News

The crash of Comdisco : Ill-prepared for the CEO job, Nicholas K. Pontikes presided over the collapse of the company his father spent a quarter-century building.

Sandra Jones
5,257 words
5 November 2001
Crain's Chicago Business
CCHI
1
Vol: 23 Num: 45
English

If anyone could have made Comdisco Inc. into a sexy company, it would have been Nicholas K. Pontikes. In February 1999, one month after the 34-year-old scion became CEO of his late father's company, the staid computer leasing giant was rubbing elbows with poseurs and supermodels at New York's Fashion Week.

It was the beginning of the Internet land rush, and Comdisco's newly acquired Prism Communication Services Inc., a telecom startup based in Manhattan, was promoting its high-speed Internet service to the world's fashion editors with a techno-hopping, dot.com-dazzling, all-red fashion show in Bryant Park. Sinuous models in red silk sheaths and stiletto heels sauntered down a catwalk adorned with Prism's fashionably ironic campaign slogan: "Red means go."

The publicity gambit had little to do with Prism's business of offering high-speed Internet access over digital subscriber lines (DSL)-although the fledgling firm did give a nod to its tech-geek roots by outfitting the fashion event's media center with equipment and Internet access.

In those days, speed and image ruled. Substance was supposed to come later. It never did.

By the time Rosemont-based Comdisco shut down the cash-guzzling operation in October 2000, Prism had ploughed through $478 million and was steeped in red. And Comdisco, the boring but profitable computer leasing company founded in 1969 by former IBM Corp. salesman Kenneth N. Pontikes, was spiraling toward Bankruptcy Court and a breakup.

Unlike the hundreds of venture capital-backed high-tech startups that fell apart last year, Comdisco was a profitable, established company with hard assets, loyal customers and a veteran workforce.

"This is a story of complete excesses," says David Steinberg, managing partner of D2 Capital Value Fund in Northfield, a stock broker who did business with Ken Pontikes. "They went overboard. The company took a really solid core leasing business and extended it beyond its financial capacity."

The younger Mr. Pontikes took over Comdisco just as Internet euphoria was spreading from Silicon Valley to Wall Street. Itching to become a dot.com mogul and striving to outshine his larger-than-life father, Mr. Pontikes, with the blessing of Comdisco's board of directors, made one big bet after another on just about every risky new economy role he could find: venture capitalist, telecom entrepreneur, Internet sage, network guru. In his two-year run as CEO, he played them all.

Like many business leaders at the time, Mr. Pontikes faced pressure to tap into the booming Internet economy. But under his aegis, Comdisco stumbled by investing too much money in too many untried business ventures in too short a time.

The far-flung forays ate up nearly $2 billion in cash and debt and, except for the venture capital arm, failed to make a profit. When the Internet bubble burst, the venture portfolio came crashing down as well, taking the $4-billion computer leasing and disaster recovery powerhouse with it.

"He bet it all on black, and it came up red," says Marty Walsh, formerly executive vice-president of marketing and 19-year Comdisco veteran, who left in 1997.

Comdisco filed for Chapter 11 bankruptcy protection on July 16, 2001, with $7.5 billion in assets, ranking among the 15 biggest bankruptcy cases in U.S. history and the largest in Chicago, according to the American Bankruptcy Institute (see story on Page 17).

Many of Comdisco's employees have lost not only their jobs (the workforce totals about 2,300 today, down from 4,000 at its peak last year), but with the stock trading at less than $1 a share, they've seen their savings and retirement plans dwindle. A good portion of Comdisco employees owned stock in the company, and all workers had the option to buy the shares, among other investments, as part of their 401(k) plans, according to a company spokeswoman.

In 1998, 106 senior executives were encouraged to take out a combined $100 million in personal loans to buy Comdisco stock at $17.34 a share, and many now could face the prospect of personal bankruptcy.

Mr. Pontikes resigned as CEO in December; he remains on the board of directors, with a term expiring in 2004. He is rarely seen around the company's headquarters.

Mr. Pontikes declined repeated requests to be interviewed for this story and also declined to respond to written questions.

"He has hurt a lot of people," is an opinion repeated by many of the dozen-plus current and former employees interviewed for this story, most of whom requested anonymity. Expressions of disbelief over the stalwart company's demise echoed among the two dozen analysts, investors, consultants, competitors, customers, friends and Pontikes family members interviewed.

"They were such a hero in IT (information technology)," says Andrew Borgstrom, CEO of T-Systems, a Lisle-based technology services firm and unit of Deutsche Telekom AG, a rival that considered purchasing Comdisco's unprofitable network services unit earlier this year. "It's hard to see them die."

