chief operating officer, eXtremeVoice division

Laid off March 29, 2001

At the beginning of 2001, David Cork was earning \$150,000 and managing 90 people at Nortel. That summer, though, he couldn't pay his Visa bill. His teenage son, who had his eye on Cork's red Mazda MX6, feared dad might have to sell the car.

But this past July, in the nick of time, Cork raised \$9.3 million in venture capital for his new company, Natural Convergence. (He raised an additional \$2 million in financing in September.) As CEO, he's being very cautious. "When you get money, spend it with an eyedropper," advises Cork, 46, a tall, calm man who doesn't look like he's living on the financial edge.

Cork started as an engineer at Nortel right out of university, back when it was Bell Northern Research. He later joined Mitel, then quit for a start-up, returning to Nortel in 1997 and, lured by the promise of a spinoff, eventually became COO of eXtremeVoice.

When he heard Nortel was shutting down the division, Cork was "very shocked. We had no idea." He begged Nortel for a few more months so he could finish production at eXtremeVoice and spin off the division. "They said no. They needed to shed people right away." Nortel asked him to stay behind and help with the shuttering. He spent the next two months laying people off. His own last day was March 29, 2001.

Three days later, he launched Natural Convergence. He and Mark Murray, who had been chief financial officer at eXtremeVoice, invested \$200,000 to start up and keep the company afloat for 90 days. To cover his share, Cork kicked in his severance and a good chunk of his savings, and activated a line of credit.

The partners decided it was safer to figure out what customers wanted first, then hunt for the technology. But their first idea fizzled. They settled on a backup: a one-stop voice-services system for small businesses. BitHeads, a software development company, provided help and sublet them space in a renovated movie theatre in an Ottawa strip mall.

For three months, Cork took no paycheque—hence the Visa-bill crisis—and that summer, he and Murray raised money from family and friends. But any hope of venture capital vanished in the tailspin after Sept. 11. By the end of the first year of the company, "we ran out of money," says Cork, who marked the anniversary with a potluck lunch at work.

From the beginning, every new hire at Natural Convergence had to begin with a two-week trial contract. Then, if both sides liked each other, the new employee had to invest cash up front, a lump sum equal to 20% of the first year's salary. The salaries themselves were nominal. Until recently, Cork paid everyone half in money, half in stock. Someone hired on at \$80,000 a year would actually receive just \$40,000 in paycheques, and only after investing \$16,000. Net annual income, before taxes, would be \$24,000. It was doable, ironically, because 14 out of 18 employees were Nortel refugees who supplemented their salaries with severance pay and savings.

"Nobody's making anything near what they were making at Nortel," says Cork, who keeps getting résumés from former colleagues. "I've turned away so many good people, people willing to work free for six months. I can't even put myself in the shoes of someone spun off today. There's a lot of people looking 12 months or longer."

Since the new financing, Cork has restored employee paycheques to 100% cash. The new software is already undergoing testing by customers. Meanwhile, his wife, a homemaker, is no longer so worried about the credit card bills. And his son, optimistically, had the windows tinted black on the Madza. Dad, though, isn't quite ready to buy a new car.

the back-up plan

Ted Brown former equipment technician manager

Laid off July 31, 2001

When Ted Brown's job vaporized, his wife, Janet, a nurse, encouraged him to leave the tech world behind-and do what he'd always wanted to.

Brown had been installing manufacturing equipment in one after another of the company's new Ottawa labs. But his real passion was carpentry. He had taken a year off his Nortel job to study cabinetmaking at Ottawa's Algonquin College, and took another year to grab one of 22 spots at the College of the Redwoods in Fort Bragg, Calif., the world's top woodworking school. He and Janet don't have children, so in February, Ted dared to remortgage their home and spend his Nortel severance opening a woodworking school in an old woollen mill.

Brown's career as a Nortel technician began with a nine-year stint in the 1980s. In 1998, he went back as a weekend employee, which allowed him to spend more time at his workbench. He spent the rest of his free time at Lee Valley Tools, a legendary chain, where he took note of the kind of cars customers drove, how long they spent in the store and what they bought. The banks were impressed with his business plan; two offered him loans. "I played them off against each other," says Brown, 43, a quiet man with silver-grey hair and suprisingly clean, uncalloused hands. ("I'm not a mechanic," he bristles.)

He opened the Rosewood Studio in Almonte, Ont., just 25 minutes' drive southwest of Ottawa. The town sits close enough to an airport to suit would-be clients and distant enough to offer charming B&Bs. The old mill was unrenovated, but had good northern light and a view of the bucolic Mississippi River.