In need of a new direction

It took Ken Pontikes a quarter of a century to build Comdisco into the world's largest computer leasing firm. Under Nick, the company collapsed in two years.

After initial success leasing mainframe computers in its first two decades, Comdisco struggled to find its place in the rapidly changing tech environment as the '90s began.

Desktop computers and network servers took over much of the heavy processing work once reserved for giant mainframes. Yet, as recently as 1994, Comdisco relied on leasing mainframes for 75% of profits.

Ken Pontikes recognized that as corporations moved to decentralized computer processing, Comdisco would have to change. But he never articulated a new strategy.

So, Nick Pontikes inherited a company in need of a new direction. His mistake: trying to resolve Comdisco's predicament with a string of risky and costly ventures.

In his first year as CEO, Mr. Pontikes launched an array of new services tied to the Internet, hiring hundreds of workers and pouring money into sales outposts and technical support centers.

He also led the charge to ramp up Comdisco Ventures, then a minor part of the company, into one of the largest corporate venture capital arms in the U.S., making higher-risk investments than the company had in the past.

In hindsight, it is clear that Nick Pontikes' lack of operating experience, an arrogant attitude shared by many of his dot.com peers and a desire to live up to his late father's legacy proved a volatile combination.

But there were problems brewing at Comdisco long before Mr. Pontikes assumed power.

The elder Mr. Pontikes, who died of colon cancer in June 1994 at age 54, ran out of time to prepare his son adequately for the rigors and responsibilities of a CEO job. And the board of directors, made up of insiders and outsiders with loyalties to the founder, did little to keep the headstrong young CEO in check.

The risks Comdisco took were simply too large for the company's size, says current Chairman and CEO Norman P. Blake Jr., a turnaround specialist brought in after Mr. Pontikes resigned.

Mr. Blake's diagnosis is that, like many successful entrepreneurial companies, Comdisco, "outgrew" itself by expanding its operations faster than it was able to put in place the institutional checks and balances crucial to big business.

"In fairness to Nick, he was trying to do the right thing," Mr. Blake says. "You can argue there should have been more restraint, all with the benefit of 20-20 hindsight. But he didn't set out to lead his father's company into bankruptcy."

The start of it all

Ken Pontikes, the son of a Greek immigrant, grew up in the Chatham neighborhood on Chicago's South Side.

In 1945, when Ken was 5 years old, his mother became disabled and could no longer care for the family. Ken's father Nicholas (who died last November at age 99) moved the family into a third-floor apartment above his sister's home. She helped raise the children-Ken, younger brother Bill and older sister Beatrice-while their father worked.

By the time Ken turned 11, he was working after school in his father's grocery store. The neighborhood was tough, and street fights were common, so Ken took up wrestling-a passion he carried through Southern Illinois University in Carbondale, where he was captain of his fraternity's wrestling team.

Ken worked his way through school as a red cap, hauling railroad travelers' luggage through Union Station in the late 1950s and early '60s. His energy and kindness earned him generous tips of silver dollars, which became the basis of a lifelong collection of the coins.

"He was a tough Greek, but he had a heart of gold," says Joseph McCormick, president of General Credit Forms Inc. in St. Louis, a college buddy who recruited Ken to General Credit's board.

After graduating from college, Ken took a job selling punch cards at IBM. While there, he spotted a chance to challenge Big Blue's dominance in the mainframe computer market by offering leases on the expensive IBM machines at discount prices.

In 1969, the 29-year-old Ken borrowed $5,000 from his father to set up Computer Discount Corp. The company, later renamed Comdisco, generated $1 million in sales its first year.

Comdisco flourished in the 1970s, expanding to France, Germany and Switzerland. In the 1980s, it introduced disaster recovery services and began leasing the equipment of vendors besides IBM.

As Ken's wealth grew-Forbes named him one of the 400 richest people in America in 1983-he donated millions to community organizations, particularly programs that support disadvantaged youth, such as the Better Boys Foundation and Maryville Academy in Des Plaines. And he gave $1.4 million to his Downstate alma mater to establish the Pontikes Center for Management of Information. Crain's named him its Executive of the Year in 1991.

His rise in stature brought new respect to the once-scrappy computer leasing industry, as Comdisco shed its used-car-dealer image and became known as a financial company-inventing some of the financing structures used in leasing and refining others.

`Wild West, macho culture'

But the tough, street-smart culture never left the company. Com-disco was rife with hard-driving sales people earning $500,000 to $1 million a year. Late-night trading sessions with overseas dealers, in which the traders swapped raunchy remarks along with equipment, were the rule.

"They had such a wild West, macho culture," says Pat Palmer, who was vice-president of marketing and sales at the disaster recovery unit from 1989 to 1990 and one of few women to break into Comdisco's senior ranks. "It was almost more important to win the political game than get the business done."

In the late 1980s, Ken strayed into the risk arbitrage business and, after initial success, received a painful blow: Comdisco lost $100 million on Black Monday, when the stock market crashed in October 1987.

The former wrestler got up off the mat quickly, shutting down the arbitrage unit, calming angry institutional shareholders and immediately turning his attention to more familiar territory: expanding into medical and semiconductor equipment leases.

Unlike Nick, who would eventually bet one-quarter of the company's assets on new, risky ventures, Ken survived by containing the arbitrage investments to less than 10% of Comdisco's assets.

"I never thought we would ever have that much to lose," Ken Pontikes told trade publication Computergram International after the debacle. "I'm proud we can pay the bill."

An avid hunter, Ken was on an African safari in December 1993 when he became ill. Six months later, he died, but not before designating his son as heir apparent.

Mourners stood in line for nearly two hours to attend his wake in Barrington. At the funeral, they lined the walls and stood in doorways at Mount Prospect's St. Emily Catholic Church, whose 1,200 seats were filled.

After the service, friends and business rivals recalled Ken giving them a start in business or rallying support for a charity or listening to a personal problem.

"Ken made everyone feel a part of the family," says Rosemary Geisler, former president of Comdisco's financial management division and a 23-year company veteran. "It was a family-controlled company, but we felt that it was our family."

D2 Capital's Mr. Steinberg recalls, at age 28, cold-calling Ken to make a pitch for handling some of the CEO's investments. Ken not only took the call personally, but agreed to let the young stockbroker handle a small portion of his money.

"I wasn't somebody Ken had to be nice to," says Mr. Steinberg. "I called him out of left field, and he gave me a chance to do business with him. That gives you real insight into the guy's character. This was a guy who went out of his way to make everyone feel important and respected. The guy was a gem."

Personality opposites

While close and affectionate with each other, Kenneth Nicholas Pontikes and Nicholas Kenneth Pontikes were opposite personalities.

To be sure, they did have some things in common. Both were outdoorsmen who relished skiing and hunting trips together, and it wasn't unusual to find them roughhousing at the office.

"Ken would always say that he could wrestle Nick to the ground, even though Nick was a pretty big guy," says old friend Dan Veru, an investment officer at Fort Lee, N.J.-based Palisade Capital Management LLC, which was Comdisco's 10th-largest shareholder until selling its holdings last spring.

However, the similarities went only so far. Ken was a builder; Nick was a dealmaker.

As the only son in a traditional Greek family, "Nicky" always had been expected to follow in his father's footsteps, running the company and managing the family fortune-which, based on the family's 25% stake, peaked at $2 billion in March 2000, when Comdisco shares touched $53.

Other family members worked in the company: Nick's sister Melissa Scanlan headed human resources, and an uncle, William Pontikes, Ken's younger brother and a former Chicago cop, continues as executive vice-president of operations and a board member.

But they weren't seen as viable successors. That was Nick Pontikes' destiny.

By most accounts, Nick had mixed emotions about joining the family business.

He grew up in suburban Rolling Meadows and attended Fremd High School in Palatine. He followed his father's example by joining the wrestling team, but quit after his freshman year to play football and tennis.

After his parents divorced during his teens, Nick lived with his mother and two younger sisters. He spent occasional summers in high school and college working at Comdisco, refurbishing used equipment at the Schaumburg warehouse and doing odd jobs at the Rosemont equipment trading center.

In 1982, he left for the University of Illinois at Urbana-Champaign, where he studied commerce and finance and joined Acacia, a rich kids' fraternity then known for its wild antics and opulent living quarters.

`He liked doing deals'

Nick, who described himself as "a little cocky" in a 1995 interview with Crain's when he was named to its "40 Under 40" roster of up-and-comers, was seduced by the swagger of Wall Street, say people who knew him. The staid and arcane world of leasing computer equipment, however rich it had made his family, must have paled against the allure of brokering million-dollar deals.