At Nortel, "I'd page somebody and hand them a project." Now he does everything himself, or with minimal help. He degreased and painted 3,300 square feet of concrete flooring, and built all 14 student

workbenches, saving \$10,000, "but at a ridiculous expenditure of time." The night before his grand opening, he and a friend worked until 3 a.m. finishing the last bench. He raced home for a shower, and back to the studio to greet his guests. The next day, he collapsed with the flu.

Nortel, Brown says, taught him about quality-part of the reason why he spent \$250,000 on the school and its renovations, hired a professional photographer to illustrate his brochures, and invested \$7,000 on a lawyer to negotiate his lease.

Brown teaches, but he also brings in top craftsmen and artisans from across Canada and the U.S. to instruct on everything from basic woodworking to marquetry. He's sold out November's 12-week session, but lost money on other courses where only five signed up and he still flew in the instructor. Many customers, men and women, are burned-out professionals. "One man said, 'I hate my job.' I said, 'Let me guess. You're in high tech.'" Another man, a young software developer, offered to help Brown for free in exchange for classes. In his short career, the man had been laid off three times.

At Nortel, Brown made \$81,000 a year. Like so many chumps, he bought Nortel stock as it sank because, "When you work there, you see the stock going crazy," and for sure, everyone thought, it couldn't bottom out.

Now he's paying himself one-third of his original salary-"just enough to keep gas in my car." Brown hopes to break even in three years, but more realistically, he says, it'll take four or five years. "I'm successful to the point where I'm paying my loans back." He pauses. "I was just lucky. I had a plan."

the long goodbye

Vincent Li former software engineer

Laid off June 28, 2002

It was like Survivor, only this wasn't TV. Vincent Li and 500 other employees at Nortel's downtown Toronto lab had been hastily summoned to a meeting at the Metropolitan Hotel. Like everyone else, Li received an envelope. Inside was a slip of paper with the name of one of two conference rooms. Depending on which one he was sent to, he either had a job, or he didn't.

It was January, 2001. That day, Li kept his \$90,000 job as a software engineer. Half his colleagues weren't so lucky. Later, when he looked around the lab that produced voice-mail systems, he shuddered. There was a sea of empty desks. "We were the survivors," says 39-year-old Li, who knew he ought to start job-hunting, but had no time. With so many cut, he was doing the work of two. After Nortel put him on a pager, customers beeped him for technical support in the middle of the night.

In September, 2001, the company called another emergency meeting at the Metropolitan to announce that the entire lab was shutting down. "It's like the world's falling apart. Nortel really picked the wrong time," says Li, who rushed over from the Hospital for Sick Children, where his son, then 9, was having a checkup after three years of chemotherapy for leukemia.

Once again, everyone at the lab got an envelope. If you were sent to one room, you'd be dismissed in five months' time. If you wound up in the other room, the lifeline would be extended for seven months, until the April completion date for the new voice-mail system. Li figured he'd be in the second group. After all, he'd put in 15 years at Nortel, and was the only database specialist still

standing in the lab. As he headed towards his designated room, he was relieved to see other key players with him.

This time, however, he was a loser. Nortel offered him a modest bonus to stay until February. It also handcuffed him with a severance package that was better than statutory severance but less than earlier layoffs had received. It was payable only if he left when Nortel said he could.

That February, as his colleagues were heading out the door, Li got an eleventh-hour reprieve. The company told him it had made a mistake. In fact, it needed him longer. Chained by the bonus and severance package, Li stayed. "Nortel was a really good company to work for," he says. "I just didn't like the way it ended."

When the lab finally shut down, Li got two extra months' pay in lieu of notice. Nortel also allowed him 30 days at his old desk to send e-mails and make phone calls. And it arranged for coaching on job-search skills. Li's were rusty. Except for a brief job right after graduation, he had worked at Nortel his entire career.

Last summer, he contacted more than 70 high-tech companies, all in vain. No one was hiring. Some didn't even return his repeated calls. In retrospect, he thinks it would have been better had he been laid off much earlier. The economy was better and he might have found a job by now.

A devout Christian, he is considering going back to school part-time for a theology degree. He's also a champion bowler—he scored 289 recently out of a possible 300. He contemplates opening a pro shop. "It's just like a dream, but it's not doable," he concedes.

His wife, Cheryl, who writes a mutual-fund newsletter, is now the family's primary earner. Luckily, they saved up when times were good and have just paid off the mortgage on their pink brick house in a brand-new Richmond Hill subdivision. And at least their kids are happy. These days, dad is always there in the Nissan van to pick up Stephen, now 10, and Rachel, 6, at their private Christian school.

"I'm the odd man," says Li, adding that the headmaster asked him why he was seeing him so much. "As soon as I say 'Nortel,' everybody understands."

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