After attending college off and on for five years, Nick dropped out in 1987 without completing his undergraduate degree. With his father's help, he landed a job at Drexel Burnham Lambert Inc. in New York, the firm of junk bond king Michael Milken. Drexel Burnham, which put together Comdisco's first major bond deals, hired Nick to do financial modeling and other junior analyst work.

"Nick liked the Street," says Vince Breitenbach, a bond analyst at New York-based Lehman Bros. Inc. who has followed Comdisco for a decade. "He liked doing deals."

When Mr. Milken was indicted for securities violations in 1989 and the heady junk bond years were coming to an end, Nick moved to New York's Blackstone Group L.P. for a year, then returned to Chicago in 1990 to set up his own boutique investment firm, Avalon Capital Corp. The firm never completed a deal (Crain's, Feb. 7, 1994).

In the summer of 1992, Mr. Pontikes finally acceded to his father's wishes and, at age 27, joined Comdisco, initially working as a director in international marketing. In February 1993, he moved into the disaster recovery division as a vice-president of business controls. Six months later, he was promoted to president of the division.

Psychologists who study family businesses say it's critical that offspring who grow up with unbridled wealth and opportunity develop their own sense of competence before taking positions of power in the company.

"It's difficult for a son to outperform his father in business if the son was never able to develop his sense of who he is," says Edwin Hoover, a psychologist at Crowe Chizek & Co. LLP's family-business practice in Oak Brook.

Ultimately, Nick's unwillingness to abandon his Wall Street dream would prove his undoing.

Guided by Slevin

Nick showed promise during his four years heading up the disaster recovery business, a job he began at age 29. Under his direction, the unit trimmed costs and improved profits.

But the experience gave him a very narrow view of the company. Disaster recovery accounted for only 12% of Comdisco's annual revenues. The leasing division was Comdisco's workhorse, generating 80% of sales and 60% of profits for most of the '90s.

Aside from stints as a teenager on the equipment trading floor, Mr. Pontikes had had little exposure to the foundation of his father's business.

His path might have been different if his father had lived longer. In a Business Week interview in the fall of 1999, eight months after he became CEO, Mr. Pontikes acknowledged that his dad was usually right when it came to business decisions.

"I'd have a bunch of ideas about how to fix the company in 20 seconds," Mr. Pontikes told the magazine. "He'd shoot holes in them."

When Ken Pontikes became ill, the board installed Comdisco veteran Jack Slevin (whose children had gone to high school with Nick) as CEO and later chairman. Mr. Slevin took over the task of grooming Nick to lead the company.

For five years, Mr. Slevin served as a safety net, supervising the younger Mr. Pontikes' progress while gradually steering Comdisco beyond mainframe leasing into a broader range of computer equipment and services.

The company flourished during these years. Revenues grew an average 12% a year for the five fiscal years ended Sept. 30, 1998, increasing to $3.24 billion. Net income more than tripled to $151 million in fiscal 1998.

Mr. Slevin promoted Mr. Pontikes to chief operating officer in November 1997. Flush with his rise into the senior executive ranks, the new COO took a crucial step that would come back to haunt him.

In July 1998, he advocated that Comdisco commit $75 million in equity and leasing financing to an upstart phone company unable to pay its bills called Transwire Communications, later renamed Prism. The board approved the deal.

When Mr. Slevin retired at age 62 in January 1999, the 34-year-old Mr. Pontikes finally stepped into his late father's shoes. As the new CEO, he was free to do as he pleased. And what pleased him, according to people who worked with him, was doing deals.

"Nick was probably the wrong person to run the company, as he had little operating experience," says James Schrager, professor of entrepreneurship and strategy at the University of Chicago's Graduate School of Management. "Investment bankers don't run companies very often or very well."

Nobody applied the brakes

The change was felt immediately throughout the company.

Unlike his approachable father, the younger Mr. Pontikes was viewed as remote and out of touch with his workforce. At times, he would schedule meetings and then not show up, say former senior executives.

Workers once loyal to his father started calling the son "The Prince." "We didn't see Nick as much as we (had) Ken, except at company meetings," says one 13-year veteran who left the company earlier this year and requests anonymity. "Ken used to stroll around the office every few months and sit on people's desks and ask what (they were) working on and if there was anything he could do to help."

Customers noticed a difference, too. In contrast to his father and Mr. Slevin, both salesmen with a knack for creating what one former Comdisco salesman called a "customer lovefest," the younger Mr. Pontikes spent more time pursuing Internet ventures than meeting with big customers.

He convinced the board that the new economy was speeding by, and Comdisco needed to catch up-fast.

Nobody put on the brakes.

Of the six outside board members, only one worked in the high-tech industry: James F. Voelker, former president of Virginia-based NextLink Communications Inc. (now XO Communications Inc.), who joined the board in 1999.

Two outside directors had business ties with Comdisco: Merrill Lynch & Co. Chief Financial Officer Thomas H. Patrick, whose New York-based investment bank underwrites Comdisco bonds and was set to underwrite the sale of the Comdisco Ventures tracking stock, and Baxter International Inc. Chairman and CEO Harry M. Jansen Kraemer Jr., whose Deerfield-based health care products company spent $1.6 million on Comdisco products and services in fiscal 2001, according to Comdisco's proxy statement.

Other outside directors on the 11-member board were Carolyn L. Murphy, retired executive at Chicago's CNA Insurance Cos.; management consultant Rick Kash, president of Cambridge Group in Chicago, and financial consultant C. Keith Hartley of Hartley Capital Advisors in Connecticut.

Messrs. Kraemer and Hartley declined to comment. The other directors did not return phone calls.

No game plan

Not helping matters was the fact that Ken Pontikes had died without leaving the board of directors a game plan. Like many family-controlled businesses, Comdisco had no official succession time-table, no detailed set of objectives against which to measure the younger Mr. Pontikes' progress, no widely understood guidelines for determining whether he was capable of running the company.

The board added to the confusion by leaving the chairman post vacant throughout Nick Pontikes' tenure. Without a chairman, boards have no clear leader and are inclined to remain passive, says Richard Bennett, principal at Lens Investment Management LLC, a shareholder rights group in Portland, Maine.

Says Charles Elson, director of the Center for Corporate Governance at the University of Delaware: "Family businesses that are public companies have their own unique set of problems, and succession is one of them. Once you take the public's money, you owe the public the obligation of running it in a detached, professional manner, and oftentimes, family businesses don't. That's the problem."

Disconnect with customers

Two months after Mr. Pontikes became CEO, scores of Comdisco sales executives gathered in a hotel ballroom near O'Hare International Airport to hear his plan for reinventing his father's company.

The first step: shedding Comdisco's legacy mainframe leasing business and walking away from the market his father had created. (The business subsequently was sold to IBM Credit Corp.)

Mr. Pontikes brought Thomas Flohr, who had been running Comdisco's European operations for years, to the U.S. to retool the leasing business.

A smooth European, Mr. Flohr attempted to replace the traditional computer leasing business with a product he had sold in Europe called "information technology control and predictability," or IT Cap.

The service-which involved selling customers on a "level" of technology rather than specific equipment-was hard to explain to customers and never caught on in the U.S.

At the same time, Mr. Pontikes embarked on a series of rapid-fire deals.

In February 1999, Comdisco bought the remaining 75% of Prism that it didn't already own for $53 million in cash. Mr. Pontikes announced plans to transform the Internet access provider into one of the nation's largest competitive local exchange carriers by adding local phone service. Under his leadership, Comdisco invested $478 million, most of it debt, to buy telecom equipment, and introduced the service in more than 30 cities.

In June 1999, he took a $20-million network services boutique firm called Netforce MTI-which Comdisco had acquired when he was president of the disaster recovery business-and pumped it up, more than doubling the workforce to 200 employees and introducing a host of new services, including network design, security assessment, Web hosting and wireless Internet services.

The lack of substance stifled the enterprise. While competitors expanding into network and Web services formed relationships with computer manufacturers to get in customers' doors, Comdisco sold the services alone. When the company shuttered the unit earlier this year, only 37 of Comdisco's 5,300 customers were using the network services.

"We were able to get to the customer earlier than Comdisco and help them pick their equipment," says Eva Losacco, CEO of Skokie-based Forsythe Solutions Group Inc., one of Comdisco's oldest competitors. "That was a major turning point for (Comdisco) in terms of negative customer reaction and damage done within the company."

The upheaval frustrated Com-disco's highly trained salesforce. Accustomed to making six-figure salaries and landing multimillion-dollar contracts, sales executives began to defect when Mr. Pontikes told them to "fire their customers," expand their client calls to small-to-medium-sized businesses and push the new service offerings such as Prism and Web hosting.

"It was an uphill sale," says one former sales executive. "You had to beat the customers over the head to sell it. They weren't asking for it."

His vision for Comdisco

Meanwhile, in Menlo Park, Calif., Comdisco joined the ranks of venture capitalists, pouring $1.4 billion into Comdisco Ventures in 1999 and 2000 and buying stakes in hundreds of Internet and wireless startups, including Living.com Inc., Telocity Inc., Handspring Inc. and Avici Systems Inc.

Started by Ken Pontikes in 1987 as a way to lease equipment to cash-strapped startups in exchange for equity stakes, Comdisco Ventures ballooned under Nick Pontikes into the fourth-most-active corporate venture fund after those of Intel Corp., General Electric Co. and Dell Computer Corp.-companies whose revenues dwarfed Comdisco's many times over. Until Mr. Pontikes took the helm, Comdisco Ventures had never invested more than $300 million in one year.

If nothing else, the younger Mr. Pontikes had a vision for the company. And for a while, he appeared successful.

Many analysts were touting Comdisco as a cheap Internet stock, pointing to what they thought was the hidden value of Prism and Comdisco Ventures.

In December 1999, Nortel Networks Corp. and Williams Communications Group Inc. each bought a 1% stake in Prism for $10 million in anticipation of the unit going public-implying a $1-billion value for Prism alone.

Other DSL providers, such as Rhythms NetConnections Inc. and Covad Communications Group Inc., soared and collapsed-much as Prism did-as it became clear that the Baby Bells were going to complicate competitors' access to their phone lines.

Comdisco's stock price more than tripled in the first 15 months of Mr. Pontikes' tenure, from the $16 range when he took over to the $53 record of March 2000.

And for a while, the ventures group kept the company afloat, contributing two-thirds of Com-disco's profits in 1999 and 2000 as its value soared along with the tech-heavy Nasdaq.

"There is a good deal of Monday-morning quarterbacking that has gone on," says Palisade Capital Management's Mr. Veru, who has known Nick since they both worked at Drexel Burnham more than a decade ago. "The problems at Comdisco go beyond the CEO. No one person causes the failure of a company this size."

Hit by lawsuits

Comdisco might have been able to survive its Internet misadventures if it hadn't taken so many risks at once.

In the end, Mr. Pontikes' experience as an investment banker failed him when he needed it most. In late 1999 and early 2000, Comdisco tried to take Prism public and create a tracking stock for Comdisco Ventures. But the deals never got done.

In April 2000, the Nasdaq plummeted, crushing any hopes of the two units tapping the public market.

The Prism and network services units never made a profit and were eventually shut down after failing to attract buyers. Comdisco Ventures is now in the red.

The company has already written off $273 million in bad loans at the ventures unit and set aside another $381 million in reserves through the fiscal third quarter to write off more bad loans.

Mr. Flohr, who'd been assigned to oversee the company's cash-cow leasing business, filed a lawsuit in July against Mr. Pontikes and Comdisco, charging, among other things, that they "prohibited (him) from performing any of the responsibilities of his positions." The suit, pending in federal District Court, seeks $7.75 million in compensatory damages and $25 million in punitive damages.

Mr. Flohr declined to comment.

Shareholders also have sued Comdisco, Mr. Pontikes and former Chief Financial Officer John Vosicky in a class-action lawsuit, charging that the company and the executives made "material misrepresentations" about Prism and its effect on Comdisco between Jan. 25, 2000, and Oct. 3, 2000, the day Comdisco decided to stop funding Prism. The shareholders are asking for unspecified damages.

The lawsuit was combined with 14 similar class-action suits in March in the Northern District of Illinois. When Comdisco filed for Chapter 11 bankruptcy protection, the court placed an automatic stay on the suit.

Comdisco officials declined comment on the lawsuits.

Conceded his inexperience

Mr. Pontikes resigned on Dec. 20, under pressure from investors over the Prism debacle, and is now overseeing the Comdisco Foundation-an unpaid position.

He acknowledged upon stepping down that he didn't have enough experience to run the company, asserting that "Com-disco needs seasoned leadership with decades, not years, of experience in growing businesses profitably."

In the end, the clash of the old and new economies that dominated the turn of the century cracked Comdisco's once-solid foundation, and Mr. Pontikes' risky deals eventually tore the company apart.

Says John Karnatz, partner at Bartlett-based consulting firm Market-Path: "If the people at Comdisco had taken the same creativity and drive that they applied to the new economy businesses and applied it to their core market, the story might have been different."

Photo Caption: The builder: Kenneth Pontikes, a former IBM salesman, capitalized on the opportunity to market leases on expensive IBM mainframes at discount prices.
Income down...debt up
Art Caption: A wild ride: Comdisco's stock price since December 1998 *
Photo Credit: Mary Herlehy

Document cchi000020011110dxb50000s

